

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the prospectus following this page (the "Prospectus"), and you are therefore required to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of the Representation: In order to be eligible to view this Prospectus or make an investment decision with respect to the securities, you must not be a U.S. Person (within the meaning of Regulation S under the Securities Act) and must be outside the United States. This Prospectus is being sent at your request and by accepting the e-mail and accessing this Prospectus, you will be deemed to have represented to us that you are not a U.S. Person, that you are outside the United States, the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the U.S., its territories and possessions, and that you consent to delivery of this Prospectus by electronic transmission.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus to any other person.

The materials relating to the potential offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, the potential offering will be deemed to be made by such underwriter or such affiliate on behalf of Sagres - Sociedade de Titularização, S.A. (the "**Issuer**") in such jurisdiction.

Under no circumstances will this Prospectus constitute an offer or invitation to sell or the solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this Prospectus who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the final prospectus. This Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently ABN AMRO Bank, N.V. ("**ABN AMRO**"), any person who controls ABN AMRO, any director, officer, employee or agent of ABN AMRO or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version (if any) available to you on request from ABN AMRO.

PELICAN MORTGAGES N ° 4

(Article 62 Asset Identification Code 200805SGRCMGNXXN0026)

€832,000,000 Class A Mortgage Backed Floating Rate Securitisation Notes due 2056
€55,500,000 Class B Mortgage Backed Floating Rate Securitisation Notes due 2056
€60,000,000 Class C Mortgage Backed Floating Rate Securitisation Notes due 2056
€25,000,000 Class D Mortgage Backed Floating Rate Securitisation Notes due 2056
€27,500,000 Class E Mortgage Backed Floating Rate Securitisation Notes due 2056
€28,600,000 Class F Residual Interest Securitisation Notes due 2056

Issue Price: 100 per cent.

Issued by

SAGRES Sociedade de Titularização de Créditos, S.A.

(Incorporated in Portugal with limited liability under registration and taxpayer number 506.561.461)

This Prospectus is dated 19 May 2008

The €832,000,000 Class A Mortgage Backed Floating Rate Securitisation Notes due 2056 (the "Class A Notes"), €55,500,000 Class B Mortgage Backed Floating Rate Securitisation Notes due 2056 (the "Class B Notes"), the €60,000,000 Class C Mortgage Backed Floating Rate Securitisation Notes due 2056 (the "Class C Notes"), the €25,000,000 Class D Mortgage Backed Floating Rate Securitisation Notes due 2056 (the "Class D Notes"), the €27,500,000 Class E Mortgage Backed Floating Rate Securitisation Notes due 2056 (the "Class E Notes" and, together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "Mortgage Backed Notes" and the "Rated Notes") and the €28,600,000 Class F Residual Interest Securitisation Notes due 2056 (the "Class F Notes") of Sagres – Sociedade de Titularização de Créditos, S.A. (the "Issuer") are together referred to hereafter as the "Notes". The Notes will be issued on 20 May 2008, (the "Closing Date"). The issue price of each Class of the Notes is 100 per cent. of their principal amount.

Interest on the Rated Notes and the Class F Distribution Amount is payable on 15th September 2008 and thereafter quarterly in arrear on the 15th day of March, June, September and December in each year (or, if such day is not a Business Day, the next succeeding Business Day, unless such day would fall in the next calendar month, in which case it will be brought forward to the immediately preceding Business Day). Interest on the Rated Notes is payable in respect of each Interest Period at an annual rate equal to the sum of the European Interbank Offered Rate for three month euro deposits except for the first Interest Period when the applicable EURIBOR will be the interpolated rate for 3- month and 4-month euro deposits *plus*, for each Interest Period up to and excluding the Step-up Date a margin of 0.30 per cent. per annum in relation to the Class A Notes, 0.45 per cent. per annum in relation to the Class B Notes, 0.60 per cent. per annum in relation to the Class C Notes, 0.90 per cent. per annum in relation to the Class D Notes and 1.25 per cent. per annum in relation to the Class E Notes. From and including the Step-up-Date, the Notes will bear interest at EURIBOR plus a margin of 0.30 per cent. per annum in relation to the Class A Notes, 0.45 per cent. per annum in relation to the Class B Notes, 0.60 per cent. per annum in relation to the Class C Notes, 0.90 per cent. per annum in relation to the Class D Notes and 1.25 per cent. per annum in relation to the Class E Notes. The Class F Notes will not bear interest but will be entitled to the Class F Distribution Amount to the extent of available funds.

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

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

Prior to the delivery of an Enforcement Notice and subject to the satisfaction of the Pro-Rata Test on an Interest Payment Date, payments of principal on each Class of the Mortgage Backed Notes on such Interest Payment Date will be made *pari passu* without preference or priority for any particular Class of the Mortgage Backed Notes. Prior to the delivery of an Enforcement Notice and if the Pro-Rata Test has not been satisfied on an Interest Payment Date, payments of principal on the Mortgage Backed Notes on such Interest Payment Date will be made sequentially by redeeming all principal due on the Class A Notes and thereafter by redeeming all principal due on the Class B Notes and thereafter by redeeming all principal due on the Class C Notes and thereafter by redeeming all principal due on the Class D Notes and thereafter by redeeming all principal due on the Class E Notes. After the delivery of an Enforcement Notice or whenever the Pro-Rata Test is not satisfied, payments of principal on the Mortgage Backed Notes on such Interest Payment Date will be made sequentially by redeeming all principal due on the Class A Notes and thereafter by redeeming all principal due on the Class B Notes and thereafter by redeeming all principal due on the Class C Notes and thereafter by redeeming all principal due on the Class D Notes and thereafter by redeeming all principal due on the Class E Notes.

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

The source of funds for the payment of principal and interest on the Notes will be the right of the Issuer to receive payments in respect of receivables arising under mortgage loans originated by Caixa Económica Montepio Geral.

The Notes are limited recourse obligations and are obligations solely of the Issuer and are not the obligations of, or guaranteed by, and will not be the responsibility of, any other entity. In particular, the Notes will not be obligations of and will not be guaranteed by ABN AMRO Bank, N.V., London Branch, Citigroup Global Markets Limited or Caixa Económica Montepio Geral.

This document constitutes a prospectus for the purposes of Directive 2003/71/EC. Application has been made to the Irish Financial Services Regulatory Authority (the "IFSR"), as the competent authority under Directive 2003/71/EC, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market.

The Rated Notes are expected to be rated by Fitch Ratings Limited while the Class F Notes are expected to be unrated. It is a condition to the issuance of the Notes that the Rated Notes receive the ratings set out below:

	<i>Fitch</i>
Class A Notes	AAA
Class B Notes	AA
Class C Notes	A-
Class D Notes	BBB
Class E Notes	BB

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

Each Class of the Notes will initially be represented by a temporary global note in bearer form, without coupons or talons, which is expected to be deposited with a common safekeeper for Euroclear and 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, without coupons or talons, for the relevant Class of Notes which will also be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg.

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

Arranger and Lead Manager



Responsibility Statements

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

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

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

ABN AMRO Bank N.V., London Branch, in its capacity as Hedge Counterparty accepts responsibility for the information in this document relating to itself in this regard in the section headed "**The Hedge Counterparty**" (the "**Hedge Counterparty Information**") and such Hedge Counterparty Information is in accordance with the facts and does not omit anything likely to affect the import of such information.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Hedge Counterparty as to the accuracy or completeness of any information contained in this Prospectus (other than the Hedge Counterparty Information) or any other information supplied in connection with the Notes or their distribution.

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

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

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

Financial Condition of the Issuer

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

Selling Restrictions Summary

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

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

Representations about the Notes

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

No action has been taken by the Issuer or the Arranger and Lead Manager other than as set out in this Prospectus that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus (nor any part hereof) nor any preliminary prospectus, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in circumstances that will result in compliance with applicable laws, orders, rules and regulations, and the Issuer and the Arranger and Lead Manager have represented that all offers and sales by them have been made on such terms.

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

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

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

Currency

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

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

Stabilisation

In connection with the issue of the Mortgage Backed Notes, ABN AMRO Bank N.V., London Branch (the "**Stabilising Manager**") (or any person acting for the Stabilising Manager) may for a limited period over-allot Rated Notes or effect transactions with a view to supporting the market price of the Rated Notes at a level higher than that which might otherwise prevail for a limited period after the Closing Date. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin after the adequate public disclosure of the final terms of the offer of the Rated Notes and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Rated Notes and 60 days after the allotment of the Rated Notes.

Interpretation

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings set out in this Prospectus and, in particular in the Conditions. An index of defined terms used in this Prospectus appears on page 160. A reference to a "Condition" or the "Conditions" is a reference to a numbered Condition or Conditions set out in the "**Terms and Conditions of the Notes**" below.

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

Contents

Heading	Page
THE PARTIES.....	5
PRINCIPAL FEATURES OF THE NOTES	7
OVERVIEW OF THE TRANSACTION	14
STRUCTURE AND CASH FLOW DIAGRAM OF TRANSACTION.....	26
RISK FACTORS.....	27
OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS	43
ESTIMATED WEIGHTED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS	70
USE OF PROCEEDS.....	72
CHARACTERISTICS OF THE MORTGAGE BACKED CREDITS	73
ORIGINATOR'S STANDARD BUSINESS PRACTICES, SERVICING AND CREDIT ASSESSMENT	81
DESCRIPTION OF THE ISSUER	83
DESCRIPTION OF THE ORIGINATOR	92
DESCRIPTION OF THE HEDGE COUNTERPARTY.....	93
DESCRIPTION OF THE ACCOUNTS BANK.....	94
SELECTED ASPECTS OF PORTUGUESE LAW RELEVANT TO THE MORTGAGE BACKED CREDITS AND THE TRANSFER OF THE MORTGAGE BACKED CREDITS..	95
SUMMARY OF PROVISIONS RELATING TO NOTES IN GLOBAL FORM.....	100
TERMS AND CONDITIONS OF THE NOTES.....	102
TAXATION	152
SUBSCRIPTION AND SALE.....	156
GENERAL INFORMATION	158
INDEX OF DEFINED TERMS.....	160

THE PARTIES

- Issuer:** SAGRES Sociedade de Titularização de Créditos, S.A., a limited liability company incorporated under the laws of Portugal, as a special purpose vehicle for the purposes of issuing asset-backed securities, with share capital of €250,000 and having its registered office at Rua Barata Salgueiro, No. 30, 4th Lisbon, Portugal and registered with the Commercial Registry Office of Lisbon under registration and taxpayer number 506.561.461.
- Originator:** Caixa Económica Montepio Geral ("**Montepio**") a credit institution established as a fundação under the laws of the Portuguese Republic, with an institutional capital of €635,000,000 and having its registered office at Rua Áurea, 219-241, in Lisbon, taxpayer number and registration number with the Commercial Registry Office of Lisbon 500 792 615.
- Servicer:** Montepio, in its capacity as Servicer, acting through its registered office at Rua Áurea, 219-241, Lisbon, Portugal, or any successor appointed in accordance with the provisions of the Servicing Agreement.
- Common Representative:** Deutsche Trustee Company Limited, in its capacity as representative of the Noteholders pursuant to Article 65 of the Securitisation Law in accordance with the Conditions and the terms of the Common Representative Appointment Agreement.
- Transaction Manager:** Citibank, N.A. (London Branch), in its capacity as transaction manager and as non-exclusive agent to the Issuer in accordance with the terms of the Transaction Management Agreement acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.
- Accounts Bank:** Citibank, N.A. (London Branch), in its capacity as the bank at which the Transaction Accounts are held in accordance with the terms of the Accounts Agreement acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.
- Proceeds Account Bank:** Montepio, in its capacity as Proceeds Account Bank acting through its registered office at Rua Áurea, 219-241, Lisbon, Portugal, or any successor appointed in accordance with the provisions of the Servicing Agreement.
- Agent Bank:** Citibank, N.A. (London Branch), in its capacity as the agent bank in respect of the Notes in accordance with the terms of the Paying Agency Agreement acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.
- Paying Agent:** Citibank, N.A. (London Branch), in its capacity as Paying Agent in respect of the Notes in accordance with the terms of the Paying Agency Agreement acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

Hedge Counterparty:	ABN AMRO Bank N.V., London Branch, in its capacity as Hedge Counterparty in accordance with the terms of the Hedging Agreements, acting through its office at 250 Bishopsgate, London EC2M 4AA, United Kingdom.
Transaction Creditors:	The Common Representative, the Agents, the Transaction Manager, the Accounts Bank, the Originator, the Servicer and the Hedge Counterparty.
Rating Agency:	Fitch Ratings Ltd
Arranger:	ABN AMRO Bank N.V., London Branch, in its capacity as Arranger acting through its office at 250 Bishopsgate, London EC2M 4AA, United Kingdom.
Lead Manager:	ABN AMRO Bank N.V., London Branch, in its capacity as Lead Manager acting through its office at 250 Bishopsgate, London EC2M 4AA, United Kingdom.
Listing Agent:	A&L Listing Limited, in its capacity as listing agent, acting through its office at 25-28 North Wall Quay, International Financial Services Centre, Dublin 1, Ireland.
Common Safekeeper:	Euroclear Bank S.A./N.V. or Clearstream Banking Société Anonyme, Luxembourg
International Central Securities Depositories ("ICSDs"):	Each of Euroclear and Clearstream, Luxembourg.

PRINCIPAL FEATURES OF THE NOTES

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

Notes: The Issuer intends to issue on the Closing Date in accordance with the terms of the Common Representative Appointment Agreement and the Conditions the following Notes (the "Notes"):

€832,000,000 Class A Mortgage Backed Floating Rate Securitisation Notes due 2056;

€55,500,000 Class B Mortgage Backed Floating Rate Securitisation Notes due 2056;

€60,000,000 Class C Mortgage Backed Floating Rate Securitisation Notes due 2056;

€25,000,000 Class D Mortgage Backed Floating Rate Securitisation Notes due 2056;

€27,500,000 Class E Mortgage Backed Floating Rate Securitisation Notes due 2056; and

€28,600,000 Class F Residual Interest Securitisation Notes due 2056.

The Notes of each Class will be purchased from the Lead Manager by the Originator or another member of the Montepio Group on the Closing Date and held by the relevant purchaser.

Issue Price: Each Class of Notes will be issued at 100 per cent. of their principal amount.

Form and Denomination: The Notes will be in bearer form and in minimum denominations of €50,000 each (the "**Minimum Denomination**") and in additional increments of €1,000 in excess thereof. The Notes of each Class will initially be in the form of a Temporary Global Note in bearer form of such Class without interest coupons, which will be delivered on the Closing Date to a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Temporary Global Note of each Class of Notes will be exchangeable, in whole or in part, for interests in a Permanent Global Note in bearer form of that Class of Notes, without interest coupons or talons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. In certain limited circumstances Notes in bearer definitive form with interest coupons, principal receipts and talons attached may be issued.

Each Global Note will be in the form of a new global note. The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not

necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Status and Ranking:

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

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

Prior to the delivery of an Enforcement Notice and subject to the satisfaction of the Pro-Rata Test on an Interest Payment Date, payments of principal on the Mortgage Backed Notes on such Interest Payment Date will be made *pari passu* without preference or priority for any particular Class of the Mortgage Backed Notes.

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

After the delivery of an Enforcement Notice, payments of principal on the Mortgage Backed Notes on such Interest Payment Date will be made sequentially by redeeming all principal outstanding on the Class A Notes and thereafter by redeeming all principal outstanding on the Class B Notes and thereafter by redeeming all principal outstanding on the Class C Notes and thereafter by redeeming all principal outstanding on the Class D Notes and thereafter by redeeming all principal outstanding on the Class E 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, the Class D Notes, the Class E Notes and any amounts due on the Class F 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, the Class D Notes, the Class E Notes and any amounts due on the Class F Notes; all payments of interest due on the Class C Notes will rank in priority to payments of interest due on the Class D Notes, the Class E Notes and any amounts due on the Class F Notes; all payments of interest due on the Class D Notes will rank in priority to payments of interest due on the Class E Notes and any amounts due on the Class F

Notes; all payments of interest due on the Class E Notes will rank in priority to any amounts due on the Class F Notes.

Limited Recourse:

All obligations of the Issuer to the Noteholders or to the Transaction Parties in respect of the Notes or the other Transaction Documents, including, without limitation, the Issuer Obligations, are limited in recourse and, as set out in Condition 9 (*Limited Recourse*), the Noteholders and/or the Transaction Parties will only have a claim in respect of the Transaction Assets and will not have any claim, by operation of law or otherwise, against, or recourse to, any of the Issuer's other assets or its contributed capital.

Statutory Segregation and Security for the Notes:

The Notes and the other obligations of the Issuer under the Transaction Documents owing to the Transaction Creditors:

(i) will have the benefit of the statutory segregation provided by the Securitisation Law; and

(ii) will be secured by first ranking security over each of the Transaction Accounts, created pursuant to the Security Deed (the "**Security**"). The Common Representative will hold the benefit of such security for itself, the Noteholders and the Transaction Creditors and any receiver appointed under the Security Deed.

Use of Proceeds:

The Issuer will apply the proceeds of the issue of the Mortgage Backed Notes solely towards the purchase of the Mortgage Backed Credits pursuant to the Mortgage Backed Credits Assignment Agreement. The proceeds of the issue of the Class F Notes will be used to establish the Cash Reserve Account, to fund part of the initial up-front transaction expenses of the Issuer, and to pay the part of the purchase price of the Mortgage Backed Credits attributable to (a) the interest accrued and not yet paid on the Loans as at the Portfolio Determination Date and (b) the cost of funding for the Seller of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits Portfolio from (and including) the Portfolio Determination Date to (but excluding) the Closing Date.

Rate of Interest:

The Rated Notes of each Class will represent entitlements to payment of interest in respect of each successive Interest Period from the Closing Date at an annual rate in respect of each Class equal to EURIBOR plus the following Relevant Margins:

	Prior to the Step-up Date	On or subsequent to the Step-up Date
Class A Notes	0.30	0.30
Class B Notes	0.45	0.45
Class C Notes	0.60	0.60
Class D Notes	0.90	0.90
Class E Notes	1.25	1.25

Class F Distribution Amount: In respect of any Interest Payment Date, the Class F Notes will bear an entitlement to payment of the Class F Distribution Amount in the amount calculated by the Transaction Manager to be paid from the Available Interest Distribution Amount on such Interest Payment Date. This amount will only be payable to the extent that funds are available to the Issuer for that purpose under the Pre-Enforcement Interest Payment Priorities or the Post-Enforcement Payments Priorities.

Interest Accrual Period: Interest on the Rated Notes and the amounts due on the Class F Notes will be paid quarterly in arrear. Interest will accrue from, and including, the immediately preceding Interest Payment Date (or, in the case of the First Interest Payment Date, the Closing Date) to, but excluding, the relevant Interest Payment Date.

Interest Payment Date: Interest on the Rated Notes and the Class F Distribution Amount is payable quarterly in arrear on the 15th day of March, June, September and December 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).

Business Day: Any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System is open for settlement of payments in euro or, if such TARGET Day is not a day on which banks are open for business in London and in Lisbon, the next succeeding TARGET Day on which banks are open for business in London and in Lisbon.

Lisbon Business Day: Any day on which banks are open for business in Lisbon.

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 Legal Maturity Date at their Principal Amount Outstanding.

Final Legal Maturity Date: The Interest Payment Date falling in September 2056.

Authorised Investments: The Issuer has the right to make Authorised Investments (as defined below) using amounts standing to the credit of the Payment Account and the Cash Reserve Account.

"**Authorised Investments**" means:

(i) any euro denominated investment or other deposit in respect of which a security interest can be created pursuant to the Security Deed and

(ii) which has a rating of, or (in the case of a bank account or term deposit) is held at or made with an institution having a minimum rating by Fitch equal to "A" and "F1" for investments with a maturity of less than 30 days, "AA-" and "F1+" for investments with a maturity of between 30 and 365 days, and "AAA" for investments with a maturity of greater than 365 days; and

(iii) any other obligation the investment in which would not adversely affect the Ratings and

(iv) which matures, or (in the case of a bank account) from which amounts deposited may be withdrawn at any time without penalty, before the next Interest Payment Date.

Taxation in respect of the Notes:

Payments of interest and principal and other amounts due under the Notes will be subject to income taxes, including applicable withholding taxes (if any), and other taxes (if any) and neither the Issuer nor any other person will be obliged to pay additional amounts in relation thereto.

Income generated by the holding (distributions) or transfer (capital gains) of the Notes is generally subject to Portuguese tax for debt notes (*obrigações*) if the holder is a Portuguese resident or has a permanent establishment in Portugal to which the income might be attributable. Pursuant to the Securitisation Tax Law, any payments of interest made in respect of the Notes to Noteholders who are not Portuguese residents and do not have a permanent establishment in Portugal to which the income might be attributable will be exempt from Portuguese income tax. The above-mentioned exemption from income tax does not apply to non-resident 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 any of the jurisdictions referred to in Regulation 150/2004 of 13 February 2004 (as amended).

Please refer to the section headed "**Taxation**" for more information.

No Purchase of Notes by the Issuer:

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

Ratings:

The Rated Notes are expected on issue to be assigned the following Ratings by the Rating Agency:

	Fitch
Class A Notes	AAA
Class B Notes	AA
Class C Notes	A-
Class D Notes	BBB
Class E Notes	BB

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

Optional Redemption in Whole:

The Issuer may redeem all (but not some only) of the Notes in each Class at their Principal Amount Outstanding together with accrued

interest on any Interest Payment Date:

- (a) falling on or after the Interest Payment Date on which the Aggregate Principal Outstanding Balance of the Loans is equal to or less than 10 per cent. of the Aggregate Principal Outstanding Balance of the Loans as at the Portfolio Determination Date; or
- (b) after the date on which, by virtue of a change in Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would be required to make a Tax Deduction from any payment in respect of the Notes (other than by reason of the relevant Noteholder having some connection with the Portuguese Republic, other than the holding of the Notes or related Coupons); or
- (c) after the date on which, by virtue of a change in Tax law of any applicable jurisdiction (or the application or official interpretation of such Tax law), either the Issuer or the Hedge Counterparty would be required to make a Tax Deduction from any payment to be made by it in respect of the Hedging Agreements; or
- (d) after the date on which, by virtue of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would not be entitled to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or the Issuer would be treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive under the Transaction Documents; or
- (e) after the date of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law) which would cause the total amount payable in respect of any of the Notes to cease to be receivable by the Noteholders including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to any Mortgage Backed Credit; or
- (f) falling on or after the Step-up Date.

Paying Agents:

The Issuer will appoint the Paying Agent with respect to payments due under the Notes. The Issuer will procure that, for so long as any Notes are outstanding, there will always be a Paying Agent to perform the functions assigned to it. The Issuer may at any time, by giving not less than 30 days notice, replace the Paying Agent by one or more banks or other financial institutions which will assume such functions. As consideration for performance of the paying agency services, the Issuer will pay the Paying Agent a fee.

Transfers of Notes:

Transfers of Notes will require appropriate entries in securities accounts. Transfers of Notes between Euroclear participants, between

Clearstream, Luxembourg participants and between Euroclear participants on the one hand and Clearstream, Luxembourg participants on the other hand will be effected in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg respectively.

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

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

Governing Law: The Notes, the Common Representative Appointment Agreement and each other Transaction Document will be governed by Portuguese law other than the Transaction Management Agreement, the Security Deed, the Subscription Agreement, the Hedging Agreements, the Issuer-ICSDs Agreement, the Paying Agency Agreement and the Accounts Agreement which will be governed by English law.

OVERVIEW OF THE TRANSACTION

- Purchase of Mortgage Backed Credits:** Under the terms of the Mortgage Backed Credits Assignment Agreement, the Originator will assign to the Issuer and the Issuer will, subject to satisfaction of certain conditions precedent, purchase from the Originator, certain mortgage loans (the "**Loans**") and related security (together, the "**Mortgage Backed Credits**").
- Consideration for Purchase of the Mortgage Backed Credits:** In consideration for the assignment of the Mortgage Backed Credits on the Closing Date, the Issuer will pay the Purchase Price (as defined below - see "**Overview of Certain Transaction Documents - Mortgage Backed Credits Assignment Agreement**") to the Originator for the Mortgage Backed Credits to be assigned to the Issuer.
- Servicing of the Mortgage Backed Credits:** Pursuant to the terms of the Servicing Agreement, the Servicer will agree to administer and service the Mortgage Backed Credits assigned by the Originator to the Issuer on behalf of the Issuer and, in particular, to:
- (a) collect the Receivables due in respect thereof;
 - (b) set interest rates applicable to the Loans;
 - (c) administer relationships with Borrowers; and
 - (d) undertake enforcement proceedings in respect of any Borrowers which may default on their obligations under the relevant Mortgage Backed Credits.
- Servicer Reporting:** Montepio in its capacity as the Servicer, will be required no later than five Lisbon Business Days after each Calculation Date to deliver to the Transaction Manager a report in a form reasonably acceptable to the Transaction Manager (the "**Quarterly Report**") relating to the period from the last date covered by the previous Quarterly Report.
- The Quarterly Report will form part of an investor report to be in a form acceptable to the Issuer, the Transaction Manager and the Common Representative (the "**Investor Report**") to be delivered by the Transaction Manager to, *inter alios*, the Common Representative and the Paying Agent not less than two Business Days prior to each Interest Payment Date.
- Proceeds Account:** The Proceeds Account will be operated by the Servicer in accordance with the terms of the Servicing Agreement.
- All Collections received by the Servicer from a Borrower pursuant to a Mortgage Backed Credit will be credited by the Servicer to the Proceeds Account. The Servicer will transfer all Collections in the Proceeds Account to the Payment Account on the Business Day following each Business Day on which such Collections are credited to the Proceeds Account, in accordance with the terms of the Servicing Agreement, except that the Servicer shall not, in

respect of the Proceeds Account, give any such direction if it would cause the Proceeds Account to become overdrawn. If the short-term unsecured debt obligations of the Proceeds Account Bank cease to be rated at least F-2 by Fitch, or the Proceeds Account Bank otherwise ceases to be rated by Fitch, a replacement Proceeds Account Bank will be appointed whose short-term unsecured debt obligations are rated at least F-2 by Fitch, and Borrowers will be notified that they should as soon as practicable, and in any case within 30 calendar days, make their payments into the designated account of such replacement Proceeds Account Bank.

Payment Account:

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

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

Payments from Payment Account on each Business Day:

On each Business Day, funds standing to the credit of the Payment Account will be applied by the Issuer in or towards payment of an amount equal to any Incorrect Payment to the Originator due on such Lisbon Business Day.

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

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

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

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

If, in respect of an Interest Payment Date, the Transaction Manager determines as at the Calculation Date immediately preceding such Interest Payment Date that a Payment Shortfall will exist on such Interest Payment Date, the Transaction Manager will ensure that, subject to satisfaction of the Principal Draw Test there is deducted an amount equal to the Principal Draw Amount from the Available

Principal Distribution Amount and such amount is added to the Available Interest Distribution Amount on or prior to such Interest Payment Date to reduce or, as applicable, eliminate such Payment Shortfall.

Cash Reserve Account:

On or about the Closing Date, the Cash Reserve Account will be established with the Accounts Bank in the name of the Issuer into which an amount equal to €23,000,000 from the proceeds of the issue of the Class F Notes will be transferred.

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

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

Replenishment of Cash Reserve Account:

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

Excess Available Interest Distribution Amount:

On each Interest Payment Date, and as calculated on the immediately preceding Calculation Date, following replenishment of the Cash Reserve Account any excess Available Interest Distribution Amount will be applied towards the remaining items in the Pre-Enforcement Payment Priorities in respect of such Interest Payment Date.

Principal Draw Amount:

In relation to any Interest Payment Date, the Principal Draw Amount is the aggregate amount determined on the related Calculation Date as being the amount (if any) of the Available Principal Distribution Amount which is to be utilised by the Issuer to reduce or eliminate any Payment Shortfall on such Interest Payment Date, subject to the satisfaction of the Principal Draw Test as at such Interest Payment Date in respect of each relevant Class of Mortgage Backed Notes, and provided always that the Principal Draw Amount shall be zero on any Interest Payment Date on which a debit balance will remain on the Capitalised Interest Ledger following the making of all payments or provisions on such Interest Payment Date.

Available Interest Distribution Amount:

"Available Interest Distribution Amount" means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager on the Calculation Date immediately

preceding such Interest Payment Date equal to the sum of:

- (a) any Interest Collection Proceeds and other interest amounts received by the Issuer as interest payments under the Mortgage Backed Credits during the Calculation Period immediately preceding such Interest Payment Date;
- (b) payment (if any) (other than payment of collateral) to be received from the Hedge Counterparty on such Interest Payment Date under the Interest Rate Swap Transaction;
- (c) where the proceeds or estimated proceeds of disposal or, on maturity, the maturity proceeds of any Authorised Investment received in relation to the relevant Calculation Period exceeds the original cost of such Authorised Investment, the amount of such excess together with interest thereon;
- (d) all amounts standing to credit of the Cash Reserve Account;
- (e) the amount of any Principal Draw Amount to be made on such Interest Payment Date to cover any Payment Shortfall in respect of such Interest Payment Date;
- (f) interest accrued and credited to the Transaction Accounts during the relevant Calculation Period;
- (g) the amount of any Capitalised Interest Application Amount to be applied on such Interest Payment Date;
- (h) any portion of the Available Principal Distribution Amount remaining after the redemption in full of the Mortgage Backed Notes; less
- (i) any Withheld Amount;

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

**Available Principal
Distribution Amount:**

"Available Principal Distribution Amount" means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager as at the Calculation Date immediately preceding such Interest Payment Date as being equal to:

- (a) the amount of any Principal Collection Proceeds to be received by the Issuer as principal payments under the Mortgage Backed Credits during the Calculation Period immediately preceding such Interest Payment Date; plus
- (b) such amount of the Available Interest Distribution Amount as is credited to the Payment Account and which is applied by the Transaction Manager on such Interest Payment Date in reducing the debit balance on the Class A Principal

Deficiency Ledger, the Class B Principal Deficiency Ledger, the Class C Principal Deficiency Ledger, the Class D Principal Deficiency Ledger or the Class E Principal Deficiency Ledger; plus

- (c) on any Interest Payment Date on which the Gross Cumulative Default Ratio exceeds: (i) in respect of Class B Notes 27.5 per cent.; (ii) in respect of Class C Notes 20.5 per cent.; (iii) in respect of Class D Notes 13.5 per cent. and (iv) in respect of Class E Notes 7 per cent., any amount of the Available Interest Distribution Amount which would otherwise have been applied towards payments under paragraphs (g), (i), (k), (m), (q) and (r) of the Pre-Enforcement Interest Payment Priorities; less
- (d) the amount of any Capitalised Interest Application Amount to be applied on such Interest Payment Date; and
- (e) the amount of any Principal Draw Amount to be made on such Interest Payment Date.

Principal Deficiency Ledger:

The Issuer will establish in its books a principal deficiency ledger comprising five sub-ledgers (the "**Class A Principal Deficiency Ledger**", the "**Class B Principal Deficiency Ledger**", the "**Class C Principal Deficiency Ledger**", the "**Class D Principal Deficiency Ledger**" and the "**Class E Principal Deficiency Ledger**" and, together, the "**Principal Deficiency Ledger**") and, on each Interest Payment Date, the Transaction Manager shall record (i) any Deemed Principal Losses in relation to the Loans that exist as at the related Calculation Date which are not recorded as a credit entry in the Capitalised Interest Ledger on the relevant Interest Payment Date, and (ii) any Principal Draw Amounts that will be made on such Interest Payment Date (together the "**Principal Deficiency**") by debiting the Principal Deficiency Ledger as set out below.

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

Deficiency Ledger.

Capitalised Interest Ledger:

The Issuer will establish in its books a capitalised interest ledger and, on each Interest Payment Date, the Transaction Manager shall record:

(i) where the amount of the Capitalised Interest Receivables on the related Calculation Date exceeds the Capitalised Interest Application Amount on such Interest Payment Date, the amount by which the Capitalised Interest Receivables exceeds the Capitalised Interest Application Amount as a debit entry on such ledger; and

(ii) where the amount of the Capitalised Interest Application Amount on the related Calculation Date exceeds the Capitalised Interest Receivables on such Interest Payment Date, the amount by which the Capitalised Interest Application Amount exceeds the Capitalised Interest Receivables as a credit entry on such ledger; and

(iii) having made the debit or credit set out in (i) and (ii), until the balance on such ledger is zero, the Deemed Principal Losses in relation to Loans on the related Calculation Date as a credit entry on such ledger.

**Pre-Enforcement Interest
Payments Priorities:**

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

- (a) *first*, in or towards payment of the Issuer's liability to tax, in relation to this transaction, if any;
- (b) *second*, in or towards payment of the Common Representative's Fees and the Common Representative's Liabilities;
- (c) *third*, in or towards payment of the Issuer Expenses, excluding the Issuer's liability to tax, paid under item (a) above;
- (d) *fourth*, in or towards payment of amounts due to the Hedge Counterparty under the Hedging Agreements (except for such amounts as are payable (i) in connection with an early termination of the Hedging Agreements or (ii) in relation to any collateral, Excess Hedge Collateral or Return Amount due to the Hedge Counterparty pursuant to the Hedging Agreements);
- (e) *fifth*, in or towards payment *pari passu* on a *pro rata* basis

of (i) the Interest Amount in respect of the Class A Notes; and (ii) amounts due to the Hedge Counterparty in connection with an early termination of the Hedging Agreements (if any) other than where such early termination results from a default by the Hedge Counterparty or where the Hedge Counterparty is the sole Affected Party (as defined in the Hedging Agreements);

- (f) *sixth*, in or towards reduction of the debit balance on the Class A Principal Deficiency Ledger until such balance is equal to zero;
- (g) *seventh*, in or towards payment of the Interest Amount, Deferred Interest Amount Arrears and any default interest thereon due and payable on any Interest Payment Date in respect of the Class B Notes *pari passu* on a *pro rata* basis but so that such Interest Amount will be paid prior to such Deferred Interest Amount Arrears which shall, in turn, be paid prior to any default interest in accordance with Condition 7.17 (*Priority of Payment of Interest and Deferred Interest*);
- (h) *eighth*, in or towards reduction of the debit balance on the Class B Principal Deficiency Ledger to zero;
- (i) *ninth*, in or towards payment of the Interest Amount, Deferred Interest Amount Arrears and any default interest thereon due and payable on any Interest Payment Date in respect of the Class C Notes *pari passu* on a *pro rata* basis but so that such Interest Amount will be paid prior to such Deferred Interest Amount Arrears which shall, in turn, be paid prior to any default interest in accordance with Condition 7.17 (*Priority of Payment of Interest and Deferred Interest*);
- (j) *tenth*, in or towards reduction of the debit balance on the Class C Principal Deficiency Ledger to zero;
- (k) *eleventh*, in or towards payment of the Interest Amount, Deferred Interest Amount Arrears and any default interest thereon due and payable on any Interest Payment Date in respect of the Class D Notes *pari passu* on a *pro rata* basis but so that such Interest Amount will be paid prior to such Deferred Interest Amount Arrears which shall, in turn, be paid prior to any default interest in accordance with Condition 7.17 (*Priority of Payment of Interest and Deferred Interest*);
- (l) *twelfth*, in or towards reduction of the debit balance on the Class D Principal Deficiency Ledger to zero;
- (m) *thirteenth*, in or towards payment of the Interest Amount, Deferred Interest Amount Arrears and any default interest

thereon due and payable on any Interest Payment Date in respect of the Class E Notes *pari passu* on a *pro rata* basis but so that such Interest Amount will be paid prior to such Deferred Interest Amount Arrears which shall, in turn, be paid prior to any default interest in accordance with Condition 7.17 (*Priority of Payment of Interest and Deferred Interest*);

- (n) *fourteenth*, in or towards reduction of the debit balance on the Class E Principal Deficiency Ledger to zero;
- (o) *fifteen*, in or towards payment to the Cash Reserve Account up to the Cash Reserve Account Required Balance;
- (p) *sixteenth*, in or towards payment of amounts due to the Hedge Counterparty in connection with an early termination of the Hedging Agreements in circumstances where such early termination results from a default by the Hedge Counterparty or where the Hedge Counterparty is the sole Affected Party (except for such amounts as are payable in relation to any collateral, Excess Hedge Collateral or Return Amount due to the Hedging Counterparty);
- (q) *seventeenth*, in or towards payment of any Class F Distribution Amount due and payable in respect of the Class F Notes; and
- (r) *eighteenth*, in release of the balance (if any) to the Originator.

Provided that, if on any Interest Payment Date the Gross Cumulative Default Ratio exceeds (i) in respect of Class B Notes 27.5 per cent.; (ii) in respect of Class C Notes 20.5 per cent.; (iii) in respect of Class D Notes 13.5 per cent. and (iv) in respect of Class E Notes 7 per cent., then no payments under paragraphs (g), (i), (k), (m), (q) and (r) will be made until the Class A Notes have been repaid in full.

"**Gross Cumulative Default Ratio**" means, in respect of an Interest Payment Date, the Aggregate Principal Outstanding Balance (as at the related Calculation Date) of the Mortgage Backed Credits which have become Defaulted Mortgage Backed Credits since the Portfolio Determination Date divided by the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits as at the Portfolio Determination Date.

Pre-Enforcement Principal Payments Priorities:

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

- A. where the Pro-Rata Test has been satisfied on such Interest Payment Date, in or towards payment on a *pari passu* and *pro rata* basis of the Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes; and
- B. where the Pro-Rata Test has not been satisfied on such Interest Payment Date:
 - (i) *first*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class A Notes until all the Class A Notes have been redeemed in full;
 - (ii) *second*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class B Notes until all the Class B Notes have been redeemed in full;
 - (iii) *third*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class C Notes until all the Class C Notes have been redeemed in full;
 - (iv) *fourth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class D Notes until all the Class D Notes have been redeemed in full;
 - (v) *fifth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class E Notes until all the Class E Notes have been redeemed in full;
 - (vi) *sixth*, following redemption in full of the Class E Notes, the Available Principal Distribution Amount shall be added to the Available Interest Distribution Amount and applied in accordance with the Pre-Enforcement Interest Payments Priorities.

Redemption of Class F Notes from Available Interest Distribution Amount:

On the Interest Payment Date on which any Class F Distribution Amount is to be paid by the Issuer in accordance with Condition 7.5 (*Class F Distribution Amount Payments*), the Issuer will cause the Class F Notes to be redeemed in full in an amount which is equal to the Principal Amount Outstanding of the Class F Notes.

Post-Enforcement Payments Priorities:

Following the delivery of an Enforcement Notice, all amounts received or recovered by the Issuer and/or the Common Representative will be applied by the Transaction Manager or the Common Representative in making the following payments in the following order of priority but in each case only to the extent that

all payments of a higher priority have been made in full:

- (a) *first*, in or towards payment *pari passu* on a *pro rata* basis of (i) any remuneration then due and payable to any receiver of the Issuer and all costs, expenses and charges incurred by such receiver, in relation to this transaction, and (ii) the Common Representative's Fees and the Common Representative's Liabilities;
- (b) *second*, in or towards payment of the Issuer Expenses;
- (c) *third*, in or towards payment of amounts due to the Hedge Counterparty under the Hedging Agreements (except for such amounts as are payable (i) in connection with an early termination of the Hedging Agreement or (ii) in relation to any collateral, Excess Hedge Collateral or Return Amount due to the Hedge Counterparty pursuant to the Hedging Agreements);
- (d) *fourth*, in or towards payment *pari passu* on a *pro rata* basis of (i) accrued interest on the Class A Notes but so that current interest will be paid before interest that is past due and (ii) amounts due to the Hedge Counterparty in connection with an early termination of the Hedging Agreements other than where such early termination results from a default by the Hedge Counterparty or where the Hedge Counterparty is the sole Affected Party;
- (e) *fifth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class A Notes until all Class A Notes have been redeemed in full;
- (f) *sixth*, in or towards payment of accrued interest on the Class B Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;
- (g) *seventh*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class B Notes until all Class B Notes have been redeemed in full;
- (h) *eighth*, in or towards payment of accrued interest on the Class C Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;
- (i) *ninth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class C Notes until all Class C Notes have been redeemed in full;
- (j) *tenth*, in or towards payment of accrued interest on the Class D Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;
- (k) *eleventh*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class D

Notes until all Class D Notes have been redeemed in full;

- (l) *twelfth*, in or towards payment of accrued interest on the Class E Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;
- (m) *thirteenth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class E Notes until all Class E Notes have been redeemed in full;
- (n) *fourteenth*, in or towards payment of amounts due to the Hedge Counterparty in connection with an early termination of the Hedging Agreements where such early termination results from a default by the Hedge Counterparty or where the Hedge Counterparty is the sole Affected Party;
- (o) *fifteenth*, in or towards payment of any Class F Distribution Amount; and
- (p) *sixteenth*, in release of the balance (if any) to the Originator.

**Hedging Agreements - Interest
Rate Swap Transaction:**

In order to hedge the basis risk between the interest income received under the Mortgage Backed Credits and the EURIBOR-based liabilities of the Issuer in respect of the Rated Notes, the Issuer will on or before the Closing Date enter into an interest rate swap transaction (the "**Interest Rate Swap Transaction**") to be documented under an 1992 (Multicurrency – Cross Border) ISDA Master Agreement (together with the respective schedule and confirmation thereto) with the Hedge Counterparty under which on each Interest Payment Date:

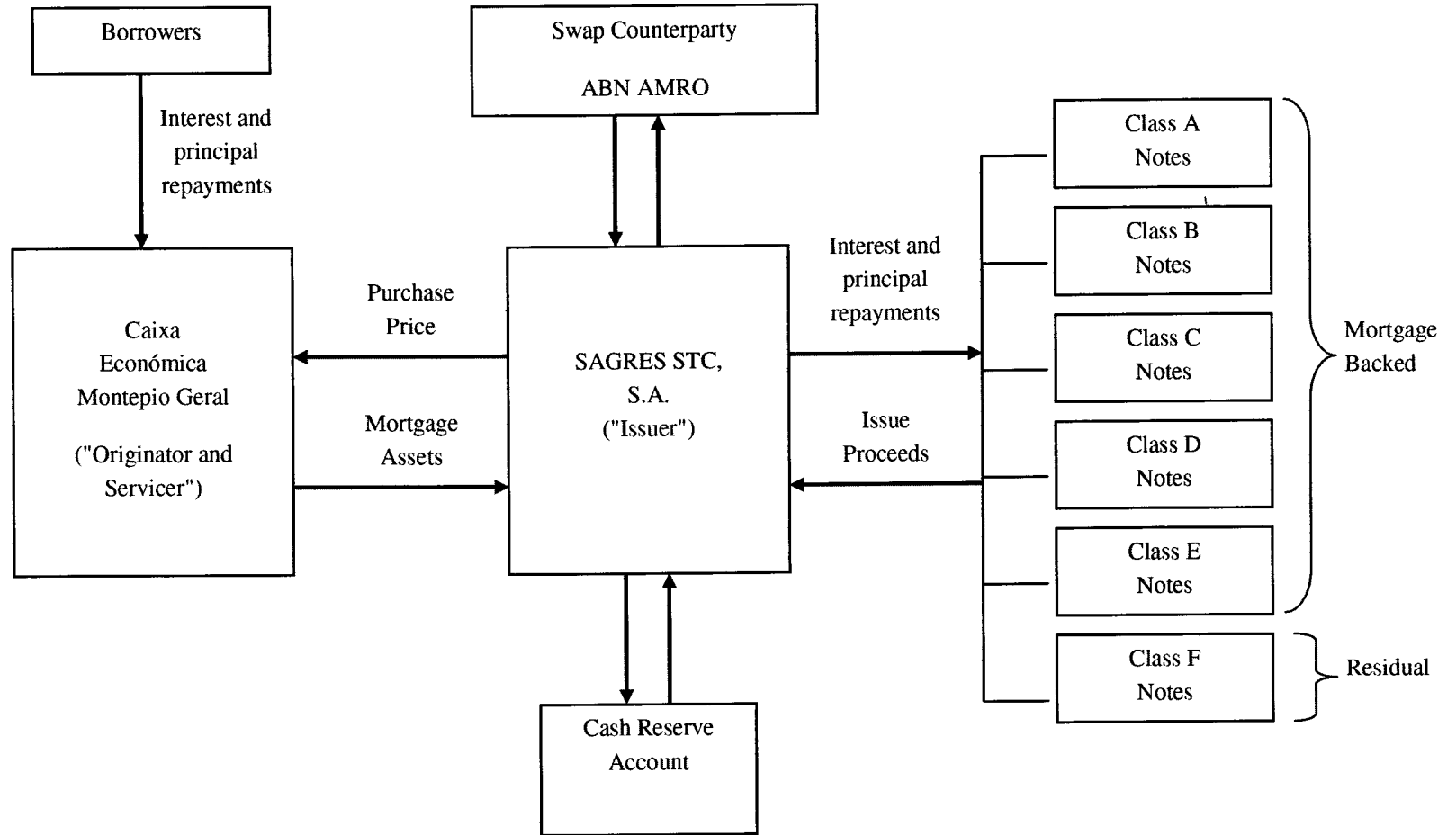
(a) the Issuer will pay to the Hedge Counterparty certain amounts calculated by reference to the relevant weighted average EURIBOR interest rates applicable in respect of the Mortgage Backed Credits determined by deducting the weighted average spread from the weighted average rate of the Mortgage Backed Credits in respect of which no payment is more than 90 days overdue as at the beginning of each relevant Calculation Period on a notional amount equal to the Aggregate Principal Outstanding Balance of such Mortgage Backed Credits as at the beginning of the relevant Calculation Period; and

(b) the Hedge Counterparty will pay to the Issuer certain amounts calculated by reference to the EURIBOR rate applicable to the Rated Notes on a notional amount equal to the Aggregate Principal Outstanding Balance of such Mortgage Backed Credits as at the beginning of the relevant Calculation Period.

See "**Overview of Certain Transaction Documents – Interest**

Rate Swap Transaction".

STRUCTURE AND CASH FLOW DIAGRAM OF TRANSACTION



RISK FACTORS

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

Absence of a Secondary Market

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

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

Restrictions on Transfer

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

Liability under the Notes

The Notes are limited recourse obligations and are obligations solely of the Issuer and will not be obligations or responsibilities of any other entity. In particular, the Notes will not be obligations of and will not be guaranteed by ABN AMRO Bank N.V., London Branch, Citigroup Global Markets Limited or Montepio in its various capacities under this transaction.

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

Limited Resources of the Issuer

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

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

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

- (a) Collections and recoveries made from the Mortgage Backed Credits Portfolio by the Servicer;
- (b) arrangements pursuant to the Transaction Accounts;
- (c) the performance by all of the parties to the Transaction Documents (other than the Issuer) of their respective obligations under the Transaction Documents; and
- (d) the hedging arrangements entered into under the Hedging Agreements;

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

Limited Recourse Nature of the Notes

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

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

Ratings are Not Recommendations

There is no obligation on the part of any of the Transaction Parties under the Notes or the Transaction Documents to maintain any rating for itself or the Rated Notes. None of the foregoing or any other person has assumed any obligation in case the Issuer fails to make a payment due under any of the Notes. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each securities rating should be evaluated independently of any other securities rating. In the event that the rating initially assigned to the Rated Notes is subsequently lowered, withdrawn or qualified for any reason, no person will be obliged to provide any credit facilities or credit enhancement to the Issuer for the original rating to be restored. Any such lowering, withdrawal or qualification of a rating may have an adverse effect on the liquidity and market price of the Notes.

The Rating Agency rating of any Class of the Mortgage Backed Notes addresses the likelihood that Noteholders of such Class will receive timely payments of interest and ultimate repayment of principal. The rating of "AAA" is the highest rating that Fitch Ratings assign to notes.

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

The ratings address the expected loss or the default probability posed to investors by the Final Legal Maturity Date. In the Rating Agency's opinion, the structure of the transaction allows for timely payment of interest and ultimate payment of principal at par on or before the Final Legal Maturity Date. The

Rating Agency's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed but may have a significant effect on yield to investors.

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

Liquidity and Credit Risk for the Issuer

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

Credit Risk on the Parties to the Transaction

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

Projections, forecasts and estimates

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

Originator's Lending Criteria

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

Borrowers

The Loans in the Mortgage Backed Credits Portfolio were originated in accordance with the criteria set out in "**Originator's Standard Business Practices, Servicing And Credit Assessment**". General economic conditions and other factors, such as loss of subsidies or increase of interest rates (which may or may not affect property values), may have an impact on the ability of Borrowers to meet their repayment obligations under the Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy or insolvency filings by Borrowers, which may lead to a reduction in payments by such Borrowers on their Loans and could reduce the Issuer's ability to service payments on the Notes.

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

Competition in the Portuguese Residential Mortgage Market

The Issuer is, among other things, subject to the risk of the contractual interest rates on the Loans being less than that required by the Issuer to meet its commitments under the Notes, which may result in the Issuer having insufficient funds available to meet the Issuer's commitment under the Notes and other Issuer obligations. There are a number of lenders in the Portuguese residential mortgage market and competition may result in lower interest rates on offer in such market. In the event of lower interest rates, Borrowers under Loans may seek to repay such Loans early, with the result that the Mortgage Backed

Credits Portfolio may not continue to generate sufficient cashflows and the Issuer may not be able to meet its commitments under the Notes.

Insurance

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

No Independent Investigation in relation to the Mortgage Backed Credits

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

Withholding Taxes

Should any withholding or deduction for or on account of any Taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by any government or state with authority to tax or any political subdivision or any authority thereof or therein having power to tax be required to be made from any payment in respect of the Notes (as to which, in relation to the United Kingdom and Portugal, see "**Taxation**" below), neither the Issuer, the Common Representative nor any Paying Agent will be obliged to make any additional payments to Noteholders, Couponholders or Receiptholders to compensate them for the reduction in the amounts that they will receive as a result of such withholding or deduction. If payments made by any party under the Servicing Agreement are subject to a Tax Deduction required by law, there will be no obligation on such party to increase the payment to leave an amount equal to the payment which would have been due if no Tax Deduction would have been required.

Charge

The Security includes a charge over the Transaction Accounts under the Security Deed. This charge is expressed to be fixed but a court may characterise it as floating. This charge may not be recognised as an effective security interest in jurisdictions other than England. However, the covenants given by the Issuer in the Incorporated Terms Memorandum will (i) restrict the Issuer from creating any security other than

those created pursuant to the Transaction Documents, (ii) restrict the business activities of the Issuer and (iii) restrict the Issuer from having a place of business outside its jurisdiction of incorporation.

Reliance on the Originator's Representations and Warranties

If any of the Mortgage Backed Credits fails to comply with any of the Mortgage Backed Credit Warranties which could, in the opinion of the Issuer (or, after the occurrence of an Event of Default, the Common Representative), have a material adverse effect on the validity or enforceability of (i) any Mortgage Backed Credit, (ii) its related Mortgage Backed Credit Agreements or (iii) the Receivables in respect of such Mortgage Backed Credit, the Originator is obliged to hold the Issuer harmless against any losses which the Issuer may suffer as a result of such failure. The Originator may discharge this liability either by, at its option, (A) repurchasing or procuring a third party to repurchase, in any case to the extent permitted by the Securitisation Law, such Mortgage Backed Credit from the Issuer for an amount equal to the aggregate of: (i) the Principal Outstanding Balance of the relevant Mortgage Backed Credit as at the date of re-assignment of such Assigned Rights; (ii) an amount equal to all other amounts due in respect of the relevant Mortgage Backed Credit and its related Mortgage Backed Credit Agreement; and (iii) the properly incurred costs and expenses of the Issuer incurred in relation to such re-assignment, or (B) making an indemnity payment equal to such amount or, (C) in certain circumstances, substituting or procuring the substitution of a similar loan and security in replacement for any Mortgage Backed Credit in respect of which such Mortgage Backed Credit Warranty is breached, provided that this shall not limit any other remedies available to the Issuer if the Originator fails to discharge such liability. The Originator is also liable for any losses or damages suffered by the Issuer as a result of any breach or inaccuracy of the representations and warranties given in relation to itself or its entering into any of the Transaction Documents. The Issuer's rights arising out of breach or inaccuracy of the representations and warranties are however unsecured and, consequently, a risk of loss exists if a Mortgage Backed Credit Warranty is breached and the Originator is unable to repurchase or cause a third party to purchase or substitute the relevant Mortgage Backed Credit or indemnify the Issuer.

Limited Liquidity of the Mortgage Backed Credits

In the event of the occurrence of an Event of Default and the delivery of an Enforcement Notice to the Issuer by the Common Representative, the disposal of the Transaction Assets of the Issuer (including its rights in respect of the Mortgage Backed Credits) is restricted by Portuguese law in that any such disposal will be restricted to a disposal to the Originator or another STC or FTC established under Portuguese law. In such circumstances, and unless a breach of a relevant warranty under the Mortgage Backed Credits Assignment Agreement is outstanding (see **Overview of Certain Transaction Documents - Mortgage Backed Credits Assignment Agreement**), the Originator has no obligation to repurchase the Receivables from the Issuer under the Transaction Documents and there can be no certainty that any other purchaser could be found as there is not, at present, and the Issuer believes it is unlikely to develop, an active and liquid secondary market for receivables of this type in Portugal.

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

Authorised Investments

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

Estimated Weighted Average Lives of the Notes

The yield to maturity of the Notes will depend on, among other things, the amount and timing of payment of principal (including prepayments, sale proceeds arising on the enforcement of a Mortgage Backed Credit and repurchases due to breaches of representations and warranties) on the Mortgage Backed Credits and the price paid by the holders of the Notes. Upon any early payment by the Borrowers in respect of the Mortgage Backed Credits the principal repayment of the Notes may be earlier than expected and, therefore, the yield on the Notes may be adversely affected by a higher or lower than anticipated rate of prepayment of Mortgage Backed Credits. The rate of prepayment of the Mortgage Backed Credits cannot be predicted and is influenced by a wide variety of economic and other factors, including prevailing interest rates, the buoyancy of the residential property market, the availability of alternative financing and local and regional economic conditions. The entry into force of Decree-Law no. 51/2007, of 7 March, limited the ability of banks in Portugal to levy prepayment charges on borrowers. However, it is still premature to ascertain the effect, if any, that this will have upon the rate of prepayment of the Mortgage Backed Credits by the Borrowers. As a result of these factors no assurance can be given as to the level of prepayment that the Mortgage Backed Credits Portfolio will experience. See "**Estimated Weighted Average Lives of the Notes and Assumptions**" herein.

Reliance on Performance by Servicer

The Issuer has engaged the Servicer to administer the Mortgage Backed Credits Portfolio pursuant to the Servicing Agreement. While the Servicer is under contract to perform certain services under the Servicing Agreement there can be no assurance that it will be willing or able to perform such services in the future. In the event the appointment of the Servicer is terminated by reason of the occurrence of a Servicer Event, there can be no assurance that the transition of servicing will occur without adverse effect on investors or that an equivalent level of performance on collections and administration of the Mortgage Backed Credits

can be maintained by a successor servicer after any replacement of the Servicer as many of the servicing and collections techniques currently employed were developed by the Servicer.

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

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

Termination of Appointment of the Transaction Manager

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

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

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

Geographical Concentration of the Mortgage Backed Credits

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

present. Such losses, if they occur, could have an adverse effect on the yield to maturity of the Notes as well as on the repayment of principal and interest due on the Notes.

Banking (Special Provisions) Act 2008

Under the Banking (Special Provisions) Act 2008 the UK Treasury has been given certain powers in relation to authorised UK deposit takers. These comprise entities incorporated in or formed under the laws of any part of the United Kingdom who have permission to accept deposits under Part 4 of FSMA 2000 (or their UK subsidiaries). These powers last until 21st February 2009 and are capable of having retrospective effect. They can only be exercised in certain circumstances namely: (i) to maintain the stability of the UK financial system in circumstances where the Treasury considers that there would be a serious threat to its stability; or (ii) to protect the public interest in circumstances where financial assistance has been provided by the Treasury to the deposit taker for the purpose of maintaining the stability of the UK financial system.

The powers are wide ranging and may entail divesting the authorised UK deposit-taker of its assets or transferring ownership of any securities issued by the authorised UK deposit-taker irrespective of any encumbrance or trust over them. Accordingly the enforceability of the obligations of the Agent Bank, the Paying Agent and the Accounts Bank could be affected if the Treasury were to exercise such powers.

If such powers were to be exercised the Treasury is required to make provision for compensation or consideration (depending upon whether a public or private entity has acquired the asset) to be paid, in the case of securities, to the holder of the assets, which may not be the encumbrancer.

Consumer Protection

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

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

- Decree Law 446/85 of 25 October 1985, as amended by Decree Law 220/95 of 31 July 1995 and Decree Law 249/99 of 7 July 1999 (which implemented Directive 93/13/CEE of 5 April 1993) and Decree Law 323/2001 of 17 December 2001 known as the *Lei das Cláusulas Contratuais Gerais* (the Law of General Contractual Clauses) prohibits, in general terms, the introduction of abusive clauses in contracts entered into with consumers. Pursuant to this law, a clause is deemed to be abusive if such clause has not been specifically negotiated by the parties and leads to an unbalanced situation insofar as the rights and obligations of the consumer (regarded as the weaker party) and the rights and obligations of the counterparty (regarded as the stronger party) are concerned. The introduction of clauses that are prohibited will cause such clauses to be considered null and void.

- Decree Law 220/94 of 23 August 1994 states the minimum level of information to be included in mortgage loans, such as the annual effective rate (*taxa anual efectiva*).

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

Interest Rate Risk

The Issuer expects to meet its obligations under the Notes primarily from payments received in respect of the Receivables and such payments may not correlate or be referenced to EURIBOR payable by the Issuer in relation to the Notes. To mitigate these interest rate risks, the Issuer will enter into the Hedging Agreements in order to receive a cash flow based on Rated Note EURIBOR and will pay an amount based upon interest rates applicable to the Loans whose interest rates are determined by reference to 3 month or 6 month EURIBOR.

The Hedging Agreements

Interest payable on the Mortgage Backed Notes is in euro at a EURIBOR-related floating rate, whilst amounts receivable by the Issuer under the Loans are in euro at a floating rate of interest calculated by reference to 3 month or 6 month EURIBOR. The Issuer will rely on the performance by the Hedge Counterparty of its obligations to the Issuer under the Hedging Agreements, as well as on the Borrowers' performance of their obligations under the Mortgage Backed Credits for its ability to meet its obligations under the Notes.

The Hedging Agreements may be terminated if, among other things, (a) there is a failure by either party to make any payment when due; (b) certain insolvency events occur in relation to either party; (c) an Enforcement Notice is delivered in accordance with the Conditions; or (d) it becomes unlawful for either party to perform its obligations thereunder. If the Hedging Agreements is terminated, the Issuer may seek to enter into a substitute Hedging Agreements on similar terms. Whether or not a substitute Hedging Agreements can be concluded, termination of the Hedging Agreements may, depending on the euro interest rates at the date of termination, affect the Issuer's ability to make payments on the Notes.

Changes in the ratings accorded to the Hedge Counterparty (including any assignee) may affect the ratings accorded to the Rated Notes. There is no specific obligation on the part of the Hedge Counterparty or any other person or entity to maintain any particular rating, although, if the debt ratings of the Hedge Counterparty are downgraded below the levels specified under "**Overview of Certain Transaction Documents – Hedging Agreements**", the Hedge Counterparty will use its reasonable endeavours to find a replacement counterparty, find a guarantee or secure its obligations under the Hedging Agreements. Failure to do so within a specified period will give the Issuer the right to terminate the Hedging Agreements.

Book-Entry Registration

The Notes will be represented by Global Notes delivered to a common safekeeper for Euroclear or Clearstream, Luxembourg, and will not be held by the beneficial owners or their nominees. The Global Notes will not be registered in the names of the beneficial owners or their nominees. As a result, unless and until Notes in definitive form are issued, beneficial owners will not be recognised by the Issuer or the Common Representative as Noteholders, as that term is used in the Common Representative Appointment Agreement. Until such time, beneficial owners will only be able to exercise their rights in relation to the Notes indirectly, through Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participating organisations, and will receive notices (which will be published on the website of the Stock Exchange and/or in a leading daily newspaper with general circulation in Ireland, normally expected to be the *Irish Times*) and other information provided for under the Conditions of the Notes only if and to the extent provided by Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participating organisations.

Segregation of Assets and the Issuer Obligations

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

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

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

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

Ranking of Claims of Transaction Creditors and Noteholders

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

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

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

Common Representative's rights under the Transaction Documents

The Common Representative has entered into the Co-ordination Agreement in order to exercise, following the occurrence of an Event of Default, certain rights on behalf of the Issuer in accordance with the terms of the Transaction Documents for the benefit of the Noteholders and the Transaction Creditors and, at all times, to give certain directions and make certain requests in accordance with the terms and subject to the conditions of the Transaction Documents to which it is a party and the Securitisation Law.

Pursuant to the Co-ordination Agreement, the Noteholders (represented by the Common Representative) are granted the benefit of the representations, warranties and covenants made by the Originator or the

Servicer under the Mortgage Backed Credits Assignment Agreement or the Servicing Agreement and will, after the occurrence of an Event of Default, act in the name of and behalf of the Issuer in connection with the Transaction Documents. Before the occurrence of an Event of Default, although the Common Representative may give certain directions and make certain requests to the Originator and the Servicer on behalf of the Issuer under the terms of the Mortgage Backed Credits Assignment Agreement, the Servicing Agreement and the Co-ordination Agreement, the exercise of any action by the Originator and the Servicer in response to any such directions and requests will be made to and with the Issuer only and not with the Common Representative.

The Common Representative shall have no liability or responsibility for monitoring the activities and obligations of the Servicer and shall assume, unless it has actual knowledge to the contrary, that the Servicer is properly carrying out its responsibilities and obligations. The Common Representative will not, at any time, carry out any of the responsibilities or obligations of the Servicer itself.

Enforcement of Security

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

Assignment of Mortgage Backed Credits Not Affected by Originator Insolvency

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

Collections Not Affected by Servicer Insolvency

In the event of the Servicer becoming insolvent, all the amounts which the Servicer may then hold in respect of the Mortgage Backed Credits assigned by the Originator to the Issuer, will not form part of the Servicer's insolvent estate and the replacement of Servicer provisions referred to in the "**Servicing Agreement – Termination**" below will then apply.

Assignment and Borrower Set-Off Risks

The assignment of the Mortgage Backed Credits to the Issuer under the Securitisation Law is not dependent upon the awareness or acceptance of the relevant Borrowers or notice to them by the Originator, the Issuer or the Servicer to become effective. Therefore the assignment of the Mortgage

Backed Credits becomes effective, from a legal point of view, both between the parties and towards the Borrowers as from the moment on which it is effective between the Originator and the Issuer.

Set-off issues in relation to the Mortgage Backed Credits are essentially those associated with the Borrower's alleged possibility of exercising against the Issuer any set-off rights the Borrower held against the Originator prior to the assignment of the relevant Loans to the Issuer. Such set-off rights allegedly held by the Borrower against the Originator prior to the assignment of the relevant Loans to the Issuer would not be affected by the assignment of the Mortgage Backed Credits to the Issuer. Such set-off issues will not arise where the Originator (i) was solvent at the time of assignment of the relevant Mortgage Backed Credits to the Issuer, or (ii) had no obligations then due and payable to the relevant Borrower which were not met in full at a later date given that the Originator is under an obligation to transfer to the Issuer any sums which the Originator holds or receives from the Borrowers in relation to the Mortgage Backed Credits including sums in the possession of the Originator and Servicer arising from a set-off eventually effected by a Borrower. The Securitisation Law does not expressly deal with set-off, and several arguments may be put forward to declare that set-off should not be considered as a "means of defense" for the purpose of the interpretation and application of article 6, number 6 of the Securitisation Law and therefore those Borrowers could not exercise against the Issuer any set-off rights they may hold against the Originator prior to the assignment of the relevant Mortgage Backed Credits to the Issuer. However, this doctrine has never been tested in a Portuguese court. (See "**Selected Aspects of Laws of the Portuguese Republic Relevant to the Mortgage Backed Credits and the Transfer of the Mortgage Backed Credits**".)

The Securitisation Law

The Securitisation Law was enacted in Portugal by Decree Law 453/99 of 5 November 1999 as amended by Decree Law 82/2002 of 5 April 2002, by Decree Law 303/2003 of 5 December 2003 and by Decree Law 52/2006 of 15 March 2006. The Portuguese Securitisation Tax Law was enacted by Decree Law 219/2001 of 4 August 2001 as amended by Law 109-B/2001 of 27 December 2001, by Decree Law 303/2003 of 5 December 2003 and by Law 53-A/2006, of 29 December 2006 (the "**Securitisation Tax Law**"). As at the date of this Prospectus the application of the Securitisation Law and of the Securitisation Tax Law has not been considered by any Portuguese Court and no interpretation of its application has been issued by any Portuguese governmental or regulatory authority. Consequently, it is possible that such authorities may issue further regulations relating to the Securitisation Law and of the Securitisation Tax Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus. In November 2006 the CMVM disclosed to the public, for consultation, a draft decree-law amending the Securitisation Law. The public consultation ended on the 4th of December 2006 but the consultation paper can still be consulted at www.cmvm.pt. It is expected that the Securitisation Law will be amended in the future although the exact terms of such amendment cannot yet be ascertained.

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 Backed Credits Portfolio or to notify them of the contents of any notice received by it in respect of the Mortgage Backed Credits 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 Backed Credits Portfolio, except for the information provided in the quarterly investor report concerning the Mortgage Backed Credits Portfolio and the Notes which will be made available to the Paying Agent on or about each Interest Payment Date.

Change of Law

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

Potential Conflict of Interest

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

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

OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS

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

Mortgage Backed Credits Assignment Agreement

Consideration for Purchase of the Mortgage Backed Credits Portfolio

As consideration for the assignment and sale of the Mortgage Backed Credits Portfolio as at the Closing Date, the Issuer will pay an amount (the "**Purchase Price**") to the Originator equal to:

- (i) 100 per cent. of the Aggregate Principal Outstanding Balance of the Loans in the Mortgage Backed Credits Portfolio to be assigned to the Issuer at the Closing Date, as calculated at the Portfolio Determination Date; plus
- (ii) interest accrued but not yet paid in relation to the Loans as at the Portfolio Determination Date and, in respect of Subsidised Mortgage Backed Credits, any interest accrued (claimed and unclaimed) but not yet paid by the Portuguese Government as at the close of business on the Portfolio Determination Date on the assumption that all principal repayments due and payable by Borrowers prior to the Portfolio Determination Date have actually been made; plus
- (iii) the cost of funding for the Seller of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits Portfolio from (and including) the Portfolio Determination Date to (but excluding) the Closing Date (the "**Carrying Cost**").

The Mortgage Backed Credits Portfolio as at the Closing Date will be the initial Mortgage Backed Credits Portfolio as at the Portfolio Determination Date as varied, in accordance with the Mortgage Backed Credits Assignment Agreement such that any mortgage Backed Credits which do not comply with the Mortgage Backed Credits Warranties shall be substituted by the Originator with either, at the option of the Originator (a) the cash equivalent (being an amount comprising the Principal Outstanding Balance of the relevant Mortgage Backed Credit, interest accrued but not yet paid as at the Portfolio Determination Date and the costs and expenses of the Issuer properly incurred in relation to such re-assignment or, as applicable, the aggregate of the foregoing amounts which would have subsisted but for the breach of the Mortgage Backed Credit Warranties, in accordance with the terms of the Mortgage Backed Credits Assignment Agreement) or (b) the substitution on the Closing Date of Mortgage Backed Credits which do not comply with the Mortgage Backed Credit Warranties to be set out in the Mortgage Backed Credits Assignment Agreement with Substitute Mortgage Backed Credits which do comply with such Mortgage Backed Credit Warranties provided that the Aggregate Principal Outstanding Balance of such Substitute Mortgage Backed Credits will be no less than the consideration in cash that would have been payable by the Originator to the Issuer.

The principal element of the proceeds of redemption of Mortgage Backed Credits which repay between the Portfolio Determination Date and the Closing Date and the principal element of any cash received by the Issuer for Mortgage Backed Credits which do not comply with the Mortgage Backed Credit Warranties to be set out in the Mortgage Backed Credits Assignment Agreement on the Closing Date will form part of the Available Principal Distribution Amount on the next Interest Payment Date.

Effectiveness of the Assignment

The assignment of the Mortgage Backed Credits Portfolio by the Originator to the Issuer will be governed by the Securitisation Law (See "**Selected Aspects Of Laws Of The Portuguese Republic Relevant To The Mortgage Backed Credits And The Transfer Of The Mortgage Backed Credits**"). Paragraph 4 of Article 6 of 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, *inter alia*, by a credit institution (which is also acting as the servicer) whereby the assignment becomes effective at the time of execution of the relevant sale agreement, both between the parties thereto and against the Borrowers. No notice to Borrowers is required to give effect to the assignment of the Loans to the Issuer, however, for the assignment of the security constituted by the Mortgages to be effective against the Borrowers it must be registered with the relevant Portuguese Real Estate Registry Office (see below "**Notification Event**").

Notification Event

Following the occurrence of a Notification Event, the Originator will execute and deliver to, or to the order of and at the request of, the Issuer: (a) all Property Deeds and other title deeds necessary in order to register the transfer of the Mortgage Backed Credits from the Originator to the Issuer; (b) an official application form duly filled in to be filed with the relevant real estate registry office requesting registration of the assignment to the Issuer of each Mortgage or, whenever possible, a set of Mortgages, all costs associated with such registrations being borne by the Originator; (c) a copy of the Mortgage Backed Credits Sale Notification Event Notices sent to the relevant Borrowers together with evidence of its mailing ("*registo*") in respect of the assignment to the Issuer of each of the Assigned Rights included in the Mortgage Backed Credits Portfolio; and (d) such other documents and provide such other assistance to the Issuer as is necessary in order to register the assignment of the Mortgage Backed Credits Portfolio and notify the relevant Borrowers.

The Mortgage Backed Credits Sale Notification Event 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 Loan into an account designated by the Issuer. In the event that the Originator cannot or will not effect such actions, the Issuer, is entitled under Portuguese Law: (a) to have delivered to it any such deeds and documents as referred to above, (b) to complete any such application forms as referred to above and (c) to give any such notices to Borrowers as referred to above.

The Mortgage Backed Credits Assignment Agreement will be effective to transfer the Assigned Rights with full unencumbered benefit of and right, title and interest (present and future) to the Issuer on the Closing Date and on each other date on which a Substitute Mortgage Backed Credit is purchased by the Issuer.

No further act, condition or thing will be required to be done in connection with the assignment of the Assigned Rights to enable the Issuer to require payment of the Receivables arising under the Assigned Rights or to enforce any such rights in court other than the registration of the assignment of any related

Mortgage Backed Credit to the Issuer at the relevant Portuguese Real Estate Registry Office. Such action by the Issuer will only be effected following the occurrence of a Notification Event.

"Property Deeds" means, in respect of a Property, the official real estate registry certificates evidencing registration of title to the Property in the name of the Borrower and the relevant Mortgage in the name of the Originator;

"Notification Event" means:

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

"Mortgage Backed Credits Sale Notification Event Notice" means a notice substantially in the form set out in Schedule V of the Mortgage Backed Credits Assignment Agreement;

Representations and Warranties as to the Mortgage Backed Credits

The Originator will make certain representations and warranties in respect of the Mortgage Backed Credits included in the Mortgage Backed Credits Portfolio as at the Portfolio Determination Date and on each date upon which a Mortgage Backed Credit is substituted in accordance with the Mortgage Backed Credits Assignment Agreement, including statements to the following effect which together constitute the "Eligible Criteria" in respect of the relevant Mortgage Backed Credits:

- (a) Eligible Receivables

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

- (i) were originated by the Originator in accordance with the Originator's standard practices and are legally, beneficially and wholly owned by the Originator;
- (ii) are created in compliance with the laws of the Portuguese Republic;
- (iii) are payable in euro without any deduction, rebate or discount;
- (iv) are not the subject of any dispute, right of set-off, counterclaim, defence or claim existing or pending against the Originator;

- (v) may be freely sold and transferred by way of assignment under the laws of the Portuguese Republic, in particular, the Securitisation Law;
 - (vi) are free and clear of any Encumbrance other than the Mortgage;
 - (vii) are payable in full at least 36 months prior to the Final Legal Maturity Date;
 - (viii) can be segregated and identified on any day;
 - (ix) in respect of which the Originator has not received, prior to the Portfolio Determination Date, notice of early repayment of such Receivables;
 - (x) are owed by an Eligible Borrower;
 - (xi) are freely assignable without restriction pursuant to the terms of the relevant Mortgage Backed Credit Agreement;
 - (xii) are secured by a first ranking voluntary mortgage, enforceable in accordance with its terms against the relevant Borrower; and
 - (xiii) have a Principal Outstanding Balance as at the Portfolio Determination Date which, together with the aggregate principal outstanding balance of all other indebtedness owed by the relevant Borrower to the Originator and included in the Mortgage Backed Credits Portfolio does not exceed €750,000.
- (b) Eligible Mortgage Backed Credit Agreements

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

- (i) was entered into in the ordinary course of the Originator's business, on arms' length commercial terms;
- (ii) has been concluded in accordance with applicable laws and regulations in Portugal, including but not limited to, the *Lei de Defesa do Consumidor*, the *Lei das Cláusulas Contratuais Gerais* and all applicable legislation governing mortgages in force at the time of origination of the relevant Mortgage Backed Credit Agreement;
- (iii) has been duly executed by the relevant Borrower or Borrowers and constitutes the legal, valid, binding and enforceable obligations of the relevant Borrower or Borrowers;
- (iv) has been duly executed by the Originator and constitutes the legal, valid, binding and enforceable obligations of the Originator;
- (v) is governed by and subject to the laws of the Portuguese Republic;

- (vi) does not contain any restriction on assignment of the benefit of any right, title and interest to the relevant Mortgage Backed Credit Agreement or, where consent to assign is required, such consent has been obtained;
- (vii) in respect of which at least one instalment due under the relevant Mortgage Backed Credit Agreement has been paid in full prior to the Portfolio Determination Date and, in respect of a Substitute Mortgage Backed Credit, at least one full instalment has been received in full prior to the Substitution Date;
- (viii) is entered into in writing on the terms of the standard documentation of the Originator without any modification or variation thereto other than certain permitted variations as specified in the Mortgage Backed Credits Assignment Agreement;
- (ix) without prejudice to any provision permitting the capitalisation of interest thereunder, is fully disbursed and does not contain provisions which may give rise (after the Closing Date) to a liability on the part of the Originator to make further advances, pay money or perform any other onerous act;
- (x) has been duly registered in the relevant Portuguese Real Estate Registry Office in favour of the Originator (rendering the Mortgage Backed Credit Agreement a fully valid security interest with first ranking priority);
- (xi) relates to a Mortgage over a residential Property located in Portugal;
- (xii) is secured on one mortgage asset only;
- (xiii) is not an investment mortgage (buy to let);
- (xiv) bears a floating interest rate indexed to 3-month or 6-month EURIBOR, such that instalment and interest charge amounts reset every 3 or 6 months respectively;
- (xv) is a monthly amortising loan with fixed maturity date and whose instalments can only change because of interest fluctuations, or an Increasing Instalments Mortgage Backed Credit;
- (xvi) does not have a cap on interest rates;
- (xvii) was granted to Eligible Borrowers;
- (xviii) is current and not in arrears and has not been in arrears for the last 12 months, as confirmed by the Originator's internal IT systems, and the relevant Borrower has not been in arrears for the last 12 months within the Portuguese financial system, as confirmed by information made available by the Bank of Portugal through its centralised risk information database ("*Central de Riscos de Crédito*");

- (xix) is covered by property insurance;
- (xx) has a remaining term of less than 540 months;
- (xxi) includes information on the property valuation at origination;
- (xxii) was granted to borrowers on the basis of their annual tax returns;
- (xxiii) includes information on borrower employment status;
- (xxiv) includes information on the ranking of the mortgage, the identification of the notary and the lien registration number;
- (xxv) in the case of a Mortgage Backed Credit Agreement for construction purposes, the construction proposed in such Mortgage Backed Credit Agreement is complete;
- (xxvi) has a maximum CLTV of 100 per cent.; and
- (xxvii) has an Original LTV of no more than 100 per cent.

(c) Eligible Borrowers

Each Borrower in respect of each Mortgage Backed Credit Agreement to which it is a party is an Eligible Borrower (as defined in the Mortgage Backed Credits Assignment Agreement) who:

- (i) is an individual resident in Portugal;
- (ii) is a party to a Mortgage Backed Credit Agreement as primary borrower or guarantor;
- (iii) as far as the Originator is aware, having made reasonable enquiries at the time of origination, is not dead or untraceable;
- (iv) as far as the Originator is aware, having made reasonable enquiries but (for the avoidance of doubt) without having obtained confirmation from the relevant registry office (the *Conservatória do Registo Civil*) is not insolvent;
- (v) is not an employee of the Montepio Group;
- (vi) has an account with Montepio which is capable of direct debit; and
- (vii) had their identity verified by the Originator or by a notary when entering into the Mortgage Backed Credit Agreement.

Breach of Mortgage Backed Credit Warranties and Variations other than Permitted Variations

If there is a breach of any of the warranties given by the Originator in respect of the Mortgage Backed Credits Portfolio in the Mortgage Backed Credits Assignment Agreement (each a "**Mortgage Backed Credit Warranty**") which, in the opinion of the Issuer (or, after the occurrence of an Event of Default, the Common Representative) (without limitation, having regard to whether a loss is likely to be incurred in respect of the Mortgage Backed Credit to which the breach relates) has a material adverse effect on the validity or enforceability of any Mortgage Backed Credit, its related Mortgage Backed Credit Agreements or the Receivables in respect of such Mortgage Backed Credit, the Originator, if such breach is capable of remedy, will have an obligation to remedy such breach within 30 days after receiving written notice of such breach from the Issuer or the Common Representative, and in any event no later than the Interest Payment Date immediately subsequent to such breach.

If, in the reasonable opinion of the Issuer (or, after the occurrence of an Event of Default, the Common Representative), such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 30 day period, the Originator shall hold the Issuer harmless against any losses which the Issuer may suffer from as a result thereof. In addition, if, in the case of the representation made by the Originator that no rights of set-off exist or are pending against the Originator in respect of a Receivable being proved to have been breached, the Originator fails to pay to the Issuer an amount equal to the amount so set-off, the Originator shall also hold the Issuer harmless against any losses which the Issuer may suffer as a result thereof. The Originator may discharge the liability by, at its option, repurchasing or causing a third party (a "**Third Party Purchaser**") to repurchase (to the extent permitted by the Securitisation Law) the relevant Mortgage Backed Credit in accordance with the paragraph below.

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

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

Pursuant to the Mortgage Backed Credits Assignment Agreement, the Originator may, instead of repurchasing or causing a Third Party Purchaser to repurchase a Retired Mortgage Backed Credit from the Issuer or indemnifying the Issuer, require the Issuer to accept in consideration for the reassignment or in place of an indemnity payment the assignment of further Mortgage Backed Credits ("**Substitute Mortgage Backed Credits**") pursuant to the terms of the Mortgage Backed Credits Assignment Agreement.

Substitute Mortgage Backed Credits will be required to meet the original eligibility criteria for the inclusion of Mortgage Backed Credits in the Mortgage Backed Credits Portfolio and all the following additional requirements:

- (a) the weighted average of the Original LTV ratio of the Substitute Mortgage Assets does not exceed the weighted average of the aggregate Original LTV ratio at the Portfolio Determination Date of the Retired Mortgage Assets plus 10 per cent.;
- (b) the weighted average CLTV of the Mortgage Backed Credits Portfolio taking into account the Substitute Mortgage Backed Credits does not exceed the weighted average CLTV of the Mortgage Backed Credits Portfolio as at the Portfolio Determination Date by more than 0.25 per cent.;
- (c) the maturity date of the Substitute Mortgage Backed Credit must not be later than 3 years prior to the Final Legal Maturity Date and each shall bear a floating rate of interest indexed to EURIBOR;
- (d) the weighted average spread of the Mortgage Backed Credits Portfolio taking into account the Substitute Mortgage Backed Credits must be no more than 0.25 per cent. below the weighted average spread of the Mortgage Backed Credits Portfolio before such substitution;
- (e) the resultant weighted average spread of the Mortgage Backed Credits Portfolio must be at least equal to the lower of: (i) 0.74 per cent.; and (ii) the weighted average margin over EURIBOR of the Mortgage Backed Credits Portfolio before such substitution;
- (f) the Aggregate Principal Outstanding Balance of the Substitute Mortgage Backed Credits Pool on any date of substitution must be greater than or equal to the Aggregate Principal Outstanding Balance of the Retired Mortgage Backed Credits Pool on the same date of substitution unless: (i) the amount by which the Aggregate Principal Outstanding Balance of the Substitute Mortgage Backed Credits Pool on the previous Substitution Date exceeded the Aggregate Principal Outstanding Balance of the Retired Mortgage Backed Credits Pool on the same Substitution Date is greater than the amount by which the Aggregate Principal Outstanding Balance of the Retired Mortgage Backed Credits Pool on the current Substitution Date would exceed the Aggregate Principal Outstanding Balance of the Substitute Mortgage Backed Credits Pool on the same Substitution Date; or (ii) the Originator pays an amount in cash to the Issuer that is equal to the amount by which the Aggregate Principal Outstanding Balance of the Retired Mortgage Backed Credits Pool on the current Substitution Date would exceed the Aggregate Principal Outstanding Balance of the Substitute Mortgage Backed Credits Pool on the same Substitution Date;
- (g) where the Property relating to the Retired Mortgage Backed Credit (which is subject to a first ranking mortgage) has a lesser ranking mortgage over the same Property, such associated Mortgage Backed Credit must also be substituted at the same time;
- (h) the Aggregate Principal Outstanding Balance of Substitute Mortgage Backed Credits which have been substituted by reason of any variation in the terms of the relevant Retired Mortgage Backed

Credits within the 12 month period following the Portfolio Determination Date may not exceed 5 per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits Portfolio on the Portfolio Determination Date and the Aggregate Principal Outstanding Balance of Substitute Mortgage Backed Credits may not exceed 20 per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits Portfolio on the Portfolio Determination Date during the life of the transaction (such percentages may be altered during the life of the transaction, provided that any such alterations have been approved by the Bank of Portugal and do not affect the rating of the Rated Notes);

- (i) the Substitute Mortgage Backed Credit constitutes the same ranking and priority of security over a property as the security provided in respect of the relevant Retired Mortgage Backed Credits and if the Substitute Mortgage Backed Credit is secured by a second or lower ranking priority mortgage, any first ranking priority mortgages over the same property must be included in the Mortgage Backed Credits Portfolio after the substitution;
- (j) the Substitute Mortgage Backed Credit is an Eligible Receivable, the borrower in respect of the Substitute Mortgage Backed Credit is an Eligible Borrower and the relevant Mortgage Backed Credit is an Eligible Mortgage Backed Credit Agreement, where references to the Closing Date in the defined terms used in this paragraph shall be references to the date upon which the relevant Mortgage Backed Credit or Mortgage Backed Credits and the related Receivables were substituted; and references to the "Portfolio Determination Date" were references to the date upon which the Principal Outstanding Balance of the relevant Mortgage Backed Credit or Mortgage Backed Credits and the related Receivables was determined for the purposes of such substitution;
- (k) no Enforcement Notice in respect of the Notes has been delivered by the Common Representative to the Issuer in accordance with the Conditions;
- (l) no Servicer Termination Notice has been delivered by the Issuer to the Servicer in accordance with the Servicing Agreement;
- (m) the balance of the Cash Reserve Account at the previous Interest Payment Date was greater than or equal to the Cash Reserve Account Required Balance; and
- (n) in the case of a Substitute Mortgage Backed Credit which is an Increasing Instalments Mortgage Backed Credit, no scheduled increases in the instalment payments due thereunder remain to be made, notwithstanding fluctuations in interest rates .

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

"Retired Mortgage Backed Credits Pool " means the pool of Retired Mortgage Backed Credits that are retired from the Mortgage Backed Credits Portfolio on any given substitution date.

"Substitute Mortgage Backed Credits Pool " means the pool of Substitute Mortgage Backed Credits that are substituted into the Mortgage Backed Credits Portfolio on any given substitute date.

Borrower Set-Off

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

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 judicial 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 the Servicing Agreement, the Issuer will appoint the Servicer to provide certain services relating to the servicing of the Mortgage Backed Credits and the collection of the Receivables in respect of such Mortgage Backed Credits (the "Services").

Sub-Contractor

The Servicer may appoint any of its Group companies as its sub-contractor and may appoint any other person as its sub-contractor to carry out certain of the services subject to certain conditions specified in the Servicing Agreement. In certain circumstances the Issuer may require the Servicer to assign any rights which it may have against a sub-contractor.

Servicer's Duties

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

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

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

Collections and Transfers to the Proceeds Account

All Collections received by the Servicer from a Borrower pursuant to a Mortgage Backed Credit or from the Portuguese Government (with respect to a Subsidised Mortgage Backed Credit) will be credited by the Servicer to the Proceeds Account. The Proceeds Account 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 Backed Credits Portfolio from the Proceeds Account to the Payment Account on the Business Day following each Business Day on which such Collections are credited to the Proceeds Account, in accordance with the terms of the Servicing Agreement. If the Proceeds Account Bank (where it is not also the Servicer) fails to comply with such directions, the Servicer shall, so far as it is able, take all such reasonable administrative actions as are reasonable to ensure compliance by the Proceeds Account Bank with its obligations under the Servicing Agreement and the Proceeds Account mandate (to the extent applicable).

If the short-term unsecured debt obligations of the Proceeds Account Bank cease to be rated at least F-2 by Fitch, or the Proceeds Account Bank otherwise ceases to be rated by Fitch, a replacement Proceeds Account Bank will be appointed whose short-term unsecured debt obligations are rated at least F-2 by Fitch, and Borrowers will be notified that they should as soon as practicable, and in any case within 30 calendar days, make their payments into the designated account of such replacement Proceeds Account Bank.

Variations of Mortgage Backed Credits

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

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

- (a) the Aggregate Principal Outstanding Balance of Mortgage Backed Credits which are subject to Permitted Variations exceeds 20 per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits Portfolio on the Portfolio Determination Date (provided that such percentage may be altered during the life of the transaction if such alteration has been approved by the Bank of Portugal and does not affect the ratings of the Rated Notes); or
- (b) such Mortgage Backed Credit has already been subject to two Permitted Variations after the Closing Date (provided that this restriction may be altered during the life of the transaction if such

alteration has been approved by the Bank of Portugal and does not affect the ratings of the Rated Notes); or

- (c) such Mortgage Backed Credit is an Increasing Instalments Mortgage Backed Credit where scheduled increases in the instalment payments due thereunder remain to be made and the Servicer is no longer the Originator.

To the extent that the Servicer agrees, under clause 8.3 of the Servicing Agreement, to an amendment, variation or waiver to a Mortgage Backed Credit Agreement that is not otherwise permitted, the Originator will be required to substitute the relevant Mortgage Backed Credit as described in "*Breach of Mortgage Backed Credit Warranties and Variations other than Permitted Variations*" or, where the Originator is unable to identify a Substitute Mortgage Backed Credit, the Originator or a third party shall pay an amount in cash as consideration for the relevant Mortgage Backed Credit.

If the Servicer determines that it will accept a request by a Borrower for an amendment, variation or waiver of any Material Term of a Mortgage Backed Credit Agreement that is not otherwise permitted (as described in "*Variations of Mortgage Backed Credits*" above), the Servicer shall notify the Originator of such a determination, and the Originator shall, within 37 days of such amendment, variation or waiver, substitute the Mortgage Backed Credit in question with a Substitute Mortgage Backed Credit (save where such amendment is made in the 50 day period commencing on the Portfolio Determination Date in which case the Originator will have 37 days from the end of this period to substitute the relevant Mortgage Backed Credit). Where the Originator is unable to identify a Substitute Mortgage Backed Credit which meets the specified conditions upon substitution, the Originator or, if applicable, a third party purchaser shall pay an amount in cash to the Issuer to purchase the Assigned Rights in respect of such Mortgage Backed Credit or Mortgage Backed Credits.

In any case, the Servicer may only amend, vary or waive any Material Term in a Mortgage Backed Credit Agreement, (other than a Permitted Variation or any amendment or variation made while Enforcement Procedures are being taken against such Mortgage Backed Credit) if, further to the conditions set under clause 12.2 of the Mortgage Backed Credits Assignment Agreement, the following conditions are met:

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

"**Permitted Variation**" means any variation or amendment to the Material Terms of a Loan under which (a) the interest spread payable under such amended Mortgage Backed Credit is not reduced by more than

0.5 per cent., and (b) the maturity of such Mortgage Backed Credit is not amended so as to fall within the last 3 years prior to the Final Legal Maturity Date, provided that, no variation or amendment to an Increasing Instalments Mortgage Backed Credit is permitted until no scheduled increases in the instalment payments due thereunder remain to be made, notwithstanding fluctuations in interest rates.

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

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

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

Servicing Fee

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

Representations and Warranties

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

Covenants of the Servicer

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

Servicer Event

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

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

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

and in each case (1) such default or such warranty, certification or statement proving untrue, incomplete or incorrect could reasonably be expected to have a Material Adverse Effect and (2) (if such default is capable of remedy) such default continues unremedied for a period of fifteen Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer requiring the same to be remedied; or
- (c) it is or will become unlawful for the Servicer to perform or comply with any of its material obligations under the Servicing Agreement;
- (d) if the Servicer is prevented or severely hindered for a period of 60 days or more from complying with its obligations under the Servicing Agreement as a result of a force majeure event;
- (e) any Insolvency Event occurs in relation to the Servicer;
- (f) a material adverse change occurs in the financial condition of the Servicer since the date of the latest audited financial statements of the Servicer which, in the opinion of the Issuer, impairs due performance of the obligations of the Servicer under the Servicing Agreement; and/or
- (g) the Bank of Portugal intervenes under Title VIII of Decree Law no. 298/92 of 31 December (as amended) into the regulatory affairs of the Servicer where such intervention could lead to the withdrawal by the Bank of Portugal of the Servicer's authorisation to carry on its business;

After receipt by the Servicer of a Servicer Event Notice but prior to the delivery of a notice terminating the appointment of the Servicer under the Servicing Agreement (the "**Servicer Termination Notice**"), the Servicer shall (*inter alia*) except to the extent prevented or prohibited by law, regulation or force majeure event:

- (a) hold to the order of the Issuer the records relating to the Mortgage Backed Credits, the Servicer Records and the Transaction Documents;

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

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

- (a) all authority and power of the retiring Servicer under the Servicing Agreement shall be terminated and shall be of no further effect;
- (b) the retiring Servicer shall no longer hold itself out in any way as the agent of the Issuer pursuant to the Servicing Agreement; and
- (c) the rights and obligations of the retiring Servicer and any obligations of the Issuer and the Originator to the retiring Servicer shall cease but such termination shall be without prejudice to, *inter alia*:
 - (i) any liabilities or obligations of the retiring Servicer to the Issuer or the Originator or any successor Servicer incurred before such date;
 - (ii) any liabilities or obligations of the Issuer or the Originator to the retiring Servicer incurred before such date;
 - (iii) any obligations relating to computer systems referred to in Paragraph 29 of Schedule II of the Servicing Agreement;
 - (iv) the retiring Servicer's obligation to deliver documents and materials; and
 - (v) the duty to provide assistance to the successor Servicer as required to safeguard its interests or its interest in the Mortgage Backed Credits.

Termination

The appointment of the Servicer will continue (unless otherwise terminated by the Issuer) until the Final Discharge Date when the obligations of the Issuer under the Transaction Documents will be discharged in full. The Issuer may terminate the Servicer's appointment and appoint a successor servicer (such appointment being subject to the prior approval of the CMVM) upon the occurrence of a Servicer Event by delivering a Servicer Termination Notice in accordance with the provisions of the Servicing Agreement.

Applicable law and jurisdiction

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

Common Representative Appointment Agreement

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

Pursuant to the Common Representative Appointment Agreement, the Common Representative will agree to act as Common Representative of the Noteholders in accordance with the provisions set out therein, the Conditions of the Notes and the Co-ordination Agreement. The Common Representative shall have among other things the power:

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

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

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

In addition, the Common Representative may, without the consent or sanction of the Noteholders, concur with the Issuer and any other relevant Transaction Creditor in making any modification to any provision of the Notes, to the Common Representative Agreement or any other Transaction Documents (other than in respect of a Reserved Matter or any provision of the Notes, these Conditions or any of the Transaction Documents referred to in the definition of a Reserved Matter) which, in the opinion of the Common Representative, will not be materially prejudicial to the interests of the holders of the Most Senior Class (which will be the case if any such modification does not result in an adverse effect on the ratings of such Class of Notes) or the Common Representative may concur in making any such modification, other than a modification in respect of a Reserved Matter, provided that such modification is of a formal, minor or technical nature or is made to correct a manifest error and which will not be materially prejudicial to the interests of (i) the holders of the Most Senior Class of Notes then outstanding (which will be the case if any such authorisation or waiver does not result in an adverse effect on the Ratings of such Class of Notes) and (ii) any of the Transaction Creditors, unless such Transaction Creditors have given their prior written consent to any such authorisation or waiver (each such Transaction Creditor other than the Noteholders having determined for itself whether an authorisation or waiver is materially prejudicial to such Transaction Creditor), (provided that it may not and only the Noteholders may by Resolution determine that any Event of Default shall not be treated as such for the purposes of the Common Representative Appointment Agreement, the Notes or any of the other Transaction Documents).

Remuneration of the Common Representative

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

In the event of the Common Representative considering it expedient or necessary or being requested by the Issuer to undertake duties which the Common Representative and the Issuer agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Common Representative

under the Common Representative Appointment Agreement, the Issuer shall pay to the Common Representative such additional remuneration as shall be agreed between them.

In the event of the occurrence of an Event of Default, the Issuer shall pay to the Common Representative such additional remuneration as the Common Representative may reasonably determine.

The rate of remuneration in force from time to time may, upon the final redemption of the whole of the Notes in a Class, be reduced by an amount as may from time to time be agreed between the Issuer and the Common Representative. Such reduction in remuneration shall be calculated from the date following such final redemption.

Retirement of Common Representative

The Common Representative 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 Common Representative shall not become effective until the appointment of a new Common Representative. In the event of the Common Representative giving notice under the Common Representative Appointment Agreement, the Issuer shall use its best endeavours to find a substitute common representative and prior to the expiry of the three calendar months' notice period the Issuer and the Common Representative shall convene a Meeting for appointing such person as the new common representative.

Termination of the Common Representative

The Noteholders may at any time, by means of resolutions passed in accordance with the relevant terms of the Conditions and the Common Representative Appointment Agreement remove the Common Representative and appoint a new Common Representative, provide that 90 days' prior notice is given to Common Representative.

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

Accounts Agreement

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

The Accounts Bank will agree to comply with any directions given by the Transaction Manager in relation to the management of the Payment Account and the Cash Reserve Account.

If the short-term unsecured debt obligations of the Accounts Bank are downgraded below the Minimum Short-Term Rating or it otherwise ceases to be rated this will result in the termination of the appointment of the Accounts Bank within 30 days of the downgrade and the appointment of a replacement accounts bank subject to the provisions of the Accounts Agreement.

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

Co-ordination Agreement

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

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

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

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

Transaction Management Agreement

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

Transaction Manager to perform cash management duties, to carry out certain administrative tasks on behalf of the Issuer, including:

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

All references in this Prospectus to payments or other procedures to be made by the Issuer shall, whenever the same fall within the scope of functions of the Transaction Manager under the Transaction Management Agreement, be understood as payments or procedures that shall be performed by the Transaction Manager on behalf of the Issuer.

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

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

Security Deed

The Notes will be secured by a first fixed charge over the Transaction Accounts (which may take effect as a floating charge) as particularly set out in the security deed made on or about the Closing Date between the Issuer and the Common Representative (the "**Security Deed**"). The Common Representative will hold the benefit of such security on trust for the Noteholders and the Transaction Creditors.

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

Hedging Agreements

Interest Rate Swap Transaction

Under the terms of the Interest Rate Swap Transaction, on each Interest Payment Date, (a) the Issuer will pay to the Hedge Counterparty certain amounts calculated by reference to the relevant EURIBOR interest rates applicable in respect of the Mortgage Backed Credits, determined by deducting the weighted average spread from the weighted average rate of the Mortgage Backed Credits, in respect of which no payment is more than 90 days overdue as at the beginning of each relevant Calculation Period on a notional amount equal to the Aggregate Principal Outstanding Balance of such Mortgage Backed Credits as at the beginning of each relevant Calculation Period and (b) the Hedge Counterparty will pay to the Issuer certain amounts calculated by reference to the EURIBOR interest rates of the Rated Notes, on a notional amount equal to the Aggregate Principal Outstanding Balance of the Loans in respect of which no payment is more than 90 days overdue as at the beginning of the relevant Calculation Period. If the Interest Rate Swap Transaction is terminated prior to the redemption of the Notes in full or upon redemption of the Rated Notes in full under Condition 8.9 (*Optional redemption in whole for taxation reasons*), a termination payment may be due by either party to the other thereunder.

The Interest Rate Swap Transaction provides that, to the extent that the Issuer does not have sufficient funds available to make any payment to the Swap Counterparty on its due date such obligation shall be deferred until such payment is actually made. Such failure shall not constitute a ground for termination of the Agreement.

The Interest Rate Swap Transaction shall terminate on the Final Legal Maturity Date unless terminated earlier in accordance with the terms of the Interest Rate Swap Transaction.

Taxation

Subject as set out below, all payments to be made by either party under the Hedging Agreements are to be made without any Tax Deduction unless such Tax Deduction is required by applicable law (as modified by the practice of any governmental tax authority). If any such Tax Deduction is required, neither the Issuer nor the Hedge Counterparty will be obliged to pay any additional amounts to the other in respect of such Tax Deduction.

Under the current Tax law of the Portuguese Republic and prevailing interpretation of the double tax conventions, (and provided that the requirements set forth therein are satisfied), unless the Issuer has received on or prior to the Calculation Date immediately preceding the relevant Interest Payment Date the relevant duly completed tax form certificated by the relevant Tax authority in accordance with the applicable double tax convention (the "**Tax Form**") from the Hedge Counterparty to allow the Issuer to make payments to the Hedge Counterparty in respect of the Hedging Agreements without any deduction

or withholding for or on account of Tax imposed by the Portuguese Republic, the Issuer will withhold an amount for or on account of such Tax from such payments. Such amount will be paid by the Issuer, on such Interest Payment Date, to the Payment Account and will not form part of the Available Interest Distribution Amount or the Available Principal Distribution Amount on such Interest Payment Date (the "**Withheld Amount**"). In the event that the Issuer subsequently receives the Tax Form from the Hedge Counterparty on or before the relevant date prescribed by the Portuguese Tax Authority (the "**Prescribed Date**"), the Issuer will pay the Withheld Amount to the Hedge Counterparty on or before the date specified in the Hedging Agreements. In such circumstances, if the Issuer fails to make such payment in full by such date, the Hedge Counterparty will have the right to terminate the Hedging Agreements. In the event that the Issuer does not receive the Tax Form from the Hedge Counterparty on or before the Prescribed Date, the Issuer will pay the Withheld Amount to the Portuguese Tax Authority in respect of the amounts required to be withheld or deducted. In such circumstances, the Hedge Counterparty will not have the right to terminate the Hedging Agreements.

If, as a result of a change in Tax law (or its application or official interpretation), the Hedge Counterparty is required to make a Tax Deduction from any payment to be made to the Issuer under the Hedging Agreements, the Hedge Counterparty will not be obliged to pay any additional amounts to the Issuer in respect of such Tax Deduction, but the Issuer will have the right to terminate the Hedging Agreements (subject to the Hedge Counterparty's obligation to use reasonable efforts to transfer its rights and obligations under the Hedging Agreements to another of its offices or branches or affiliates whose unsecured, unsubordinated obligations are rated not less than the relevant ratings specified in the Hedging Agreements or whose obligations are fully guaranteed by an entity whose unsecured, unsubordinated obligations are rated not less than the relevant ratings specified in the Hedging Agreements such that payments made by, or, subject only to the receipt by the Issuer of any necessary duly completed tax form certificated by the relevant Tax authority prior to the date prescribed by the Portuguese Tax Authority pursuant to the applicable double tax convention, to that office or branch or affiliate under the Hedging Agreements can be made without any Tax Deduction).

If, as a result of a change in any applicable Tax law (or its application or official interpretation) the Issuer is required to make a Tax Deduction from any payment to be made to the Hedge Counterparty under the Hedging Agreements other than any such change which consists of a consolidation or re-enactment of current law or in a change in the rate at which the Issuer is required to make a Tax Deduction from any payment to be made to the Hedge Counterparty under the Hedging Agreements but including:

- (a) any repeal of, or amendment to, any law, regulation or double tax convention which has the effect of eliminating or reducing the relief which is available as at the Closing Date from Tax imposed by the Portuguese Republic on account of which the Issuer would, but for such relief, be required to withhold from payments that the Issuer makes to the Hedge Counterparty under the Hedging Agreements;
- (b) any amendment to the formalities, procedures or other requirements of any relevant Tax authority which has the effect of making such formalities, procedures or other requirements materially more

onerous for the Hedge Counterparty (acting reasonably) to comply with for the purpose of allowing the Issuer to make such payment without making a Tax Deduction, including a material adverse change to the time periods available for complying with such formalities, procedures or other requirements; and

- (c) without prejudice to (b) above, any amendment to the formalities, procedures or other requirements of any relevant Tax authority which results in a requirement for the Issuer to provide any information or documentation to, or make any necessary filings with, the relevant Tax authority but only to the extent that the Issuer fails to provide the necessary information or documentation to, or make the necessary filings with, the relevant Tax authority on or before the relevant date prescribed by the relevant Tax authority, in circumstances where the Hedge Counterparty has provided all necessary information and documentation to the Issuer for such purposes in reasonable time in advance of such relevant date,

(any such change, a "**Relevant Change of Law**"), then the Issuer will not be obliged to pay any additional amounts to the Hedge Counterparty in respect of such Tax Deduction, but the Hedge Counterparty will have the right to terminate the Hedging Agreements (subject to the Hedge Counterparty's obligation to use reasonable efforts to transfer its rights and obligations under the Hedging Agreements to another of its offices or branches or affiliates or, if not possible, to any third parties whose unsecured, unsubordinated obligations are rated not less than the relevant ratings specified in the Hedging Agreements or whose obligations are fully guaranteed by an entity whose unsecured, unsubordinated obligations are rated not less than the relevant ratings specified in the Hedging Agreements such that payments made by, or, subject only to the receipt by the Issuer of any necessary duly completed tax form certificated by the relevant Tax authority prior to the date prescribed by the Portuguese Tax Authority pursuant to the applicable double tax convention, to that office or branch or affiliate under the Hedging Agreements can be made without any Tax Deduction).

"**Portuguese Tax Authority**" means any governmental authority in the Portuguese jurisdiction having the power to impose or assess any Tax or contribution.

Termination

The Hedging Agreements shall terminate on the Final Legal Maturity Date or if the Rated Notes are redeemed in accordance with Condition 8.8 (*Optional Redemption in whole*) unless terminated earlier in accordance with the terms of the Hedging Agreements.

The Hedging Agreements provides that, to the extent that the Issuer does not have sufficient funds available to make any payment to the Hedge Counterparty on its due date such obligation shall be deferred until such payment is actually made. Such failure shall not constitute a ground for termination of the Agreement.

The Hedging Agreements shall terminate on the Final Legal Maturity Date unless terminated earlier in accordance with the terms of the Hedging Agreements.

Early Termination

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

- (i) if there is a failure by either party to make any payment when due (subject to cure periods);
- (ii) if the Rated Notes become immediately due and payable prior to the Final Legal Maturity Date or the Rated Notes are redeemed in full in accordance with their terms (other than in accordance with Condition 8.8 (*Optional Redemption in whole*)); and
- (iii) upon the occurrence of certain other events with respect to either party to the Hedging Agreements, including insolvency, adverse tax consequences or changes in law resulting in illegality.

If the Hedging Agreements is terminated prior to the redemption of the Notes in full, a termination payment may be due by either party to the other thereunder.

Hedge Counterparty: Downgrade Event

If the rating of the Hedge Counterparty or that the Hedge Guarantor's (if applicable) falls below the relevant rating specified (in accordance with the requirements of the Rating Agency) in the Hedging Agreements, at any time, then the Hedge Counterparty will be required within the time period specified in the Hedging Agreements to take one or more remedial measures as set out in the Hedging Agreements, which include:

- (a) where permitted, the posting of collateral in an amount or value determined in accordance with the relevant collateral guidelines specified in the Hedging Agreement;
- (b) the provision of a guarantee of a third party or procurement of a co-obligor with the rating specified in the Hedging Agreements, provided that any such guarantee satisfies any applicable guarantee criteria of the Rating Agency;
- (c) the transfer of all its rights and obligations under the relevant Hedging Agreements to a replacement third party (which may include any affiliate of the Hedge Counterparty) with the ratings specified in the relevant Hedging Agreements; or
- (d) such other action as the Hedge Counterparty may agree with any relevant Rating Agency so as to result in any Rated Notes then outstanding, following the taking of such other action, not being rated lower than the rating of such Rated Notes immediately prior to the downgrade of the Hedge Counterparty by such Rating Agency.

If the Hedge Counterparty fails to take one of the above-mentioned remedial measures within the time prescribed, then the Issuer will, subject to certain conditions, when such is requested pursuant to the Hedging Agreements including the finding of a replacement counterparty, be entitled to terminate the relevant Hedging Transaction.

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

"Hedge Guarantor" means any entity which provides, pursuant to the terms of the Hedging Agreements, a guarantee of the Hedge Counterparty's obligations under the Hedging Agreements.

Collateral

In the event that the Hedge Counterparty posts collateral, that collateral will be credited to a separate swap collateral account. Collateral and income arising from collateral will be applied solely in returning collateral or paying income attributable to collateral to the Hedge Counterparty (pursuant to a credit support annex). Any Excess Hedge Collateral will be paid directly to the Hedge Counterparty and not in accordance with the Pre-Enforcement Interest Payments Priorities or the Post-Enforcement Payments Priorities (as applicable).

"Excess Hedge Collateral" means an amount equal to the value of the collateral (or the applicable part of any collateral) provided by the Hedge Counterparty to the Issuer in respect of the Hedge Counterparty's obligations to transfer collateral to the Issuer under the Hedging Agreements (as a result of the ratings downgrade provisions in the Hedging Agreements), which is in excess of the Hedge Counterparty's liability to the Issuer under the Hedging Agreements as at the date of termination of the transaction under the Hedging Agreements, or which the Hedge Counterparty is otherwise entitled to have returned to it under the terms of the Hedging Agreements.

ESTIMATED WEIGHTED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of each Class of the Mortgage Backed Notes cannot be predicted as the actual rate at which the Loans will be repaid and a number of other relevant factors are unknown. Calculations of possible average lives of each Class of the Mortgage Backed Notes can be made under certain assumptions. Based on the assumptions that:

- (a) the Issuer exercises its option to redeem each Class of the Mortgage Backed Notes in whole but not in part on the Step-up Date;
- (b) the satisfaction of the Pro-Rata Test and the consequential payment of the Principal Amount Outstanding on the Mortgage Backed Notes on a *pari passu* and *pro rata* basis;
- (c) the Loans are subject to a constant annual rate of principal prepayments shown in the table below;
- (d) no Loans are sold by the Issuer except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes; and
- (e) the Loans continue to be fully performing.

The approximate average lives and principal payment windows of each Class of the Mortgage Backed Notes (to the Step-up Date or the Clean-up Date, as applicable), at various assumed rates of prepayment of the Loans, would be as follows:

CLASS A NOTES AVERAGE LIVES AND PAYMENT WINDOWS

	0% CPR	3% CPR	6% CPR	9% CPR	12% CPR
WAL (yrs) to Step Up Date	8.7	7.5	6.5	5.7	5.1
Principal Payment Window	from 15 Sep 08 to 15 Jun 17	from 15 Sep 08 to 15 Jun 17	from 15 Sep 08 to 15 Jun 17	from 15 Sep 08 to 15 Jun 17	from 15 Sep 08 to 15 Jun 17
WAL (yrs) to Clean Up Call Date Principal Payment Window	22.9 from 15 Sep 08 to 15 Jun 45	15.2 from 15 Sep 08 to 15 Jun 40	10.7 from 15 Sep 08 to 15 Sep 33	7.9 from 15 Sep 08 to 15 Mar 28	6.2 from 15 Sep 08 to 15 Mar 24

**CLASS B, C, D and E NOTES AVERAGE LIVES AND PAYMENT
WINDOWS**

	0% CPR	3% CPR	6% CPR	9% CPR	12% CPR
WAL (yrs) to Step Up Call Date Principal Payment Window	9.2 n/a	8.9 from 15 Jun 14 to 15 Jun 17	8.1 from 15 Dec 11 to 15 Jun 17	7.3 from 15 Dec 10 to 15 Jun 17	6.6 from 15 Jun 10 to 15 Jun 17
WAL (yrs) to Clean Up Call Date Principal Payment Window	27.6 from 15 Dec 22 to 15 Jun 45	19.2 from 15 Jun 14 to 15 Jun 40	13.6 from 15 Dec 11 to 15 Sep 33	10.2 from 15 Dec 10 to 15 Mar 28	8.1 from 15 Jun 10 to 15 Mar 24

"**CPR**" means the constant pre-payment rate (per cent. per annum)

"**Clean-up Call Date**" means the Interest Payment Date on which the Aggregate Principal Outstanding Balance of the Loans is equal to or less than 10 per cent. of the Aggregate Principal Outstanding Balance of all of the Loans as at the Portfolio Determination Date.

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

Assumption (d) 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 (c), (e) and (g) relate to circumstances which are not predictable.

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

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

USE OF PROCEEDS

Proceeds of the Notes

The gross proceeds of the issue of the Notes will amount to €1,028,600,000.

The Issuer will apply the proceeds of the issue of the Mortgage Backed Notes solely towards the purchase of the Mortgage Backed Credits pursuant to the Mortgage Backed Credits Assignment Agreement. The proceeds of the issue of the Class F Notes will be used to establish the Cash Reserve Account, to fund part of the initial up-front transaction expenses of the Issuer, and to pay the part of the purchase price of the Mortgage Backed Credits attributable to (a) the interest accrued and not yet paid on the Loans as at the Portfolio Determination Date and (b) the cost of funding the Mortgage Backed Credits Portfolio between the Portfolio Determination Date and the Closing Date.

The direct cost of the admission of the Notes to the Official List of the Stock Exchange and to trading on its regulated market will amount to approximately €5782.40 and will be paid by the Originator.

CHARACTERISTICS OF THE MORTGAGE BACKED CREDITS

The information set out below has been prepared on the basis of a pool of the Mortgage Backed Credits as of 2nd May 2008.

The Mortgages

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

The initial Mortgage Backed Credits Portfolio will be selected so that it complies with the Mortgage Backed Credit Warranties set out in the Mortgage Backed Credits Assignment Agreement.

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

The Loans comprised in the Mortgage Backed Credits Portfolio are amortising loans with instalments of both principal and interest due every month.

Characteristics of the initial Mortgage Backed Credits Portfolio

The pool of Loans from which the initial Mortgage Backed Credits Portfolio was selected had the aggregate characteristics indicated in Tables 1 to 15 below as at 2nd May 2008. Amounts are rounded to the nearest €1 with 50 cents being rounded upwards. This gives rise to some rounding errors in the tables.

Table 1: Summary Data

Portfolio Summary	
Cut Date	2 May 08
Nominal Value	1,000,000,083
Number of Borrowers	9,483
Number of Properties	9,483
Number of Loanparts	12,205
Maximum Property Exposure (%age of Portfolio)	0.04%
Average Property Exposure (%age of Portfolio)	0.01%
WA Original LTV (Original Valuation)	89.85%
WA Current LTV (Current Valuation)	86.44%
First or First-and-Consecutive Leins (%age of Portfolio)	100.00%
First, Owner-Occupied Property (%age of Portfolio)	98.20%
WA Seasoning (months)	34.2
WA Maturity (months, assuming no prepayments)	411.2
WA Spread	0.82%
Performing Loans (Not in Arrears)	100.00%

Table 2: Breakdown by Original Borrower Balance

Original Borrower Balance	Number of Borrowers	Aggregate Balance	%age of Portfolio
EUR 0k to 50k	133	5,156,296	0.52%
EUR 50k to 100k	4,448	346,982,025	34.70%
EUR 100k to 150k	3,668	427,859,916	42.79%
EUR 150k to 200k	956	155,826,779	15.58%
EUR 200k to 250k	202	42,756,284	4.28%
EUR 250k to 300k	51	13,516,082	1.35%
EUR 300k to 400k	24	7,508,059	0.75%
EUR 400k to 500k	1	394,641	0.04%
Total	9,483	1,000,000,083	100.00%

Table 3: Breakdown by Current Borrower Balance

Current Borrower Balance	Number of Borrowers	Aggregate Balance	%age of Portfolio
EUR 0k to 50k	189	7,861,717	0.79%
EUR 50k to 100k	4,774	381,076,433	38.11%
EUR 100k to 150k	3,442	413,678,563	41.37%
EUR 150k to 200k	843	141,445,776	14.14%
EUR 200k to 250k	168	36,683,146	3.67%
EUR 250k to 300k	51	13,953,628	1.40%
EUR 300k to 400k	16	5,300,820	0.53%
EUR 400k to 500k	0	0	0.00%
Total	9,483	1,000,000,083	100.00%

Table 4: Breakdown by Seasoning

Seasoning	Number of Loanparts	Aggregate Balance	%age of Portfolio
0 to 12 months	2,245	161,881,126	16.19%
12 to 24 months	3,042	245,918,721	24.59%
24 to 36 months	2,613	215,159,984	21.52%
36 to 48 months	1,288	112,575,294	11.26%
48 to 60 months	1,170	103,320,009	10.33%
60 to 120 months	1,845	160,952,667	16.10%
120 to 180 months	2	192,280	0.02%
Total	12,205	1,000,000,083	100.00%

Table 5: Breakdown by Remaining Maturity

Term to Maturity	Number of Loanparts	Aggregate Balance	%age of Portfolio
0 to 12 months	0	0	0.00%
12 to 24 months	0	0	0.00%
24 to 36 months	0	0	0.00%
36 to 48 months	0	0	0.00%
48 to 60 months	2	21,515	0.00%
60 to 120 months	11	196,744	0.02%
120 to 180 months	34	2,501,801	0.25%
180 to 240 months	253	16,427,551	1.64%
240 to 300 months	1,841	152,614,808	15.26%
300 to 360 months	1,458	116,562,827	11.66%
360 to 420 months	1,522	126,195,872	12.62%
420 to 480 months	4,560	383,746,307	38.37%
480 to 540 months	2,524	201,732,659	20.17%
Total	12,205	1,000,000,083	100.00%

Table 6: Breakdown Benchmark Index

Reference Rate	Number of Loanparts	Aggregate Balance	%age of Portfolio
EE3	5,407	424,398,011	42.44%
EE6	6,798	575,602,072	57.56%
Total	12,205	1,000,000,083	100.00%

Table 7: Breakdown by Spread to Benchmark Base

Spread	Number of Loanparts	Aggregate Balance	%age of Portfolio
0 to 20 bps	0	0	0.00%
20 to 40 bps	412	46,538,457	4.65%
40 to 60 bps	2,032	190,182,920	19.02%
60 to 80 bps	3,580	296,835,491	29.68%
80 to 100 bps	2,804	218,787,054	21.88%
100 to 120 bps	1,254	94,950,350	9.50%
120 to 140 bps	954	68,366,038	6.84%
140 to 160 bps	474	36,859,986	3.69%
160 to 180 bps	392	29,150,656	2.92%
180 to 200 bps	171	11,093,355	1.11%
200 to 250 bps	100	5,853,582	0.59%
250 to 300 bps	13	445,353	0.04%
300 to 350 bps	15	900,070	0.09%
350 to 400 bps	2	20,655	0.00%
400 to 500 bps	1	6,847	0.00%
500 to 600 bps	1	9,269	0.00%
Total	12,205	1,000,000,083	100.00%

Table 8: Breakdown by Original Loan to Value

Original LTV (Original Valuation)	Number of Loanparts	Aggregate Balance	%age of Portfolio
0.0% to 67.5%	0	0	0.00%
67.5% to 70.0%	78	7,298,912	0.73%
70.0% to 72.5%	175	15,998,852	1.60%
72.5% to 75.0%	253	24,347,470	2.43%
75.0% to 77.5%	287	27,180,937	2.72%
77.5% to 80.0%	321	29,866,252	2.99%
80.0% to 82.5%	641	55,201,245	5.52%
82.5% to 85.0%	747	64,256,078	6.43%
85.0% to 87.5%	1,014	87,183,053	8.72%
87.5% to 90.0%	2,404	206,559,336	20.66%
90.0% to 92.5%	1,276	100,969,543	10.10%
92.5% to 95.0%	1,224	93,362,921	9.34%
95.0% to 97.5%	1,296	99,058,175	9.91%
97.5% to 100.0%	2,489	188,717,308	18.87%
Total	12,205	1,000,000,083	100.00%

Table 9: Breakdown by Current Loan to Value

Current LTV (Current Valuation)	Number of Loanparts	Aggregate Balance	%age of Portfolio
0.0% to 67.5%	76	6,140,616	0.61%
67.5% to 70.0%	211	18,997,572	1.90%
70.0% to 72.5%	341	31,148,148	3.11%
72.5% to 75.0%	383	34,425,005	3.44%
75.0% to 77.5%	465	44,446,248	4.44%
77.5% to 80.0%	668	60,457,951	6.05%
80.0% to 82.5%	1,341	113,277,888	11.33%
82.5% to 85.0%	1,322	111,340,612	11.13%
85.0% to 87.5%	1,336	113,714,708	11.37%
87.5% to 90.0%	1,503	125,418,608	12.54%
90.0% to 92.5%	1,133	90,230,446	9.02%
92.5% to 95.0%	1,156	85,826,771	8.58%
95.0% to 97.5%	974	71,771,439	7.18%
97.5% to 100.0%	1,296	92,804,071	9.28%
Total	12,205	1,000,000,083	100.00%

Table 10: Breakdown by Employment Status

Employment Type	Number of Loanparts	Aggregate Balance	%age of Portfolio
Administrative Worker	3,142	238,820,107	23.88%
Director / Administrator	533	52,311,275	5.23%
Entrepreneur	19	2,038,139	0.20%
Entrepreneur Of Civil Construction	9	790,923	0.08%
Entrepreneur Of Services	34	2,561,367	0.26%
Entrepreneur Of Transports	2	219,259	0.02%
Executive	1,688	164,636,912	16.46%
Farmer	4	431,934	0.04%
Hotelaria Entrepreneur	17	1,201,847	0.12%
Housewife	37	2,857,806	0.29%
Industrial	18	1,465,494	0.15%
Investor/Landlord	0	0	0.00%
No Specialized Worker	751	54,020,391	5.40%
Retailer	40	3,198,109	0.32%
Retired	83	5,614,093	0.56%
Self-Employed	358	32,314,535	3.23%
Specialized Worker	2,845	211,999,383	21.20%
Student	169	15,639,317	1.56%
Technician	2,347	201,370,132	20.14%
Unemployed	109	8,509,060	0.85%
Total	12,205	1,000,000,083	100.00%

Table 11: Breakdown by Property Location

Property Location	Number of Loanparts	Aggregate Balance	%age of Portfolio
Aveiro	590	41,888,418	4.19%
Beja	40	3,492,163	0.35%
Braga	833	58,611,280	5.86%
Bragança	19	1,339,060	0.13%
Castelo Branco	309	21,768,462	2.18%
Coimbra	269	19,076,422	1.91%
Évora	226	21,048,335	2.10%
Faro	746	66,946,643	6.69%
Guarda	118	8,779,934	0.88%
Ilha Da Graciosa	1	62,602	0.01%
Ilha Da Madeira	467	40,439,130	4.04%
Ilha De Porto Santo	0	0	0.00%
Ilha De São Jorge	13	1,115,955	0.11%
Ilha De São Miguel	138	13,580,181	1.36%
Ilha Do Faial	6	594,671	0.06%
Ilha Do Pico	22	1,913,820	0.19%
Ilha Terceira	69	7,359,372	0.74%
Leiria	353	25,482,895	2.55%
Lisboa	3,602	332,145,951	33.21%
Portalegre	86	7,186,087	0.72%
Porto	1,843	125,348,683	12.53%
Santarém	448	35,080,137	3.51%
Setúbal	1,786	149,446,886	14.94%
Viana Do Castelo	59	4,622,324	0.46%
Vila Real	19	1,424,373	0.14%
Viseu	143	11,246,300	1.12%
NA	0	0	0.00%
Total	12,205	1,000,000,083	100.00%

Table 12: Breakdown by Subsidy Type

Subsidy	Number of Loanparts	Aggregate Balance	%age of Portfolio
General	16	988,450	0.10%
Youth	321	20,222,098	2.02%
None	11,868	978,789,534	97.88%
Total	12,205	1,000,000,083	100.00%

Table 13: Breakdown by Original Incremental Period

Original Incremental Period	Number of Loanparts	Aggregate Balance	%age of Portfolio
Constant Amortising	4,940	288,568,393	28.86%
0 to 2 years	18	1,617,066	0.16%
2 to 4 years	471	46,632,813	4.66%
4 to 6 years	1,925	195,004,442	19.50%
6 to 8 years	3,923	378,964,080	37.90%
8 to 10 years	665	64,050,603	6.41%
10 to 12 years	263	25,162,686	2.52%
Total	12,205	1,000,000,083	100.00%

Table 14: Breakdown by Remaining Incremental Period

Remaining Incremental Period	Number of Loanparts	Aggregate Balance	%age of Portfolio
Constant Amortising	4,940	288,568,393	28.86%
0 to 2 years	870	84,580,360	8.46%
2 to 4 years	2,081	198,382,181	19.84%
4 to 6 years	2,235	221,400,237	22.14%
6 to 8 years	2,040	202,168,824	20.22%
8 to 10 years	39	4,900,088	0.49%
10 to 12 years	0	0	0.00%
Total	12,205	1,000,000,083	100.00%

Information on the Mortgage Backed Credits

The information on the Mortgage Backed Credits set out in this Prospectus is derived from information provided by the Originator. The information contained in the section entitled "**Characteristics of the Mortgage Backed Credits**" has not been audited by the Issuer, the Common Representative, the Lead Manager or any other independent entity. The information relating to the characteristics of the Loans included in the initial Mortgage Backed Credits Portfolio indicated in tables 1 to 15 above of said section entitled "**Characteristics of the Mortgage Backed Credits**" has been subject to certain agreed-upon procedures defined by the Lead Manager and performed by external auditors.

ORIGINATOR'S STANDARD BUSINESS PRACTICES, SERVICING AND CREDIT ASSESSMENT

The Residential Mortgage Business of Montepio

Montepio 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 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 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 has provided mortgage loans to its customers through its retail branch network in Portugal (at present 300 branches).

Origination

All of Montepio's residential mortgage loans are originated at the branch level. This may take place as a result of direct contact with borrowers, via proposals submitted to Montepio by real estate agents, or through introductions by real estate agents. In each case, the client will have to go to the branch to follow the standard application and approval process.

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 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.

Despite not being compulsory, life insurance is encouraged by Montepio, 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 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'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 five month period from the date of the first delinquency, legal proceedings will, at that point, be instigated.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer is a limited liability company registered and incorporated in Portugal as a special purpose vehicle for the purpose of issuing asset-backed securities, on 10 July 2003 (registered number 13589) under the Securitisation Law and has been duly authorised by the Portuguese securities supervising authority (*Comissão do Mercado de Valores Mobiliários*, the "CMVM") through a resolution of the Board of Directors of the CMVM obtained on 18 June 2003 for an unlimited period of time and was given registration number 9090.

The registered office of the Issuer is at Rua Barata Salgueiro, No. 30, 4th Lisbon, Portugal, telephone number +351 213 571 730. The Issuer has no subsidiaries. The Issuer is registered with the Commercial Registry Office of Lisbon under the registration and taxpayer number 506.561.461.

Principal Activities

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

Directors and Secretary

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Occupation</u>
Paulo Gray	Rua Barata Salgueiro, No. 30, 4th Lisbon, Portugal	Banker
Luis Aguiar	Rua Barata Salgueiro, No. 30, 4th Lisbon, Portugal	Banker
Inês Silva	33 Canada Square, Canary Wharf, London, E14 5LB, United Kingdom	Banker

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

The Issuer's auditor is KPMG & Associados, Sociedade de Revisores Oficiais de Contas S.A., registered with *Ordem dos Revisores Oficiais de Contas* with the n. 189, having its offices at Avenue Praia da Vitória, 71 – A, 11º, Lisbon, represented by Vítor Manuel da Cunha Ribeirinho, ROC nr.1081.

The Issuer has no employees. The directors are officers of Citigroup Global Markets Limited and Citibank International Plc. The secretary of the Issuer is Rodrigo Formigal with offices at Avenida Eng.º Duarte Pacheco, No. 26, Lisbon, Portugal.

Legislation Governing the Issuer's Activities

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

Financial Statements

Audited financial statements of the Issuer are published on an annual basis and are certified by an auditor registered with the CMVM. The first audited financial statement is for the period starting on the date of incorporation and ending on 31 December 2003.

Insolvency of the Issuer

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

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

Capital Requirements

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

The level of capitalisation of the Issuer is determined by reference to the net value outstanding of notes issued by the Issuer and traded (*in circulação*) at any given point in time. Apart from the minimum share capital, a securitisation company ("STC" or *sociedade de titularização de créditos*) must meet further own funds levels depending upon the net value outstanding of the securitisation notes issued. In this respect, (a) if the net value outstanding of the notes issued and traded is €75 million or less, the own funds of the Issuer shall be no less than 0.5 per cent. of the net value outstanding of such notes, or (b) if the net value outstanding of the notes issued and traded exceeds €75 million, the own funds of the Issuer, in relation to the portion of the net value outstanding of the notes in excess of €75 million, shall be 0.1 per cent. of the net value outstanding of such notes.

An STC can use its own funds to pursue its activities. However if, at any time, the STC's own funds fall below the percentages referred to above the STC must, within three months, ensure that such percentages are met. CMVM will supervise the Issuer in order to ensure that it complies with the relevant capitalisation requirements.

The required level of capitalisation can be met, *inter alia*, through share capital, ancillary contributions (*prestações acessórias*) and reserves as adjusted by profit and losses. The entire authorised share capital of the Issuer comprises 50,000 issued and fully paid shares (the "**Shares**") of €5 each.

The amount of ancillary capital contributions (*prestações acessórias*) made by Citigroup Financial Products Inc., a private limited liability company incorporated under the laws of the United States of America (the "**Shareholder**") is €7,000,000.

The Shareholder

All of the Issuer's Shares are held directly by the Shareholder.

Capitalisation of Issuer

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

	As at the Closing Date
	(in thousands of €)
Indebtedness	
Pelican No.4 Transaction	
(Article 62 Asset Identification Code No. 200805SGRCMGNXXN0026)	
Class A Notes	832,000
Class B Notes.....	55,500
Class C Notes.....	60,000
Class D Notes	25,000
Class E Notes.....	27,500
Class F Notes	28,600
Other Securitisation Transactions	6,387,013*
Shareholders' equity	7,250
Share capital (Authorised €250,000; Issued 50,000 shares with a par value of €5 each).....	250
Supplementary Capital Contributions	7,000
Total capitalisation	7,422,863

* As at 31 December 2007

Other Securities of the Issuer

The Issuer has not issued any convertible or exchangeable securities or notes.

Independent Auditors' Report

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

Telefone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

The Directors

SAGRES Sociedade de Titularização de Créditos, S.A.
(the “**Company**”)
Rua Barata Salgueiro, No. 30,
4º Lisbon,
Portugal

19 May 2008

Dear Sirs

SAGRES Sociedade de Titularização de Créditos, S.A.

We report on the financial information set out below. This financial information has been prepared for inclusion in the Prospectus dated 19 May 2008 (the “**Prospectus**”) of the Company to be published in connection with the issue of the Notes. We have reviewed the financial information of the Company (set out below) as of and for the years ended 31 December 2005 and 2006.

Basis of Preparation

The financial information set out in paragraphs 1 and 2 below is based on the financial statements of the Company prepared on the basis described in note 3.1.

Responsibility

The financial statements referred to above are the responsibility of the directors of the Company.

The directors of the Company are responsible for the contents of the Prospectus.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas'. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgment made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatements whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company at 31 December 2006 in accordance with the generally accepted accounting principles in Portugal.

Yours faithfully

KPMG & Associados - SROC S.A. (SROC n.189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC. N.1081)
Partner

1. **Balance sheet as at 31 December 2005 and 2006**

SAGRES SOCIEDADE DE TITULARIZAÇÃO DE CRÉDITOS, S.A.

(amounts stated in euro)

	Total Operations		General		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Intangible assets	-	-	-	1,898	-	1,898
Financial assets	4,434,090,370	3,090,767,427	-	-	4,434,090,370	3,090,767,427
Debtors	60,538	92,161	169,900	47,613	230,438	139,774
Cash and banks	244,817,881	296,752,202	6,106,093	4,897,137	250,923,974	301,649,339
Accruals and deferrals	7,124,682	7,251,010	84,626	67,965	7,209,308	7,318,975
Total Assets	4,686,093,471	3,394,862,800	6,360,619	5,014,613	4,692,454,090	3,399,877,413
Liabilities						
Creditors	101,066	25,112	176,176	154,431	277,242	179,543
Loans obtained	4,638,474,121	3,340,998,917	-	-	4,638,474,121	3,340,998,917
Accruals and deferrals	47,518,284	53,838,771	68,428	37,862	47,586,712	53,876,633
Total Liabilities	4,686,093,471	3,394,862,800	244,604	192,293	4,686,338,075	3,395,055,093
Shareholders' Equity						
Share capital	-	-	250,000	250,000	250,000	250,000
Supplementary Capital Contributions	-	-	5,250,000	4,250,000	5,250,000	4,250,000
Profits/(losses) brought forward	-	-	322,320	143,573	322,320	143,573
Net profit for the year	-	-	293,695	178,747	293,695	178,747
Total Shareholders' equity	-	-	6,116,015	4,822,320	6,116,015	4,822,320
	4,686,093,471	3,394,862,800	6,360,619	5,014,613	4,692,454,090	3,399,877,413

2. **Profit and Loss for the years ended December 2005 and 2006**

SAGRES SOCIEDADE DE TITULARIZAÇÃO DE CRÉDITOS, S.A.

(amounts stated in euro)

	Total Operations		General		Total	
	2006	2005	2006	2005	2006	2005
Operating income						
Services provided	-	-	422,708	268,464	422,708	268,464
	-	-	422,708	268,464	422,708	268,464
Operating costs						
Third-party supplies and services	6,006,295	5,830,314	151,804	74,774	6,158,099	5,905,088
Depreciation for the year	-	-	1,898	3,078	1,898	3,078
Taxes	-	120	5	90	5	210
	6,006,295	5,830,434	153,707	77,942	6,160,002	5,908,376
Operating profit/(loss)	(6,006,295)	(5,830,434)	269,001	190,522	(5,737,294)	(5,639,912)
Financial income and gains	228,549,693	176,002,218	140,502	62,895	228,690,195	176,065,113
Financial costs and losses	222,543,398	170,171,810	152	136	222,543,550	170,171,946
Financial profit (loss)	6,006,295	5,830,408	140,350	62,759	6,146,645	5,893,167
Extraordinary income and gains	-	26	159	1,200	159	1,226
Extraordinary costs and losses	-	-	237	5,737	237	5,737
Extraordinary profit/(loss)	-	26	(78)	(4,537)	(78)	(4,511)
Profit/(loss) before taxes	-	-	409,273	248,744	409,273	248,744
Provision for income tax	-	-	115,578	69,997	115,578	69,997
Net profit/(loss)	-	-	293,695	178,747	293,695	178,747

3. Accounting Policies

3.1. Accounting Policies

The financial information has been prepared under the historical cost convention and in accordance with accounting standards currently applicable in Portugal.

The Issuer's Auditors have included in their work an assessment of evidence relevant to the amounts and disclosures in the financial information. Such work also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

The Issuer's Auditors have planned and performed such work so as to obtain all the information and explanations which are considered necessary in order to provide sufficient evidence to give reasonable assurance that the financial information is free from material misstatements whether caused by fraud or other irregularity or error.

3.2 Trading Activity

Since its incorporation and until 31st December 2007, the Issuer has entered into ten securitisation transactions pursuant to which it has issued the following asset-backed securitisation notes:

<u>Transaction</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Tranches</u>	<u>Principal amount issued (euro)</u>	<u>Outstanding principal amount¹ (euro)</u>
1	18 November 2003	20 November 2009	1	25,519,865	0
2	20 April 2004	20 September 2012	6	1,663,000,000	683,000,012
3	25 November 2004	20 September 2047	1	283,810,000	0
4	6 April 2005	21 November 2039	4	500,010,000	500,010,000
5	22 November 2005	21 June 2056	5	1,509,000,000	1,048,549,481
6	31 July 2006	22 December 2012	1	22,500,000	22,500,000
7	28 September 2006	21 April 2059	6	1,509,000,000	1,359,870,278
8	20 December 2006	20 November 2034	6	616,713,000	616,713,000
9	29 March 2007	15 September 2054	6	762,375,000	686,942,645
10	31 July 2007	21 November 2060	6	1,509,000,000	1,469,427,576
Total					6,387,012,992

1. Outstanding principal amount as of 31 December 2007

4 Own Funds

The current value of Issuer's own funds complies with the capital requirements applicable to STCs pursuant to article 43 of the Securitisation Law (Decree-Law 359/ 99 of 5 November 1999).

DESCRIPTION OF THE ORIGINATOR

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’s main activity is banking intermediation, collecting retail deposits and to grant credit to individuals and companies. Most of Montepio’s loans to individuals are secured by mortgages on property because Montepio is specialised in mortgage credit, and, in particular, housing credit. Montepio operates as a universal bank integrated in the Montepio Financial Group and together with its subsidiaries offers a wide range of banking and financial products and services, such as mutual, real-estate and pension funds, insurance (life and non-life), investment management services, and the provision of credit cards, aimed at catering for all its customers financial needs.

Montepio has traditionally focused on the retail market but is now seeking to balance its customer base by increasing its presence in the corporate sector, specially SME’s sector. Montepio’s client base comprises more than one million customers.

Montepio has also been developing its international operations, especially through the provision of foreign currency to its Portuguese customers, documentary credits, payment orders and the issue of traveller’s cheques, and has been focusing mainly on attracting deposits from non-resident Portuguese nationals through its representative offices located in Europe and North America.

As at 31 December 2007, Montepio’s non-consolidated total assets, net of provisions and depreciation, were €16,435 million (€12,213 million of which were mortgage loans), its total equity was €878 million and its total capital adequacy ratio, calculated according to Bank of Portugal rules, was 9.4%. Its capital adequacy ratio, calculated according to BIS standard, was 10.1%.

The short-term unsecured, unsubordinated and unguaranteed debt obligations of Montepio are currently rated P-1 by Moody’s and F2 by Fitch. The long-term unsecured, unsubordinated and unguaranteed debt obligations of Montepio are currently rated A2 by Moody’s and A- by Fitch.

DESCRIPTION OF THE HEDGE COUNTERPARTY

ABN AMRO Holding N.V. ("**Holding**") is incorporated as a limited liability company under Dutch law by deed of 30 May 1990 as the holding company of ABN AMRO Bank, N.V.. Holding's main purpose is to own ABN AMRO Bank, N.V. and its subsidiaries. Holding owns 100 per cent. of the shares of ABN AMRO Bank, N.V. and is jointly and severally liable for all liabilities of ABN AMRO Bank, N.V.. ABN AMRO Bank, N.V. is registered in the Commercial Register of Amsterdam under number 33002587. The registered office of ABN AMRO Bank, N.V. is at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands.

The ABN AMRO group ("**ABN AMRO Group**"), which consists of Holding and its subsidiaries (including ABN AMRO Bank N.V.), is a prominent international banking group offering a wide range of banking products and financial services on a global basis through its network of more than 4,500 offices and branches in 53 countries as of year-end 2006.

ABN AMRO Group is one of the largest banking groups in the world, with total consolidated assets of €1,120 billion as at 30 June 2007. ABN AMRO Bank N.V. is listed on Euronext and the New York Stock Exchange.

The long-term, unsecured, unsubordinated and unguaranteed debt obligations of ABN AMRO Bank N.V. are currently rated "AA-" by S&P, "Aa2" by Moody's and "AA-" by Fitch. The short-term, unsecured, unsubordinated and unguaranteed debt obligations of ABN AMRO Bank N.V. are currently rated "A-1+" by S&P, "P-1" by Moody's and "F1+" by Fitch.

As per 2 November 2007, approximately 98.8% of Holding's ordinary shares are owned by the consortium of banks (constituted by Royal Bank of Scotland, Fortis and Banco Santander) through the Dutch vehicle RFS Holdings B.V., which is consolidated as part of the RBS Group. Further details of the most recent developments in respect of ABN AMRO can be obtained from the ABN AMRO website at <http://www.abnamro.com>.

The information in the preceding five paragraphs has been provided solely by ABN AMRO Bank, N.V. for use in this Prospectus and ABN AMRO Bank, N.V. is solely responsible for the accuracy of the preceding five paragraphs. Except for the foregoing five paragraphs, ABN AMRO Bank, N.V. and its affiliates do not accept responsibility for this Prospectus.

DESCRIPTION OF THE ACCOUNTS BANK

Citibank, N.A.

Citibank, N.A. is incorporated with limited liability under the National Bank Act of the USA, having its head office at 399 Park Avenue, New York, NY 10043 and having established a branch office in England and Wales at 14th Floor, Canada Square, Canary Wharf, London E14 5LB with number BR001018.

SELECTED ASPECTS OF PORTUGUESE LAW RELEVANT TO THE MORTGAGE BACKED CREDITS AND THE TRANSFER OF THE MORTGAGE BACKED CREDITS

Securitisation Legal Framework

Securitisation Law

Decree Law 453/99 of 5 November 1999 as amended by Decree Law 82/2002 of 5 April 2002, Decree Law 303/2003 of 5 December 2003 and Decree Law 52/2006 of 15 March 2006 (together the "**Securitisation Law**") has implemented a specific securitisation legal framework in Portugal, which contains a simplified process for the assignment of credits. The Securitisation Law regulates, amongst other things; (i) the establishment and activity of Portuguese securitisation vehicles; (ii) the type of credits that may be securitised; and (iii) the entities which may assign credits for securitisation purposes. Some of the most important aspects of this legal framework include:

- (a) the establishment of special rules facilitating the assignment of credits (including mortgage loans) in the context of securitisation transactions;
- (b) the types of originators/assignors which may assign their credits pursuant to the Securitisation Law;
- (c) the types of credits that may be securitised and the legal eligibility criteria such credits have to comply with; and
- (d) the creation of two different types of securitisation vehicles: (i) Credit Securitisation Funds (Fundos de Titularização de Créditos – "**FTC**"), and (ii) Credit Securitisation Companies (Sociedades de Titularização de Créditos – "**STC**").

Securitisation Tax Law

Decree Law 219/2001 of 4 August 2001 as amended by Law 109-B/2001 of 27 December 2001, Decree Law 303/2003 of 5 December 2003 and by Law 53-A/2006, of 29 December 2006 (together the "**Securitisation Tax Law**") established the tax regime applicable to the securitisation of credits implemented under the Securitisation Law. The Securitisation Tax Law allows for a neutral fiscal treatment of securitisation vehicles as well as tax exemptions regarding the amounts paid by the securitisation vehicles to non-resident entities without a permanent establishment in Portuguese territory. However, where a Portuguese resident entity holds more than 25 per cent. of such non-resident entity, a 20 per cent. withholding tax applies regarding the amounts paid by the company to such non-resident entity, unless a tax treaty that might be applicable to the situation establishes a reduced withholding tax rate. Withholding tax also becomes due in the event that such non-resident entity is located in a country or territory included in the list of countries determined by the Portuguese Tax Ministry pursuant to Regulation No. 150/2004 of 13 February 2004.

STC Securitisation Companies

STCs are established for the exclusive purpose of carrying out securitisation transactions in accordance with the Securitisation Law. The following is a description of the main features of an STC.

Corporate Structure

STCs are commercial companies ("*sociedades anónimas*") incorporated with limited liability, having a minimum share capital of €250,000. The shares in STCs can be held by one or more shareholders. STCs are subject to the supervision of the CMVM and their incorporation is subject to the prior authorisation by the CMVM. STCs are subject to ownership requirements. A prospective shareholder

must obtain approval from the CMVM in order to establish an STC. Such approval is granted when the prospective shareholder shows that it is capable of providing the company with a sound and prudent management.

If the shares in an STC are to be transferred to another shareholder or shareholders, prior authorisation of the CMVM of the prospective shareholder has to be obtained. The interest of the new shareholder in the STC has to be registered within 15 days of the purchase.

Regulatory Compliance

In order to ensure the sound and prudent management of STCs, the Securitisation Law provides that the members of the board of directors and the members of the board of auditors meet high standards of professional qualification and personal reputation.

The members of the board of directors and the members of the board of auditors must be registered with the CMVM.

Corporate Object

STCs can only be incorporated for the purpose of carrying out one or more securitisation transactions by means of the acquisition, management and transfer of receivables and the issue of securitisation notes for payment of the purchase price for the acquired receivables.

An STC may primarily finance its activities with its own funds and by issuing notes.

Without prejudice to the above, pursuant to the Securitisation Law, STCs are permitted to carry out certain financial activities, but only to the extent that such financial activities are (i) ancillary to the issuance of the securitisation notes, and (ii) aimed at ensuring that the appropriate levels of liquidity funds are available to the STC.

Types of credits which may be securitised and types of assignors

The Securitisation Law sets out details of the types of credits that may be securitised and the specific requirements which are to be met in order for such credits to be securitised.

The Securitisation Law allows a wide range of originators to assign their credits for securitisation purposes including the Portuguese Republic, public entities, credit institutions, financial companies, insurance companies, pension funds, pension fund management companies and other corporate entities whose accounts have been audited for the last three years by an auditor registered with the CMVM.

Assignment of credits

Under the Securitisation Law, the sale of credits for securitisation is effected by way of assignment of credits. In this context the following should be noted:

Notice to Debtors

In general, an assignment of credits is effective against the relevant debtor after notification of assignment is made to such debtor.

Notification to the debtor is required to be made by means of a registered letter (to be sent to the debtor's address included in the relevant receivables contract) and such notification will be deemed to have occurred on the third business day following the date of posting of the registered letter.

An exception to this requirement applies when the assignment of credits is made under the Securitisation Law by, inter alia, credit institutions or financial companies, and such entities are the servicers of the credits in which case there is no requirement to notify the relevant debtor since such assignment is deemed to be effective in relation to such debtor when it is effective between assignor and assignee.

Accordingly, in the situation set out above, any payments made by the debtor to its original creditor after an assignment of credits has been made will effectively belong to the assignee who may, at any time and even in the context of the insolvency of the assignor, claim such payments from the assignor.

Assignment Formalities

There are no specific formality requirements for an assignment of credits under the Securitisation Law. A simple contract between the parties is sufficient for a valid assignment to occur (including an assignment of mortgage loans). Transfer by means of a notarial deed is not required. In the case of an assignment of mortgage loans, the signatures to the assignment contract must be certified by a notary public or the company secretary of each party (when the parties have appointed such a person).

In order to perfect an assignment of mortgage loans against third parties, the assignment must be followed by the corresponding registration (as described in the paragraph below) of the transfer of the mortgage loans in the relevant Real Estate Registry Office.

Application for registration of the transfer of a pool of mortgage loans may, from a practical point of view, be a cumbersome procedure. In fact, even if only one application for registration is made (with a list of the assigned mortgage loans, and therefore amounting to a multiple title in respect of the mortgage loans over the relevant properties located in the area of jurisdiction of each given Real Estate Registry Office) with each relevant Real Estate Registry Office, there will have to be, at least, as many applications for registration as Real Estate Registry Offices involved, depending on the location of the relevant mortgaged properties. The registration of the transfer of the mortgage loans will require the payment of a fee for each mortgage loan of approximately €200.

The Securitisation Law provides for the assignment of credits to be effective between the parties upon execution of the relevant assignment agreement. This means that in the event of insolvency of the assignor prior to registration of the assignment of credits, the credits will not form part of the insolvency estate of the assignor even if the assignee may have to claim its entitlement to the assigned credits before a competent court.

However, the assignment of the security is only effective against third parties acting in good faith further to registration of such assignment with the competent registry by or on behalf of the assignee. The Issuer is entitled under the Securitisation Law to effect such registration.

Assignment and Insolvency

Unless an assignment of credits is effected in bad faith, such assignment under the Securitisation Law cannot be challenged for the benefit of the assignor's insolvency estate and any payments made to the assignor in respect of credits assigned prior to a declaration of insolvency will not form part of the assignor's insolvency estate even when the term of the credits falls after the date of declaration of insolvency of the assignor. In addition any amounts held by the servicer as a result of its collection of payments in respect of the credits assigned under the Securitisation Law will not form part of the servicer's insolvency estate.

Mortgages charging real estate under Portuguese law

Concept

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

Legal Form, Registry and Priority Rights

Mortgages are created by means of a notarial deed, which is a contract prepared and testified by, and executed before, a public notary 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 in order for a mortgage to be considered validly created.

Furthermore, registration also rules the ranking of creditors in the event that several mortgages are created over the same property. In this case, the ranking of rights among such creditors will correspond to the priority of mortgage registration (i.e., the creditor with a prior registered mortgage will rank ahead of the others).

Although mortgagees have priority over non secured creditors, there are preferential rights which apply as a matter of law and which rank ahead of a mortgage, such as: (i) amounts due to the Portuguese Republic in respect of social security charges and taxes (except when insolvency of the obligor has been declared); and (ii) employees' credits in respect of unpaid salaries due by the mortgagor.

In accordance with the Código Civil (the "Portuguese Civil Code"), the relevant originator as lender of a mortgage loan may require a borrower to provide additional security for a mortgage loan if the value of the property securing the mortgage loan is insufficient to cover the amount of the mortgage loan due to reasons which are not attributable to the lender.

Enforcement and court procedures

Enforcement of a mortgage over real property may only be made through a court procedure, whereby the mortgagee is entitled to demand the sale by a court of the property and be paid from the proceeds of such sale (after payment to the preferential creditors, if any).

The mortgagee may not take possession or become owner of the property (foreclosure) by virtue of enforcement of the mortgage, and is only entitled to be paid out of the proceeds of sale of the relevant property.

Should the mortgagee be willing to acquire the property, he may bid in the court sale along with (but with no preference) any other parties interested in the purchase of the property.

In case there are various creditors with mortgages over the same property, the proceeds of the sale of the property are distributed among the secured creditors in accordance with the registration priority and are allocated first to the payment of the first ranking secured creditor, with the remaining amount (if any) being allocated to the next ranking creditor.

Court procedures in relation to enforcement of mortgages over real property usually take two to four years on average for a final decision to be reached on the execution of a mortgage loan. Court fees payable in relation to the enforcement process are calculated on the basis of a fixed percentage of the value of the property.

Risk of Set-Off by Borrowers

The Securitisation Law does not expressly deal with set-off, and several arguments may be put forward to declare that set-off should not be considered as a “means of defense” for the purpose of the interpretation and application of article 6, number 6 of the Securitisation Law and therefore those Borrowers could not exercise against the Issuer any set-off rights they may hold against the Originator prior to the assignment of the relevant Mortgage Backed Credits to the Issuer. However, this doctrine has never been tested in a Portuguese court.

In any case, it should be noted that, by virtue of establishing that the assignment of credits by a credit institution, a financial company, an insurance company, pension funds and pension fund managers is effective against the debtor on the date of assignment of such credits without notification to the debtor being required (provided that the assignor is the servicer of the assigned credit), the Securitisation Law effectively prevents a debtor from exercising any alleged right of set-off against an assignee if such alleged right did not exist against the assignor prior to the date of assignment.

The application of Articles 847 to 856 of the Portuguese Civil Code on set-off within the context of the relationship between the Borrower and the Originator is not possible, since after the assignment of the relevant Mortgage Backed Credits to the Issuer the requisite reciprocity no longer exists.

Set-Off on Insolvency

Under article 99 of the *Código de Insolvência e Recuperação de Empresas* (the Code for the Insolvency and Recovery of Companies), implemented by Decree Law 53/2004 of 18 March 2004, a debtor will only be able to exercise any right of set-off against a creditor after a declaration of insolvency of such creditor provided that, prior to the declaration of insolvency, (i) such set-off right existed, and (ii) the circumstances allowing set-off, as described in article 847 of the Portuguese Civil Code were met. However, in case of insolvency of the Originator, set-off by the Borrower against the Originator will not be possible because after the assignment of the relevant Mortgage Backed Credits to the Issuer the requisite reciprocity no longer exists.

Data Protection Law

Law 67/98 of 26 October 1998, ("**Law 67/98**", which implemented Directive 95/46/EC, of 24 October 1995) provides for the protection of individuals regarding the processing and transfer of personal data.

Pursuant to Law 67/98, any processing of personal data requires express consent from the data subject, unless the processing is necessary in certain specific circumstances as provided under the relevant laws.

The entity collecting and processing personal data must obtain prior authorisation from the *Comissão Nacional de Protecção de Dados* (the "**CNPD**", the Portuguese data protection authority) before processing such data.

Transfer of personal data to an entity within a European Union Member State does not require to be authorised by the CNPD but must be notified to the relevant data subjects.

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 delivered on or around the Closing Date to a common safekeeper for Euroclear and Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable in whole or in part for interests in the related Permanent Global Note not earlier than 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 Paying Agent. Details of any exchange of a Temporary Global Note for a Permanent Global Note will be entered in the records of Euroclear and Clearstream, Luxembourg.

The Permanent Global Notes will become exchangeable in whole, but not in part, for Notes in definitive form in the denomination of €50,000 each and additional increments of €1,000 in excess thereof at the request of the bearer of a Permanent Global Note against presentation and surrender of the Permanent Global Note to the Paying Agent if any of the following events (each, an "Exchange Event") occurs:

- (a) an event of default (as set out in Condition 12 (*Events of Default*)) has occurred and is continuing; or
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Receipts, Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the 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 Conditions of the Notes as they apply to the Temporary Global Notes and the Permanent Global Notes. The following is a summary of certain of those provisions:

Nominal Amounts

The nominal amount of the Notes represented by each Global Note shall be the aggregate amount from time to time entered in the records of both Euroclear and Clearstream, Luxembourg (in their capacity as the ICSDs). The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the nominal amount of the Notes and, for these purposes, a statement issued by an ICSD stating the nominal amount of the Notes at any time (which statement shall be made available to the bearer upon request) shall be conclusive evidence of the records of the ICSD at that time.

Payments

All payments in respect of the Temporary Global Notes and the Permanent Global Notes will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon)

surrender of a Temporary Global Note or (as the case may be) a Permanent Global Note at the Specified Office of the Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

A record of each payment made on a Global Note, distinguishing between any payment of interest and principal will be entered pro rata in the records of the ICSD and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the ICSD and represented by the relevant Global Note shall be reduced by the aggregate nominal amount of such instalment so paid. Any failure to make the entries referred to above shall not affect the discharge of the corresponding liabilities of the Issuer in respect of the Notes.

Notices

Notwithstanding the Notices Condition, while all the Notes are represented by this Permanent Global Note (or by this Permanent Global Note and a Temporary Global Note) and this Permanent Global Note is (or this Permanent Global Note and a Temporary Global Note are) kept with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any such case, such notices shall be deemed to have been given to the Noteholders in accordance with the Notices Condition on the date of delivery to Euroclear and Clearstream, Luxembourg.

Meetings

The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirement of, or the right to demand a poll at, a meeting of holders of the Class A Notes, Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes as the case may be, and, at any such meeting, as having one vote in respect of each €1,000 of principal amount of Notes of the Class for which the Global Note may be exchanged.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions which (subject to completion and amendment) will be attached to each Global Note in bearer form or endorsed on each Note in definitive bearer form.

1. **General**

- 1.1 The Issuer has agreed to issue the Notes subject to the terms of the Common Representative Appointment Agreement.
- 1.2 The Paying Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.3 Certain provisions of these Conditions are summaries of the Common Representative Appointment Agreement, the Security Deed, the Co-ordination Agreement and the Paying Agency Agreement and are subject to their detailed provisions.
- 1.4 The Instrumentholders are bound by the terms of the Common Representative Appointment Agreement and are deemed to have notice of all the provisions of the Transaction Documents.
- 1.5 Copies of the Transaction Documents are available for inspection, on reasonable notice, during normal business hours at the registered office for the time being of the Common Representative and at the Specified Office of the Paying Agent, the initial Specified Offices of which are set out below.

2. **Definitions**

In these Conditions the defined terms have the meanings set out in Condition 23 (*Definitions*).

3. **Form, Denomination and Title**

3.1 **Form and Denomination**

The Notes are in bearer form in the minimum denomination of €50,000 each and in integral multiples of €1,000 in excess thereof, with Receipts and Coupons attached at the time of issue. Title to the Notes, the Coupons and the Receipts will pass by delivery.

3.2 **Title**

The holder of any Note, Coupon or Receipt shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payment) whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such holder.

3.3 **Form of Notes and Exchange**

Each Class of Notes will initially be represented by a temporary global note in bearer form, without coupons, receipts or talons, which is expected to be delivered to a common safekeeper for Euroclear and 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, without coupons, receipts or talons for the relevant Class of Notes which will also be deposited with a common safekeeper

for Euroclear and Clearstream, Luxembourg. Each Global Note will be in the form of a new global note.

4. Status, Ranking and Security

4.1 Status

The Notes, the Coupons and the Receipts of each Class constitute limited recourse obligations of the Issuer and the Notes and the other Issuer Obligations have the benefit of the statutory segregation under the Securitisation Law.

4.2 Ranking

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

4.3 Sole Obligations

The Notes, the Receipts and the Coupons are obligations solely of the Issuer limited to the segregated Mortgage Backed Credits Portfolio corresponding to this transaction (as identified by the corresponding asset code awarded by the CMVM pursuant to article 62 of the Securitisation Law) and the Transaction Assets and without recourse to any other assets of the Issuer pertaining to other issuances of securitisation notes by the Issuer or to the Issuer's own funds or to the Issuer's directors, managers or shareholders and are not obligations of, or guaranteed by, any of the other Transaction Parties.

4.4 Priority of Interest Payments

Prior to the delivery of an Enforcement Notice, all payments of interest due on: (i) the Class A Notes will rank in priority to payments of interest due on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, and any amounts due on the Class F Notes; (ii) the Class B Notes will rank in priority to payments of interest due on the Class C Notes, the Class D Notes and the Class E Notes, and any amounts due on the Class F Notes; (iii) the Class C Notes will rank in priority to payments of interest due on the Class D Notes and the Class E Notes and any amounts due on the Class F Notes; (iv) the Class D Notes will rank in priority to payments of interest due on the Class E Notes and any amounts due on the Class F Notes, (v) the Class E Notes will rank in priority any amounts due on the Class F Notes, in each case in accordance with the Pre-Enforcement Interest Payments Priorities.

4.5 Priority of Principal Payments

Prior to the delivery of an Enforcement Notice and subject to satisfaction of the Pro-Rata Test on an Interest Payment Date, payments of principal on each Class of the Mortgage Backed Notes on such Interest Payment Date will rank *pari passu* without preference or priority between each Class of the Mortgage Backed Notes. Prior to the delivery of an Enforcement Notice and if the Pro-Rata Test has not been satisfied on an Interest Payment Date, payments of principal on the Mortgage Backed Notes on such Interest Payment Date will be made sequentially by firstly redeeming all principal due on the Class A Notes and thereafter by redeeming all principal due on the Class B Notes and thereafter by redeeming all principal due on the Class C Notes and thereafter by redeeming all principal due on the Class D Notes and thereafter by redeeming all principal due on the Class E Notes. After the delivery of an Enforcement Notice, on such Interest Payment Date payments of principal on the Class A Notes will at all times rank in priority to payments of principal on the Class B Notes, the Class

C Notes, the Class D Notes, and the Class E Notes, payments of principal on the Class B Notes will at all times rank in priority to payments of principal on the Class C Notes, the Class D Notes, the Class E Notes, payments of principal on the Class C Notes will at all times rank in priority to payments of principal on the Class D Notes and the Class E Notes, payments of principal on the Class D Notes will at all times rank in priority to payments of principal on the Class E Notes, in each case in accordance with the Post-Enforcement Payments Priorities.

4.6 Priorities of Payments

Prior to the delivery of an Enforcement Notice, the Issuer is required to apply the Available Interest Distribution Amount in accordance with the Pre-Enforcement Interest Payments Priorities and the Available Principal Distribution Amount in accordance with the Pre-Enforcement Principal Payments Priorities respectively and thereafter both in accordance with the Post-Enforcement Payments Priorities.

4.7 Security

As continuing security for the payment or discharge of the Secured Amounts and subject always to the right of redemption of the Issuer, the Issuer will, in favour of the Common Representative, for itself and on trust for the Noteholders and the Transaction Creditors, in accordance with the terms of the Security Deed, create a first fixed charge over the benefit of the Transaction Accounts and any other bank or other accounts in which the Issuer may at any time have or acquire any benefit in respect of this transaction.

4.8 Enforceability

The Security will become enforceable upon the occurrence of an Event of Default which is continuing in accordance with and subject to the provisions of Condition 13 (*Proceedings*) and the Security Deed.

5. Statutory Segregation of Transaction Assets

5.1 Segregation under the Securitisation Law

The Notes and any Issuer Obligations have the benefit of the statutory segregation under the Securitisation Law.

5.2 Restrictions on Disposal of Transaction Assets

The Common Representative shall only be entitled to dispose of the Transaction Assets upon the delivery by the Common Representative of an Enforcement Notice in accordance with Condition 12 (*Events of Default*) and subject to the provisions of Condition 13 (*Proceedings*).

6. Issuer Covenants

6.1 Issuer Covenants

So long as any Note remains outstanding, the Issuer shall comply with all the covenants of the Issuer, as set out in the Transaction Documents, including but not limited to those covenants set out in Schedule 5 of the Incorporated Terms Memorandum.

6.2 Investor Reports

The Issuer Covenants include an undertaking by the Issuer to provide to the Common Representative, the Rating Agency and the Paying Agent or to procure that the Common

Representative, the Rating Agency and the Paying Agent are provided with the Investor Reports.

6.3 Investor Reports available for inspection

The Investor Reports will be made available for inspection on the website of the Transaction Manager at www.sf.citidirect.com.

7. Interest and Class F Distribution Amount

7.1 Accrual

Each Rated Note bears interest on its Principal Amount Outstanding from the Closing Date. The Class F Notes bear an entitlement to receive the Class F Distribution Amount.

7.2 Cessation of Interest

Each Rated 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:

- (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (B) the day which is seven days after the date on which the Paying Agent or the Common Representative has notified the Noteholders of such Class that it has received all sums due in respect of the Notes of such Class up to such seventh day (except to the extent that there is any subsequent default in payment).

7.3 Calculation Period of less than 1 year

Whenever it is necessary to compute an amount of interest in respect of any Rated 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 Rated Note is payable in euro in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Interest Payment Date.

7.5 Class F Distribution Amount Payments

Payment of any Class F Distribution Amount in relation to the Class F Notes is payable in euro in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Class F Distribution Amount calculated as at the Calculation Date immediately preceding such Interest Payment Date and notified to the Class F Noteholders in accordance with the Notices Condition.

7.6 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 Rated Note for the related Interest Period.

7.7 Calculation of Class F Distribution Amount

Upon or as soon as practicable after each Calculation Date, the Issuer shall calculate (or shall cause the Transaction Manager to calculate) the Class F Distribution Amount payable on each Class F Note for the related Interest Period.

7.8 Notification of Note Rate, Interest Amount and Interest Payment Date

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

- (A) the Note Rate for each Class of Rated Notes for the related Interest Period;
- (B) the Interest Amount for each Class of Rated Notes for the related Interest Period; and
- (C) the Interest Payment Date next following the related Interest Period,

to be notified to the Issuer, the Transaction Manager, the Common Representative, the Hedge Counterparty, the Paying Agent, each of Euroclear and Clearstream, Luxembourg (so long as the Notes are in global form) and the other Paying Agents (if any) and, for so long as the Notes are listed on any stock exchange, such stock exchange no later than the first day of the relevant Interest Period.

7.9 Notification of Class F Distribution Amount

As soon as practicable after each Calculation Date, the Transaction Manager will cause the Class F Distribution Amount to be notified to the Issuer, the Agent Bank, the Common Representative, the Paying Agent and, for so long as the Notes are listed on any stock exchange, such stock exchange.

7.10 Publication of Note Rate, Interest Amount and Interest Payment Date:

As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Condition 7.8 (*Notification of Note Rate, Interest Amount and Interest Payment Date*) the Issuer will cause such Note Rate and Interest Amount for each Class of the Rated Notes and the next following Interest Payment Date to be published in accordance with the Notices Condition.

7.11 Amendments to Publications

The Note Rate and the Interest Amount for each Class of the Rated Notes and the Class F Distribution Amount for the Class F Notes and the Interest Payment Date so published or notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.

7.12 Determination or Calculation by Common Representative

If the Agent Bank does not at any time for any reason determine the Note Rate or the Interest Amount for each Class of the Rated Notes in accordance with this Condition, or if the Transaction Manager does not at any time for any reason determine the Class F Distribution

Amount for the Class F Notes in accordance with this Condition, the Common Representative may (but without any liability accruing to the Common Representative as a result):

- (A) determine the Note Rate for that Class of Notes at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition), it shall deem fair and reasonable in all the circumstances; and/or
- (B) calculate the Interest Amount for each Class of Notes in the manner specified in this Condition; and/or
- (C) calculate the Class F Distribution Amount for the Class F Notes in the manner specified in this Condition,

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

7.13 Deferral of Interest Amounts in Arrears

If there are any Deferred Interest Amount Arrears in respect of any Class of Rated Notes other than the Most Senior Class on any Interest Payment Date (other than the Final Legal Maturity Date), such amounts shall not be regarded as due on such date and shall accrue interest during the Interest Period in which such Interest Payment Date falls in accordance with Condition 7.15 (*Default Interest*).

7.14 Notification of Deferred Interest Amount Arrears

If, on any Calculation Date, the Issuer shall determine that any Deferred Interest Amount Arrears will arise on the immediately succeeding Interest Payment Date, notice to this effect shall be given by the Issuer in accordance with the Notices Condition, specifying the amount of the Deferred Interest Amount Arrears in respect of the relevant Class of the Rated Notes to be deferred on such following Interest Payment Date in respect of each Class of the Rated Notes.

7.15 Default Interest

Any Deferred Interest Amount Arrears shall bear interest during the period from (and including) the Interest Payment Date upon which such Deferred Interest Amount Arrears is deferred to (and excluding) the date upon which the obligations of the Issuer to pay any Deferred Interest Amount Arrears is discharged. Interest on such Deferred Interest Amount Arrears shall accrue from day to day at the Note Rate from time to time applicable to the relevant Class of the Rated Notes and shall be due and payable in accordance with Condition 7.4 (*Interest Payments*) or on such other date or dates as the Common Representative may specify by written notice to the Issuer.

7.16 Notification of Availability for Payment

The Issuer shall cause notice of the availability for payment of any Deferred Interest Amount Arrears in respect of a Class of the Rated Notes and interest thereon (and any payment date thereof) to be published in accordance with the Notices Condition.

7.17. Priority of Payment of Interest and Deferred Interest

The Issuer shall pay the Interest Amount due and payable on any Interest Payment Date prior to any Deferred Interest Amount Arrears payable on such Interest Payment Date which shall, in

turn, be paid prior to any default interest on any such Deferred Interest Amount Arrears arising under Condition 7.15 (*Default Interest*) which is payable on such Interest Payment Date.

8. Final Redemption, Mandatory Redemption in part and Optional Redemption

8.1 Final Redemption

Unless previously redeemed as provided in this Condition, the Issuer shall redeem the Notes in each Class at their Principal Amount Outstanding on the Final Legal Maturity Date.

8.2 Pro-Rata Mandatory Redemption in part of Mortgage Backed Notes

On each Interest Payment Date prior to the delivery of an Enforcement Notice on which the Pro-Rata Test has been satisfied, the Issuer will cause any Available Principal Distribution Amount available for this purpose on such Interest Payment Date to be applied in or towards payment on a *pari passu* and *pro rata* basis of the Principal Amount Outstanding of the Mortgage Backed Notes in each case in an amount rounded down to the nearest 0.01 euro and as determined on the related Calculation Date.

8.3 Sequential Mandatory Redemption in part of Mortgage Backed Notes

On each Interest Payment Date after the delivery of an Enforcement Notice or on which the Pro-Rata Test has not been satisfied, the Issuer will cause any Available Principal Distribution Amount available for this purpose on such Interest Payment Date to be applied in the redemption in part of the Principal Amount Outstanding of each Class of the Mortgage Backed Notes determined as at the related Calculation Date in the following amounts and in the following sequential order of priority (such that Higher Class Notes are redeemed in full prior to payments of principal being made in respect of Notes ranking below such Higher Class Notes), in each case the relevant amount being applied to each Class divided by the number of Notes outstanding in such Class:

- (A) in the case of each Class A Note, in an amount equal to the lesser of the Available Principal Distribution Amount and the Principal Amount Outstanding of the Class A Notes;
- (B) in the case of each Class B Note, in an amount equal to the lesser of the Available Principal Distribution Amount (minus the amount to be applied in redemption of any Higher Class Notes (if any) on such Interest Payment Date) and the Principal Amount Outstanding of the Class B Notes;
- (C) in the case of each Class C Note, in an amount equal to the lesser of the Available Principal Distribution Amount (minus the aggregate of the amount to be applied in redemption of any Higher Class Notes (if any) on such Interest Payment Date) and the Principal Amount Outstanding of the Class C Notes; and
- (D) in the case of each Class D Note, in an amount equal to the lesser of the Available Principal Distribution Amount (minus the aggregate of the amount to be applied in redemption of any Higher Class Notes (if any) on such Interest Payment Date) and the Principal Amount Outstanding of the Class D Notes,
- (E) in the case of each Class E Note, in an amount equal to the lesser of the Available Principal Distribution Amount (minus the aggregate of the amount to be applied in redemption of any Higher Class Notes (if any) on such Interest Payment Date) and the Principal Amount Outstanding of the Class E Notes,

in each case in an amount rounded down to the nearest 0.01 euro.

8.4 Mandatory Redemption in whole of the Class F Notes

On the Interest Payment Date if any Class F Distribution Amount is to be paid by the Issuer in accordance with Condition 7.5 (*Class F Distribution Amount Payments*), the Issuer will cause the Class F Notes to be redeemed in full in an amount which is equal to the Principal Amount Outstanding of the Class F Notes.

8.5 Calculation of Note Principal Payments and Principal Amount Outstanding

On (or as soon as practicable after) each Calculation Date, the Issuer shall calculate (or cause the Transaction Manager to calculate):

- (A) the aggregate of any Note Principal Payments due in relation to each Class on the Interest Payment Date immediately succeeding such Calculation Date;
- (B) the Principal Amount Outstanding of each Note in each Class on the Interest Payment Date immediately succeeding such Calculation Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such Class).

8.6 Calculations final and binding

Each calculation by or on behalf of the Issuer of any Note Principal Payment or the Principal Amount Outstanding of a Note of each Class shall in each case (in the absence of any Breach of Duty) be final and binding on all persons.

8.7 Common Representative to determine amounts in case of Issuer default

If the Issuer does not at any time for any reason calculate (or cause the Transaction Manager to calculate) any Note Principal Payment or the Principal Amount Outstanding in relation to each Class in accordance with this Condition, such amounts may be calculated by the Common Representative (without any liability accruing to the Common Representative as a result, save in the event of gross negligence, wilful default or fraud by the Common Representative) in accordance with this Condition (based on information supplied to it by the Issuer or the Transaction Manager) and each such calculation shall be deemed to have been made by the Issuer.

8.8 Optional Redemption in whole

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

- (A) when, on the related Calculation Date, the Aggregate Principal Outstanding Balance of the Loans is equal to or less than 10 per cent. of the Aggregate Principal Outstanding Balance of all of the Loans at the Portfolio Determination Date; or
- (B) falling on or after the Step-up Date;

subject to the following:

- (i) that the Issuer has given not more than 60 nor less than 30 days' written notice to the Common Representative and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes; and
- (ii) that prior to giving any such notice, the Issuer shall have provided to the Common Representative a certificate signed by two directors of the Issuer to the effect that it will have sufficient funds on the relevant Interest Payment Date, not subject to the interest of any other person, to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Payments Priorities.

8.9 **Optional Redemption in whole for taxation reasons**

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

- (A) after the date on which, by virtue of a change in Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would be required to make a Tax Deduction from any payment in respect of the Notes (other than by reason of the relevant Noteholder having some connection with the Portuguese Republic, other than the holding of the Notes or related Coupons); or
- (B) after the date on which, by virtue of a change in Tax law of any applicable jurisdiction (or the application or official interpretation of such Tax law), either the Issuer or the Hedge Counterparty would be required to make a Tax Deduction from any payment to be made by it in respect of the Hedging Agreements; or
- (C) after the date on which, by virtue of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would not be entitled to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or the Issuer would be treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive, in each case under the Transaction Documents; or
- (D) after the date of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law) which would cause the total amount payable in respect of any Note to cease to be receivable by the Noteholders including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to any Mortgage Backed Credit or the Issuer being obliged to make a Tax Deduction in respect of any payment in relation to any Note,

subject to the following:

- (i) that the Issuer has given not more than 60 nor less than 30 days' written notice to the Common Representative and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes; and
- (ii) that the Issuer has provided to the Common Representative:
 - (a) a legal opinion (in form and substance satisfactory to the Common Representative) from a firm of lawyers in the Issuer's Jurisdiction (approved in

writing by the Common Representative), opining on the relevant change in Tax law; and

- (b) a certificate signed by two directors of the Issuer to the effect that the obligation to make a Tax Deduction cannot be avoided; and
- (c) a certificate signed by two directors of the Issuer to the effect that it will have sufficient funds on the relevant Interest Payment Date, not subject to the interest of any other person, to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Payments Priorities.

8.10 Conclusiveness of certificates and legal opinions

Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 8.8 (*Optional Redemption in whole*) and Condition 8.9 (*Optional Redemption in whole for taxation reasons*) may be relied on by the Common Representative without further investigation and shall be conclusive and binding on the Noteholders and on the Transaction Creditors. All certificates required to be signed by the Issuer will be signed by the Issuer's directors without personal liability.

8.11 Notice of Calculation

The Issuer will cause the Transaction Manager to notify the Common Representative, the Hedge Counterparty and the Agents of a Note Principal Payment and the Principal Amount Outstanding in relation to each Class of Notes to be notified immediately after calculation and, for so long as the Notes are listed on the Stock Exchange, the Stock Exchange and will immediately cause details of each calculation of a Note Principal Payment and a Principal Amount Outstanding in relation to each Class to be published in accordance with the Notices Condition by not later than three Business Days prior to each Interest Payment Date.

8.12 Notice of no Note Principal Payment

If no Note Principal Payment is due to be made on the Notes in relation to any Class on any Interest Payment Date, a notice to this effect will be given to the Noteholders in accordance with the Notices Condition by not later than three Business Days prior to such Interest Payment Date.

8.13 Notice irrevocable

Any such notice as is referred to in Condition 8.8 (*Optional Redemption in whole*) or Condition 8.9 (*Optional Redemption in whole for taxation reasons*) or Condition 8.11 (*Notice of Calculation*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes to which such notice relates at their Principal Amount Outstanding if effected pursuant to Condition 8.8 (*Optional Redemption in whole*) or Condition 8.9 (*Optional Redemption in whole for taxation reasons*) and in an amount equal to the Note Principal Payment calculated as at the related Calculation Date if effected pursuant to Condition 8.2 (*Pro-Rata Mandatory Redemption in part of Mortgage Backed Notes*), Condition 8.3 (*Sequential Mandatory Redemption in part of Mortgage Backed Notes*) and Condition 8.4 (*Mandatory Redemption in whole of Class F Notes*).

8.14 No Purchase

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

9. **Limited Recourse**

Each of the Noteholders will be deemed to have agreed with the Issuer that notwithstanding any other provisions of these Conditions or the Transaction Documents, all obligations of the Issuer to the Noteholders, including, without limitation, the Issuer Obligations, are limited in recourse as set out below:

- (A) it will have a claim only in respect of the Transaction Assets and will not have any claim, by operation of law or otherwise, against, or recourse to, any of the Issuer's other assets or its contributed capital;
- (B) sums payable to each Noteholder in respect of the Issuer's obligations to such Noteholder shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such Noteholder and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Transaction Assets (whether arising from an enforcement of the Security or otherwise), net of any sums which are payable by the Issuer in accordance with the Payments Priorities in priority to or *pari passu* with sums payable to such Noteholder; and
- (C) on the Final Legal Maturity Date or upon the Common Representative giving written notice to the Noteholders or any of the Transaction Creditors that it has determined in its sole opinion, and the Servicer having certified to the Common Representative, that there is no reasonable likelihood of there being any further realisations in respect of the Transaction Assets (other than the Transaction Accounts) and the Transaction Manager having certified to the Common Representative that there is no reasonable likelihood of there being any further realisations in respect of the Transaction Accounts which would be available to pay in full the amounts outstanding under the Transaction Documents and the Notes owing to such Transaction Creditors and Noteholders, then such Transaction Creditors shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

10. **Payments**

10.1 **Principal**

Payments of principal shall be made only against

- (A) (in the case of final redemption, provided that payment is made in full) presentation and surrender of the relevant Notes; and
- (B) in respect of any Note Principal Payment which becomes due on an Interest Payment Date, presentation and (in the case of payment in full) surrender of the appropriate Receipts,

at the Specified Office of any Paying Agent outside the United States, by cheque drawn in euro, or by transfer to an account in euro maintained by the payee with a bank in a city in which banks have access to the TARGET System.

10.2 **Interest on Coupons**

Payments of interest or any Class F Distribution Amount shall, subject to Condition 10.6 (*Payments on Business Days*) below, be made only against presentation and (provided that

payment is made in full) surrender of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in Condition 10.1 (*Principal*).

10.3 **Payments subject to fiscal laws**

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 11 (*Taxation*), no commissions or expenses shall be charged to the holder of any Note, Coupon or Receipt in respect of such payments.

10.4 **Unmatured Receipts Void**

On the due date for final redemption of any Note pursuant to Condition 8.1 (*Final Redemption*) or early redemption of such Note pursuant to Condition 8.2 (*Pro-Rata Mandatory Redemption in part of Mortgage Backed Notes*), Condition 8.3 (*Sequential Mandatory Redemption in part of Mortgage Backed Notes*) and Condition 8.4 (*Mandatory Redemption in whole of Class F Notes*), Condition 8.8 (*Optional Redemption in whole*), Condition 8.9 (*Optional Redemption in whole for taxation reasons*) or Condition 12 (*Events of Default*), all unmaturing Receipts relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

10.5 **Unmatured Coupons Void**

On the due date for final redemption of any Note pursuant to Condition 8.2 (*Pro-Rata Mandatory Redemption in part of Mortgage Backed Notes*), Condition 8.3 (*Sequential Mandatory Redemption in part of Mortgage Backed Notes*), Condition 8.4 (*Mandatory Redemption in whole of Class F Notes*), Condition 8.8 (*Optional Redemption in whole*), Condition 8.9 (*Optional Redemption in whole for taxation reasons*) or Condition 12 (*Events of Default*), all unmaturing Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

10.6 **Payments on Business Days**

If the due date for payment of any amount in respect of any Notes or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in the place of presentation on which banks are open for business in such place of presentation and shall not be entitled to any further interest or other payment in respect of any such delay.

10.7 **Business Days**

In this Condition 10, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in euro in such place of presentation and, in the case of payment by transfer to an account in euro, as referred to above, on which dealings in euro may be carried on both in London and in such place of presentation and in which the TARGET System is open.

10.8 **Payments other than in respect of matured Coupons**

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the specified office of any Paying Agent outside the United States.

10.9 **Endorsement of payments**

If a Paying Agent makes a payment in respect of any Instruments (otherwise than against presentation and surrender of a Coupon) or a partial payment in respect of any Coupon presented to it for payment, such Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make the appropriate entries in their records to reflect such payment.

10.10 Exchange of Talons

On or after the Interest Payment Date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Notes (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the 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 Agent, the Agent Bank or the Common Representative shall (in the absence of any gross negligence, wilful default, fraud or manifest error) be binding on the Issuer and all Noteholders and Couponholders and Transaction Creditors and (in the absence of any gross negligence, wilful default or fraud) no liability to the Common Representative, the Noteholders or the Couponholders shall attach to the Reference Banks, the Agents, or the Common Representative in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 10.

11. Taxation

11.1 Payments free of Tax

All payments of principal and interest in respect of the Instruments shall be made free and clear of, and without withholding or deduction for, any Taxes unless the Issuer, the Common Representative or any Paying Agent (as the case may be) is required by law to make any such payment subject to any such withholding or deduction. In that event, the Issuer, the Common Representative, or any Paying Agent (as the case may be) shall be entitled to withhold or deduct the required amount for or on account of Tax from such payment and shall account to the relevant Tax Authorities for the amount so withheld or deducted.

11.2 No payment of additional amounts

Neither the Issuer, the Common Representative, nor the Paying Agent will be obliged to pay any additional amounts to Instrumentholders in respect of any Tax Deduction made in accordance with Condition 11.1 (*Taxation - Payments Free of Tax*) above.

11.3 Taxing Jurisdiction

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

11.4 Tax Deduction not Event of Default

Notwithstanding that the Common Representative, the Issuer or any Paying Agent is required to make a Tax Deduction in accordance with in Condition 11.1 (*Taxation - Payments Free of Tax*) above this shall not constitute an Event of Default.

12. Events of Default

12.1 Events of Default

Subject to the other provisions of this Condition, each of the following events shall be treated as an "Event of Default":

- (A) *Non-payment*: 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 or Class F Distribution Amount in respect of the Notes within 10 days of the due date for payment of such interest or Class F Distribution Amount; or
- (B) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Common Representative Appointment Agreement, the Security Deed or in respect of the Issuer Covenants and such default is (a) in the opinion of the Common Representative, incapable of remedy or (b) being a default which is, in the opinion of the Common Representative, capable of remedy, remains unremedied for 30 days or such longer period as the Common Representative may agree after the Common Representative has given written notice of such default to the Issuer; or
- (C) *Issuer Insolvency*: an Insolvency Event occurs with respect to the Issuer, or.
- (D) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Common Representative Appointment Agreement.

12.2 Delivery of Enforcement Notice

If an Event of Default occurs and is continuing, the Common Representative may at its discretion and shall if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes or if so directed by a Resolution of the holders of the Most Senior Class of outstanding Notes deliver an Enforcement Notice to the Issuer.

12.3 Conditions to delivery of Enforcement Notice

Notwithstanding Conditions 12.1(A) (*Non-payment*) and 12.1(B) (*Breach of other obligations*) above, and Condition 12.2 (*Delivery of an Enforcement Notice*) the Common Representative shall not be obliged to deliver an Enforcement Notice unless:

- (A) in the case of the occurrence of any of the events mentioned in Condition 12.1(B) (*Breach of other obligations*), the Common Representative shall have certified in writing that the occurrence of such event is in its opinion materially prejudicial to the interests of the Noteholders; and
- (B) in any case it shall have been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

12.4 Consequences of delivery of Enforcement Notice

Upon the delivery of an Enforcement Notice, the Notes of each Class shall become immediately due and payable without further action or formality at their Principal Amount Outstanding together with any accrued interest and any Deferred Interest Amount Arrears.

13. Proceedings

13.1 Proceedings

After the occurrence of an Event of Default which is continuing, the Common Representative may at its discretion, and without further notice, institute such proceedings as it thinks fit to enforce its and/or the Noteholders' rights under the Notes and the Common Representative Appointment Agreement in respect of the Notes of each Class and under the other Transaction Documents (in particular the Co-ordination Agreement), but it shall not be bound to do so unless:

- (A) so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or
- (B) so directed by a Resolution of the Noteholders of the Most Senior Class of outstanding Notes,

and in any such case, only if it shall have been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

13.2 Directions to the Common Representative

Without prejudice to Condition 13.1, the Common Representative may take such action as described therein, or Condition 12 (*Events of Default*), without having regard to the effect of such action on individual Noteholders, Receiptholders or Couponholders or any other Transaction Creditor. The Common Representative shall have regard to the Noteholders of each Class as a Class and, for the purposes of exercising its rights, powers, duties or discretions, the Common Representative shall have regard only to the Most Senior Class of Notes then outstanding, provided that so long as any of the Most Senior Class of Notes are outstanding, the Common Representative shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other Class of Notes unless:

- (A) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of all the Classes of Notes ranking senior to such other Class; or
- (B) (if the Common Representative is not of that opinion) such action of each Class is sanctioned by a Resolution of the Noteholders of the Class or Classes of the Notes ranking senior to such other Class.

13.3 Restrictions on disposal of Transaction Assets

The Common Representative will only be entitled to dispose of the Mortgage Backed Credits Portfolio after an Enforcement Notice has been delivered by the Common Representative, and only in accordance with the Securitisation Law or any replacement or equivalent laws or regulations which may be in force at the relevant time.

14. No action by Noteholders, Couponholders or any other Transaction Party

14.1 The Noteholders may be restricted from proceeding individually against the Issuer and the Transaction Assets or to enforce or direct the Common Representative to enforce the Security

or otherwise seek to enforce the Issuer's Obligations, where such action or actions, taken on an individual basis, contravene a Resolution of the Noteholders.

14.2 Furthermore, and to the extent permitted by Portuguese Law, only the Common Representative may pursue the remedies available under the general law or under the Common Representative Appointment Agreement against the Issuer and the Transaction Assets and, other than as permitted in this Condition 14.2, no Noteholder or Transaction Creditor (other than the Common Representative) shall be entitled to proceed directly against the Issuer and the Transaction Assets or to enforce the Security or otherwise seek to enforce the Issuer's Obligations. In particular, each Noteholder and Transaction Creditor agrees with and acknowledges to each of the Issuer and the Common Representative, and the Common Representative agrees with and acknowledges to the Issuer that:

- (A) none of the Noteholders or Transaction Creditors other than the Common Representative (nor any person on their behalf) is entitled, otherwise than as permitted by these Conditions, the Transaction Documents, to direct the Common Representative to take any proceedings against the Issuer or take any proceedings against the Issuer unless the Common Representative, having become bound to serve an Enforcement Notice or having been requested in writing or directed by a Resolution of the Noteholders in accordance with Condition 13.1 (*Proceedings*) to take any other action to enforce its rights under the Notes and the Common Representative Appointment Agreement and under the other Transaction Documents (such obligation a "**Common Representative Action**"), fails to do so within a reasonable time after having been so bound, requested or directed and that failure is continuing (in which case each of the Noteholders and the Transaction Creditors shall (subject to Conditions 14.2(C) and 14.2(D)) be entitled to take any such steps and proceedings as it shall deem necessary in respect of the Issuer);
- (B) none of the Noteholders or Transaction Creditors other than the Common Representative (nor any person on their behalf) shall have the right to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to any of such Noteholders or Transaction Parties unless the Common Representative, having become bound to take a Common Representative Action, fails to do so within a reasonable time after becoming so bound and that failure is continuing (in which case each of the Noteholders and the Transaction Creditors shall (subject to Conditions 14.2(C) and 14.2(D)) be entitled to take any such steps and proceedings as it shall deem necessary in respect of the Issuer);
- (C) until the date falling two years after the Final Discharge Date none of the Noteholders or Transaction Creditors nor any person on their behalf (including the Common Representative) shall initiate or join any person in initiating any Insolvency Event or the appointment of any insolvency official in relation to the Issuer; and
- (D) none of the Noteholders or Transaction Creditors shall be entitled to take or join in the taking of any steps or proceedings which would result in the Payments Priorities not being observed.

14.3 **Common Representative and Agents**

In the exercise of its powers and discretions under these Conditions, the Common Representative Appointment Agreement, the Co-ordination Agreement and the other

Transaction Documents, the Common Representative will have regard to the interests of the Noteholders as a Class and will not be responsible for any consequence for individual holders of the Notes of any such Class of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction provided that:

- (A) so long as any of the Class A Notes are outstanding, if there is a conflict of interest between the interests of the holders of the Class A Notes and the interests of the holders of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and/or the Class F Notes, the Common Representative shall only have regard to the interests of the holders of the Class A Notes;
- (B) after the Class A Notes have been redeemed in full, if there is a conflict of interest between the interests of the holders of the Class B Notes and the interests of the holders of the Class C Notes, the Class D Notes, the Class E Notes and/or the Class F Notes, the Common Representative shall only have regard to the interests of the holders of the Class B Notes;
- (C) after the Class A Notes and the Class B Notes have been redeemed in full, if there is a conflict of interest between the interests of the holders of the Class C Notes, the Class D Notes, the Class E Notes and/or the Class F Notes, the Common Representative shall only have regard to the interests of the holders of the Class C Notes;
- (D) after the Class A Notes, the Class B Notes and the Class C Notes have been redeemed in full, if there is a conflict of interest between the interests of the holders of the Class D Notes, the Class E Notes and/or the Class F Notes, the Common Representative shall only have regard to the interests of the holders of the Class D Notes;
- (E) after the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes have been redeemed in full, if there is a conflict of interest between the interests of the holders of the Class E Notes and/or the Class F Notes, the Common Representative shall only have regard to the interests of the holders of the Class E Notes;

provided further that, while any Notes of a Class ranking senior to any other Class of Notes are then outstanding, the Common Representative shall not and shall not be bound to, act at the request or direction of the Noteholders of any other Class of Notes unless:

- (F) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of all the Classes of Notes ranking senior to such other Class; or
- (G) (if the Common Representative is not of that opinion) such action of each Class is sanctioned by a Resolution of the Noteholders of the Class or Classes of the Notes ranking senior to such other Class.

In a number of circumstances set out in the Transaction Documents, the Common Representative is given a right to take any action or to omit to take any action where it determines that a particular matter is or is not materially prejudicial to the interests of Noteholders. In determining whether any matter is or is not materially prejudicial to the interests of Noteholders the Common Representative shall be entitled to assume that the matter will not be materially prejudicial to the interests of Noteholders if it does not adversely affect the Rating of the Most Senior Class of Notes.

In the event of a conflict between the interests of the Noteholders and the interests of the Transaction Creditors, the interests of the Noteholders shall prevail.

Each Transaction Creditor other than the Noteholders shall determine for itself whether any matter is materially prejudicial to its interests.

- 14.4 In accordance with article 65.3 of the Securitisation Law the power of replacing the Common Representative and appointing a substitute common representative shall be vested in the Noteholders and no person shall be appointed to act as a substitute common representative without a previous Resolution for such purpose having been approved.

15. Meetings of Noteholders

15.1 Convening

The Common Representative Appointment Agreement contains Provisions for Meetings of Noteholders for convening separate or combined meetings of Noteholders of any Class to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Common Representative Appointment Agreement and the circumstances in which modifications may be made if sanctioned by a Resolution.

15.2 Separate and combined meetings

The Common Representative Appointment Agreement provides that (subject to Condition 15.6 (*Relationship between Classes*)):

- (A) a Resolution which in the opinion of the Common Representative affects the Notes of only one Class shall be transacted at a separate meeting of the Noteholders of that Class;
- (B) a Resolution which in the opinion of the Common Representative affects the Noteholders of more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one Class of Notes and the holders of another Class of Notes may be transacted either at separate meetings of the Noteholders of each such Class or at a single meeting of the Noteholders of all such Classes of Notes as the Common Representative shall determine in its absolute discretion; and
- (C) a Resolution which in the opinion of the Common Representative affects the Noteholders of more than one Class and gives rise to any actual or potential conflict of interest between the Noteholders of one Class of Notes and the Noteholders of any other Class of Notes shall be transacted at separate meetings of the Noteholders of each such Class.

15.3 Request from Noteholders

A meeting of Noteholders of a particular Class may be convened by the Common Representative or the Issuer at any time and must be convened by the Common Representative (subject to its being indemnified and/or secured to its satisfaction) upon the request in writing of Noteholders of a particular Class holding not less than five per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that Class.

15.4 Quorum

The quorum at any Meeting convened to vote on:

- (A) a Resolution not regarding a Reserved Matter, relating to a meeting of a particular Class or Classes of the Notes, will be any person holding or representing such Class or Classes of Notes whatever the Principal Amount Outstanding of the Notes then outstanding held or represented at the Meeting; and
- (B) a Resolution regarding a Reserved Matter (which must be proposed separately to each Class of Noteholders), relating to a Meeting of a particular Class or Classes of the Notes, will be any person or persons holding or representing more than 50 per cent. of the Principal Amount Outstanding of the Notes then outstanding in such Class or Classes or, at any adjourned Meeting, any person holding or representing such Class or Classes whatever the Principal Amount Outstanding of the Notes then outstanding so held or represented.

15.5 Majorities

The majorities required to pass a Resolution at any meeting convened in accordance with these rules shall be:

- (A) if in respect to a Resolution not regarding a Reserved Matter, the majority of the votes cast at the relevant meeting; or
- (B) if in respect to a Resolution regarding a Reserved Matter (which must be proposed separately to each Class of Noteholders), more than 50 per cent. of the Principal Amount Outstanding of the Notes then outstanding in the relevant Class or Classes or, at any adjourned meeting 2/3 of the votes cast at the relevant meeting.

15.6 Relationship between Classes

In relation to each Class of Notes:

- (A) no Resolution involving a Reserved Matter that is passed by the holders of one Class of Notes shall be effective unless it is sanctioned by a Resolution of the holders of each of the other Classes of Notes (to the extent that there are outstanding Notes in each such other Classes);
- (B) no Resolution to approve any matter other than a Reserved Matter of any Class of Notes shall be effective unless it is sanctioned by a Resolution of the holders of each of the other Classes of Notes then outstanding ranking senior to such Class to the extent that there are Notes outstanding ranking senior to such Class unless the Common Representative considers that none of the holders of each of the other Classes of Notes ranking senior to such Class, would be materially prejudiced by the absence of such sanction;
- (C) any Resolution passed at a Meeting of Noteholders of one or more Classes of Notes duly convened and held in accordance with the Common Representative Appointment Agreement shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting and whether or not voting and upon all Couponholders of such Class or Classes and Receiptholders of such Class or Classes and, except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly

convened and held as aforesaid shall also be binding upon the holders of all the other Classes of Notes and the holders of the Coupons and Receipts relating thereto; and

- (D) a resolution involving the appointment or removal of the Common Representative must be approved by the holders of each Class of Notes then outstanding.

15.7 **Resolutions in writing**

A Written Resolution shall take effect as if it were a Resolution.

16. **Modification and Waiver**

16.1 **Modification**

The Common Representative may at any time and from time to time, without the consent or sanction of the Noteholders, concur with the Issuer and any other relevant Transaction Party in making:

- (A) any modification to the Notes, these Conditions or any of the other Transaction Documents in relation to which the consent of the Common Representative is required (other than in respect of a Reserved Matter or any provision of the Notes, these Conditions or any of the Transaction Documents referred to in the definition of a Reserved Matter), which, in the opinion of the Common Representative will not be materially prejudicial to the interests of (i) the holders of the Most Senior Class of Notes then outstanding (which will be the case if any such modification does not result in an adverse effect on the Ratings of such Class of Notes) and (ii) any of the Transaction Creditors, unless in the case of (ii) such Transaction Creditors have given their prior written consent to any such modification (each such Transaction Creditor other than the Noteholders having determined for itself whether an authorisation or waiver is materially prejudicial to such Transaction Creditor); or
- (B) any modification to the Notes, these Conditions or any of the Transaction Documents in relation to which the consent of the Common Representative is required (other than in respect of a Reserved Matter or any provision of the Notes, these Conditions or any of the Transaction Documents referred to in the definition of a Reserved Matter), if, in the opinion of the Common Representative, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

16.2 **Waiver**

In addition, the Common Representative may, at any time and from time to time, in its sole discretion, without prejudice to its rights in respect of any subsequent breach, condition, event or act, without the consent or sanction of the Noteholders and subject to the prior written consent of the Hedge Counterparty, (i) concur with the Issuer and any other relevant Transaction Party in authorising or waiving on such terms and subject to such conditions (if any) as it may decide, a proposed breach or breach by the Issuer of any of the covenants or provisions contained in this Agreement, the Notes or the other Transaction Documents (other than in respect of a Reserved Matter or any provision of the Notes, in the Transaction Documents referred to in the definition of a Reserved Matter) or (ii) determine that an Event of Default or a Potential Event of Default shall not be treated as such, provided that in any such case, such breach, proposed breach, Event of Default or Potential Event of Default, as the case may be, will not, in the opinion of the Common Representative, be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding (which will be the

case if an Event of Default or Potential Event of Default is cured in a reasonable period of time as determined by the Common Representative or if any such authorisation or waiver does not result in an adverse effect on the Ratings of such Class of Notes).

16.3 Restriction on power to waive and to modify

The Common Representative shall not exercise any powers conferred upon it by Condition 16.1 (*Modification*) or 16.2 (*Waiver*) in contravention of any of the restrictions set out therein or any express direction by a Resolution of the holders of the Most Senior Class of Notes then outstanding or of a request or direction in writing made by the holders of more than 50 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, but no such direction or request (a) shall affect any authorisation, waiver or modification previously given or made or (b) shall authorise or waive any such breach or proposed breach or authorise any amendment relating to a Reserved Matter unless the holders of each Class of Notes then outstanding has, by Resolution, so authorised such proposed breach, breach or amendment.

16.4 Notification

Unless the Common Representative otherwise agrees, the Issuer shall cause any such consent, authorisation, waiver, modification or determination to be notified to the Rating Agency and the other relevant Transaction Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

16.5 Binding Nature

Any consent, authorisation, waiver or modification referred to in Condition 16.1 (*Modification*) or Condition 16.2 (*Waiver*) shall be binding on the Instrumentholders.

17. Prescription

17.1 Principal

17.2 Claims for principal in respect of the Notes shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date.

17.3 Interest

Claims for interest in respect of the Notes and any Class F Distribution Amount, shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

18. Replacement of Notes and Coupons

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

19. Common Representative and Agents

19.1 Common Representative's right to Indemnity

Under the Transaction Documents, the Common Representative is entitled to be indemnified by the Issuer, the Originator, the Servicer, the Transaction Manager, the Paying Agent and the Accounts Bank and relieved from responsibility in certain circumstances (save in the event of gross negligence, wilful default or fraud by the Common Representative) and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders and the other Transaction Creditors. The Common Representative shall not be required to do anything which would require it to risk or expend its own funds. In addition, the Common Representative is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

19.2 Common Representative not responsible for loss or for monitoring

The Common Representative will not be responsible for any loss, expense or liability which may be suffered as a result of the Transaction Assets, the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Common Representative. The Common Representative shall not be responsible for monitoring the compliance by any of the other Transaction Parties (including the Issuer, the Transaction Manager and the Servicer) with their obligations under the Transaction Documents and the Common Representative shall assume, until it has actual knowledge to the contrary, that such persons are properly performing their duties.

The Common Representative shall have no responsibility (other than from its wilful default, gross negligence or fraud) in relation to the legality, validity, sufficiency, adequacy and enforceability of the Security or the Transaction Documents.

19.3 Regard to Classes of Noteholders

In the exercise of its powers and discretions under these Conditions and the Common Representative Appointment Agreement and the other Transaction Documents, the Common Representative will have regard to the interests of each Class of Noteholders as a Class and will not be responsible for any consequence for individual Instrumentholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction.

19.4 Paying Agents solely agents of Issuer

In acting under the Paying Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Common Representative and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

19.5 Initial Paying Agents

The Issuer reserves the right (with the prior written approval of the Common Representative) to vary or terminate the appointment of any Agent and to appoint a successor paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent and the Common Representative.

19.6 Maintenance of Agents

The Issuer shall at all times maintain a Paying Agent in accordance with any requirements of any Stock Exchanges on which the Notes are or may from time to time be listed, a Paying

Agent and an agent bank. The Issuer will maintain a paying agent in a EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with the Notices Condition.

20. Notices

20.1 Valid Notices

Any notice to Noteholders shall be validly given if such notice is:

- (A) published in a newspaper of daily circulation in Ireland (which is expected to be the *Irish Times*) or, if any of such newspapers shall cease to be published or timely publication therein shall not be practicable, in such newspaper or newspapers as the Common Representative shall approve having a general circulation in Europe; or
- (B) published on a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the Common Representative and as has been notified to the Noteholders in accordance with the Notices Condition (the "**Relevant Screen**"); or
- (C) so long as any of the Notes are listed on any stock exchange and the rules of such stock exchange so permit, published on the website of such stock exchange,

provided that so long as any of the Notes are listed on any stock exchange, notices shall be published in accordance with the requirements of such stock exchange.

20.2 Date of publication

Any notices so published shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required or on the Relevant Screen or on the website of the relevant stock exchange.

20.3 Other Methods

The Common Representative shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange (if any) on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Common Representative shall require.

20.4 Couponholders deemed to have notice

The Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

21. Governing Law and Jurisdiction

21.1 Governing law

The Common Representative Appointment Agreement and the Notes are governed by, and shall be construed in accordance with, Portuguese law.

21.2 **Jurisdiction**

The Courts of Lisbon are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes may be brought in such courts.

22. **Issue of Other Series**

The Issuer will be entitled (but not obliged) at its sole option from time to time without the consent of the Noteholders and the other Transaction Creditors to raise funds in any currency by the creation and issue of notes of another series which will be collateralised by further assets acquired by the Issuer which do not form part of the Transaction Assets.

23. **Definitions**

"Accounts Agreement" means the account agreement relating to the Transaction Accounts dated on or about the Closing Date and made between the Issuer, the Accounts Bank, the Transaction Manager and the Common Representative;

"Accounts Bank" means Citibank, N.A. (London Branch) in its capacity as the bank at which the Transaction Accounts are held in accordance with the terms of the Accounts Agreement acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom;

"Agent Bank" means Citibank, N.A. (London Branch) in its capacity as the agent bank in respect of the Notes in accordance with the Paying Agency Agreement acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom;

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

"Aggregate Principal Outstanding Balance" means with respect to all Mortgage Backed Credits or a sub-set thereof (as the context may require), or all Loans (or a sub-set thereof, as the context may require) at any time, the aggregate amount of the Principal Outstanding Balance of such Mortgage Backed Credits or Loans;

"Ancillary Mortgage Rights" means, in respect of each Loan and its Mortgage:

- (a) any advice, report, valuation, opinion, certificate, undertaking, or other statement of fact or of law or opinion given in connection with such Loan or Mortgage to the extent transferable;
- (b) any related Insurance Policies;
- (c) all monies and proceeds other than principal payable or to become payable under, in respect of or pursuant to such Loan and its related Mortgage;
- (d) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of the Originator contained in or relating to such Loan or Mortgage including, without limitation, those contained in the relevant Mortgage Backed Credit Agreement; and

- (e) all causes and rights of action (present and future) against any person relating to such Loan or Mortgage including, without limitation, such causes and rights of action arising under the relevant Mortgage Backed Credit Agreement and including the benefit of all powers and remedies for enforcing or protecting the Originator's right, title, interest and benefit in respect of such Loan or Mortgage,

but so that Ancillary Mortgage Rights shall not include any Excluded Rights;

"Arranger" means ABN AMRO Bank N.V., London Branch;

"Assets" means the Assigned Rights, the benefit of the Payment Account and the Cash Reserve Account and the benefit of and rights under the Transaction Documents;

"Assigned Rights" means the Mortgage Backed Credits Portfolio, including the Mortgage Backed Credits, the Mortgage Backed Credit Agreements and the Receivables assigned to the Issuer by the Originator in accordance with the terms of the Mortgage Backed Credits Assignment Agreement;

"Authorised Investments" means:

- (i) any euro denominated investment or other deposit in respect of which a security interest can be created pursuant to the Security Deed and which has a rating of (or in the case of a bank account or term deposit is held at or made with an institution having a minimum rating equal to) "A" and "F1" by Fitch for investments with a maturity of less than 30 days, "AA-" and "F1+" for investments with a maturity of between 30 and 365 days, and "AAA" for investments with a maturity of greater than 365 days; or
- (ii) any other obligation the investment in which would not adversely affect the Ratings and which matures before the next Interest Payment Date (or, in the case of a bank account, from which amounts deposited may be withdrawn at any time without penalty);

"Available Interest Distribution Amount" means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager on the Calculation Date immediately preceding such Interest Payment Date equal to the sum of:

- (a) any Interest Collection Proceeds and other interest amounts received by the Issuer as interest payments under the Mortgage Backed Credits during the Calculation Period immediately preceding such Interest Payment Date;
- (b) the payment (if any) received from the Hedge Counterparty on such Interest Payment Date under the Hedging Agreements (other than payment of collateral);
- (c) where the proceeds or estimated proceeds of disposal or, on maturity, the maturity proceeds of any Authorised Investment received in relation to the relevant Calculation Period exceeds the original cost of such Authorised Investment, the amount of such excess together with interest thereon;
- (d) all amounts standing to the credit of the Cash Reserve Account;
- (e) the amount of any Principal Draw Amount made on such Interest Payment Date to cover any Payment Shortfall in respect of such Interest Payment Date;

- (f) interest accrued and credited to the Transaction Accounts during the relevant Calculation Period;
- (g) the amount of any Capitalised Interest Application Amount to be applied on such Interest Payment Date;
- (h) any portion of the Available Principal Distribution Amount remaining after the redemption in full of the Mortgage Backed Notes; less
- (i) any Withheld Amount;

"Available Principal Distribution Amount" means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager as at the Calculation Date immediately preceding such Interest Payment Date as being equal to:

- (a) the amount of any portion of Principal Collection Proceeds received by the Issuer as principal payments under the Mortgage Backed Credits during the Calculation Period immediately preceding such Interest Payment Date; plus
- (b) such amount of the Available Interest Distribution Amount as is credited to the Payment Account and which is applied by the Transaction Manager on such Interest Payment Date in reducing the debit balance on the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger, the Class C Principal Deficiency Ledger, the Class D Principal Deficiency Ledger and the Class E Principal Deficiency Ledger; plus
- (c) on any Interest Payment Date on which the Gross Cumulative Default Ratio exceeds (i) in respect of Class B Notes 27.5 per cent.; (ii) in respect of Class C Notes 20.5 per cent.; (iii) in respect of Class D Notes 13.5 per cent. and (iv) in respect of Class E Notes 7 per cent., any amount of the Available Interest Distribution Amount which would otherwise have been applied towards payments under paragraphs (g), (i), (k), (m), (q) and (r) of the Pre-Enforcement Interest Payment Priorities; less
- (d) the amount of any Capitalised Interest Application Amount to be applied on such Interest Payment Date; and
- (e) the amount of any Principal Draw Amount to be made on such Interest Payment Date;

"Borrower" means, in respect of any Loan, the related borrower or borrowers or other person or persons who is or are under any obligation to repay that Loan, including any guarantor of such borrower and **"Borrowers"** means all of them;

"Breach of Duty" means in relation to any person, a wilful default, fraud, illegal dealing, gross negligence or breach of any agreement or trust by such person;

"Business Day" means any day on which the TARGET System is open for settlement of payments in euro in London and Lisbon or, if such TARGET Day is not a day on which banks are open for business in London and Lisbon, the next succeeding TARGET Day on which banks are open for business in London and Lisbon;

"Calculation Date" means the last Lisbon Business Day of February, May, August and November in each year, the first Calculation Date being the last Lisbon Business Day of August;

"Calculation Period" means the period commencing on (and including) a Calculation Date and ending (but excluding) the next succeeding Calculation Date, and, in the case of the first Calculation Period, commencing on (and including) the Portfolio Determination Date and ending on (but excluding) the next Calculation Date;

"Capitalised Interest Application Amount" means in relation to any Interest Payment Date the amount (if any) of the Available Principal Distribution Amount which is to be applied by the Issuer as Available Interest Distribution Amount and which shall equal the aggregate of:

- (a) the amount required to reduce the debit balance (if any) on the Capitalised Interest Ledger to zero; and
- (b) the amount of the Capitalised Interest Receivables arising in the Calculation Period ending immediately prior to such Interest Payment Date,

provided always that the Capitalised Interest Application Amount shall not exceed the Available Principal Distribution Amount on such Interest Payment Date.

"Capitalised Interest Ledger" means the ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement.

"Capitalised Interest Receivables" means the amount of any payments of interest falling due in respect of any Mortgage Backed Credit which are capitalised by the Servicer;

"Cash Reserve Account" means the account established with the Accounts Bank, or such other bank to which the Cash Reserve Account may be transferred, in the name of the Issuer, into which, on the Closing Date, an amount equal to €23,000,000 from the proceeds of the issue of the Class F Notes will be credited;

"Cash Reserve Account Required Balance" means, in respect of an Interest Payment Date, and calculated as at any Calculation Date prior to redemption in full of the Rated Notes:

- (a) for all Interest Payment Dates falling prior to the third anniversary of the Closing Date, an amount equal to €23,000,000;
- (b) for an Interest Payment Date falling on or after the third anniversary of the Closing Date: (i) in relation to which the Cash Reserve Release Test is satisfied; and (ii) on which (prior to any payments being made) the balance of the Cash Reserve Account is not less than the Cash Reserve Account Required Balance calculated in respect of the immediately preceding Interest Payment Date, the Cash Reserve Account Required Balance shall be an amount equal to the greater of:
 - (1) the Cash Reserve Floor Amount; and
 - (2) an amount which equals 3% of the Principal Amount Outstanding of the Notes as at that Interest Payment Date;
- (c) for an Interest Payment Date falling on or after the third anniversary of the Closing Date: (i) in relation to which the Cash Reserve Release Test is not satisfied; or (ii) on which (prior to any payments being made) the balance of the Cash Reserve Account is less than the Cash Reserve Account Required Balance calculated in respect of the immediately preceding Interest Payment Date, the Cash Reserve Account Required Balance shall remain equal to the Cash Reserve Account Required Balance in respect of such immediately preceding Interest Payment Date; and

- (d) after redemption in full of the Rated Notes, or at the Final Legal Maturity Date the Cash Reserve Account Required Balance shall equal zero;

"**Cash Reserve Floor Amount**" means €10,000,000;

"**Cash Reserve Release Amount**" means in respect of an Interest Payment Date:

- (a) if the Cash Reserve Release Test has not been satisfied in respect of the Interest Payment Date, zero;
- (b) if paragraph (a) of the Cash Reserve Release Test has been satisfied in respect of the Interest Payment Date, an amount equal to the Cash Reserve Account Required Balance as of the preceding Interest Payment Date; or
- (c) if paragraph (b) but not paragraph (a) of the Cash Reserve Release Test has been satisfied in respect of the Interest Payment Date, an amount equal to the greater of:
 - (i) the Cash Reserve Account Required Balance in respect of the Interest Payment Date immediately preceding such Interest Payment Date less the Cash Reserve Account Required Balance in respect of such current Interest Payment Date; and
 - (ii) zero;

"**Cash Reserve Release Test**" means the test that will be satisfied on an Interest Payment Date if:

- (a) the aggregate Principal Amount Outstanding of the Rated Notes has been or will be on that Interest Payment Date redeemed in full; or
- (b) all of the following tests are satisfied:
 - (i) such Interest Payment Date falls on or after the third anniversary of the Closing Date;
 - (ii) the Aggregate Principal Outstanding Balance of the Loans in arrears by more than 90 days as at the Calculation Date immediately preceding such Interest Payment Date (less the sum of all Net Provisioned Amounts) is less than 3 per cent. of the Aggregate Principal Outstanding Balance of the Loans as at the Portfolio Determination Date;
 - (iii) the balance of the Principal Deficiency Ledgers, subsequent to any reduction on that Interest Payment Date, is equal to zero; and
 - (iv) the Aggregate Principal Outstanding Balance (as measured at such Calculation Date) of the Mortgage Backed Credits which have become Defaulted Mortgage Backed Credits since the Portfolio Determination Date (less the sum of all Net Provisioned Amounts) is less than 3.5 per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits as at the Portfolio Determination Date.

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

"Class" means the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes as the context may require, and "Classes" shall be construed accordingly;

"Class A Coupons" means the interest coupons related to the Class A Definitive Notes in or substantially in the form set out in Schedule III to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

"Class A Definitive Notes" means any Class A Notes issued in definitive bearer form;

"Class A Notes" means the €832,000,000 Class A Mortgage Backed Floating Rate Securitisation Notes due 2056 issued by the Issuer on the Closing Date;

"Class A Permanent Global Note" means any permanent global note representing any Class A Notes in, or substantially in, the form set out in Schedule II to the Common Representative Appointment Agreement;

"Class A Principal Deficiency Ledger" means the principal deficiency ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement, so that the debit balance on such principal deficiency ledger is not greater than the aggregate Principal Amount Outstanding of the Class A Notes;

"Class A Receipts" means the principal receipts related to the Class A Definitive Notes;

"Class A Temporary Global Note" means any temporary global note representing any Class A Notes in, or substantially in, the form set out in Schedule I to the Common Representative Appointment Agreement;

"Class B Coupons" means the interest coupons related to the Class B Definitive Notes in or substantially in the form set out in Schedule III to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

"Class B Definitive Notes" means any Class B Notes issued in definitive bearer form;

"Class B Notes" means the €55,500,000 Class B Mortgage Backed Floating Rate Securitisation Notes due 2056 issued by the Issuer on the Closing Date;

"Class B Permanent Global Note" means any permanent global note representing any Class B Notes in, or substantially in, the form set out in Schedule II to the Common Representative Appointment Agreement;

"Class B Principal Deficiency Ledger" means the principal deficiency ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement, so that the debit balance on such principal deficiency ledger is not greater than the aggregate Principal Amount Outstanding of the Class B Notes;

"Class B Receipts" means the principal receipts related to the Class B Definitive Notes;

"Class B Temporary Global Note" means any temporary global note representing any Class B Notes in, or substantially in, the form set out in Schedule I to the Common Representative Appointment Agreement;

"**Class C Coupons**" means the interest coupons related to the Class C Definitive Notes in or substantially in the form set out in Schedule III to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

"**Class C Definitive Notes**" means any Class C Notes issued in definitive bearer form;

"**Class C Notes**" means the €60,000,000 Class C Mortgage Backed Floating Rate Securitisation Notes due 2056 issued by the Issuer on the Closing Date;

"**Class C Permanent Global Note**" means any permanent global note representing any Class C Notes in, or substantially in, the form set out in Schedule II to the Common Representative Appointment Agreement;

"**Class C Principal Deficiency Ledger**" means the principal deficiency ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement, so that the debit balance on such principal deficiency ledger is not greater than the aggregate Principal Amount Outstanding of the Class C Notes;

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

"**Class C Temporary Global Note**" means any temporary global note representing any Class C Notes in, or substantially in, the form set out in Schedule I of the Common Representative Appointment Agreement;

"**Class D Coupons**" means the interest coupons related to the Class D Definitive Notes in or substantially in the form set out in Schedule III to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

"**Class D Definitive Notes**" means any Class D Notes issued in definitive bearer form;

"**Class D Notes**" means the €25,000,000 Class D Mortgage Backed Floating Rate Securitisation Notes due 2056 issued by the Issuer on the Closing Date;

"**Class D Permanent Global Note**" means any permanent global note representing any Class D Notes in, or substantially in, the form set out in Schedule II to the Common Representative Appointment Agreement;

"**Class D Principal Deficiency Ledger**" means the principal deficiency ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement, so that the debit balance on such principal deficiency ledger is not greater than the aggregate Principal Amount Outstanding of the Class D Notes;

"**Class D Receipts**" means the principal receipts related to the Class D Definitive Notes;

"**Class D Temporary Global Note**" means any temporary global note representing any Class D Notes in, or substantially in, the form set out in Schedule I of the Common Representative Appointment Agreement;

"**Class E Coupons**" means the interest coupons related to the Class E Definitive Notes in or substantially in the form set out in Schedule III to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

"Class E Definitive Notes" means any Class D Notes issued in definitive bearer form;

"Class E Notes" means the €27,500,000 Class E Mortgage Backed Floating Rate Securitisation Notes due 2056 issued by the Issuer on the Closing Date;

"Class E Permanent Global Note" means any permanent global note representing any Class E Notes in, or substantially in, the form set out in Schedule II to the Common Representative Appointment Agreement;

"Class E Principal Deficiency Ledger" means the principal deficiency ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement, so that the debit balance on such principal deficiency ledger is not greater than the aggregate Principal Amount Outstanding of the Class E Notes;

"Class E Receipts" means the principal receipts related to the Class E Definitive Notes;

"Class E Temporary Global Note" means any temporary global note representing any Class E Notes in, or substantially in, the form set out in Schedule I of the Common Representative Appointment Agreement;

"Class F Coupons" means the Class F Distribution Amount coupons related to the Class F Definitive Notes in or substantially in the form set out in Schedule III to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

"Class F Definitive Notes" means any Class F Notes issued in definitive bearer form;

"Class F Distribution Amount" means in relation to an Interest Payment Date:

- (a) other than the last Interest Payment Date on which a Class F Distribution Amount is to be paid in respect of the Class F Notes, the Available Interest Distribution Amount calculated as at the related Calculation Date less the aggregate of the amounts to be paid by the Issuer in respect of Paragraphs (a) to (p) of the Pre-Enforcement Interest Payments Priorities on such Interest Payment Date; and
- (b) which is the last Interest Payment Date or, following the delivery of an Enforcement Notice, such other date on which amounts are to be paid in respect of the Class F Notes:
 - (i) the Available Interest Distribution Amount calculated as at the related Calculation Date less (A) the aggregate of the amounts to be paid by the Issuer in respect of Paragraphs (a) to (p) of the Pre-Enforcement Interest Payments Priorities on such Interest Payment Date or, the aggregate of the amounts to be paid by the Issuer in respect of Paragraphs (a) to (n) of the Post-Enforcement Payments Priorities, as applicable and (B) the Principal Amount Outstanding of the Class F Notes as at such Interest Payment Date (or such other date, as applicable); and
 - (ii) the Principal Amount Outstanding of the Class F Notes as at such Interest Payment Date (or such other date, as applicable);

"Class F Noteholders" means the persons who for the time being are the holders of the Class F Notes;

"Class F Notes" means the €28,600,000 Class F Residual Interest Securitisation Notes due 2056 issued by the Issuer on the Closing Date;

"Class F Permanent Global Note" means any permanent global note representing any Class F Notes in, or substantially in, the form set out in Schedule II to the Common Representative Appointment Agreement;

"Class F Receipts" means the principal receipts related to the Class F Definitive Notes;

"Class F Temporary Global Note" means any temporary global note representing any Class F Notes in, or substantially in, the form set out in Schedule I of the Common Representative Appointment Agreement;

"Clearstream, Luxembourg" means Clearstream Banking Société Anonyme, Luxembourg;

"Closing Date" means 20 May 2008;

"CLTV" means, in respect of all Loans relating to a Borrower and secured on the same property, the ratio calculated in respect of an Interest Payment Date, of the Aggregate Principal Outstanding Balance of such Loans on such Interest Payment Date to the valuation of the relevant property as at the date on which such Loans were originated, provided that the CLTV as at the Closing Date is calculated as the ratio of the Aggregate Principal Outstanding Balance of such Loans on the Portfolio Determination Date to the valuation of the relevant property as at the date on which such Loans were originated;

"CMVM" means "*Comissão do Mercado de Valores Mobiliários*", the Portuguese Securities Market Commission;

"Collection Proceeds" means the Interest Collection Proceeds and the Principal Collection Proceeds.

"Collections" means, as appropriate, the Principal Receivables or the Interest Receivables;

"Common Representative" means Deutsche Trustee Company Limited in its capacity as initial representative of the Noteholders pursuant to Article 65 of the Securitisation Law and in accordance with the terms and conditions of the Notes and the terms of the Common Representative Appointment Agreement and any replacement common representative or common representative appointed from time to time under the Common Representative Appointment Agreement;

"Common Representative Appointment Agreement" means the agreement so named to be entered into on the Closing Date between the Issuer and the Common Representative;

"Common Representative's Fees" means the fees payable by the Issuer to the Common Representative in accordance with the Common Representative Appointment Agreement including any VAT payable thereon;

"Common Representative's Liabilities" means any Liabilities due to the Common Representative, including any payments under any indemnity, in accordance with the terms of the Common Representative Appointment Agreement together with interest payable in accordance with the terms of the Common Representative Appointment Agreement accrued and due in the immediately preceding Calculation Period;

"Conditions" means the terms and conditions to be endorsed on the Notes, in or substantially in the form set out in Schedule IV of the Common Representative Appointment Agreement, as any of them may from time to time be modified in accordance with the Common

Representative Appointment Agreement and any reference to a particular numbered Condition shall be construed in relation to the Notes accordingly;

"Co-ordination Agreement" means the agreement so named to be entered into on the Closing Date between all the Transaction Parties;

"Couponholders" means the persons who for the time being are holders of the Coupons;

"Coupons" means, the Class A Coupons, the Class B Coupons, the Class C Coupons, the Class D Coupons, the Class E Coupons and the Class F Coupons;

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

"Deemed Principal Loss" means (without double-counting a Mortgage Backed Credit under (a) and (b) below), in relation to any Mortgage Backed Credit on any Calculation Date:

- (a) in respect of which no Liquidation Proceeds have yet been realised and which is not a Written-off Mortgage Backed Credit by reason of having been so classified by the Servicer:
 - (i) on the date on which 12 or more monthly instalments have not been paid when due and which remain outstanding, an amount equal to 30 per cent. of the Principal Outstanding Balance of such Mortgage Backed Credit determined as at such Calculation Date; and
 - (ii) on the date on which 24 or more monthly instalments have not been paid when due and which remain outstanding, an amount equal to 60 per cent. of the Principal Outstanding Balance of such Mortgage Backed Credit determined as at such Calculation Date; and
 - (iii) on the date on which 36 or more monthly instalments have not been paid when due and which remain outstanding, an amount equal to 100 per cent. of the Principal Outstanding Balance of such Mortgage Backed Credit determined as at such Calculation Date; and
- (b) in respect of which Liquidation Proceeds have been realised or which is a Written-off Mortgage Backed Credit by reason of having been so classified by the Servicer, the Principal Outstanding Balance (which shall not be deemed to be zero) of such Mortgage Backed Credit less the sum of all Collections, Repurchase Proceeds and other recoveries, if any, on such Mortgage Backed Credit, which will be applied first to outstanding expenses incurred with respect to such Mortgage Backed Credit, then to accrued and unpaid interest and, finally, to principal;

"Defaulted Mortgage Backed Credit" means any Mortgage Backed Credit which is not a Written-off Mortgage Backed Credit and in respect of which 12 or more monthly instalments have not been paid when due and which remain outstanding;

"Deferred Interest Amount Arrears" means, in respect of each Class (other than the Class A Notes) on any Interest Payment Date, any Interest Amount in respect of such Class which is due but not paid as at such date;

"Definitive Notes" means any Notes issued in definitive bearer form;

"Encumbrance" means:

- (a) a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person or granting any security to a third party; or
- (b) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

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

"Enforcement Procedures" means the exercise, according to the Servicer's standard operating procedures, of rights and remedies (including enforcement of security) against a Borrower in respect of the Borrower's obligations arising from any Defaulted Mortgage Backed Credits in respect of which such Borrower is in default;

"English Law Transaction Documents" means the Subscription Agreement, the Transaction Management Agreement, the Paying Agency Agreement, the Security Deed, the Accounts Agreement, the Hedging Agreements, the Issuer-ICSDs Agreement, and any other agreement or document entered into from time to time by the Issuer pursuant thereto;

"EURIBOR" means, as applicable, the Euro Screen Rate or the Euro Reference Rate;

"Euro", **"€"** or **"euro"** means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty;

"Euro Reference Rate" means, on any 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. (Brussels time) on that date, of the Reference Banks to leading banks for Euro-zone interbank market for euro deposits for the Relevant Period in the Representative Amount, determined by the Agent Bank after request of the principal Euro-zone office of each of the Reference Banks; or
- (b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Rounded Arithmetic Mean of the rates quoted, as at or about 11.00 a.m. (Brussels time) on such Interest Determination Date, by leading banks in the Euro-zone for loans in euros for the Relevant Period in the Representative Amount to leading European banks, determined by the Agent Bank after request of the principal office in the principal financial centre of the relevant Participating Member State of each such leading European bank;

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

"Euroclear" means Euroclear Bank S.A./N.V.;

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

"Exchange Date" means, in relation to each Temporary Global Note, the first day following the expiry of forty days after the date of issue of such Note;

"Excluded Rights" means, in relation to any Receivable and related Mortgage Backed Credit, any rights which relate to fees payable by a Borrower to the Originator in relation to such Receivable and the related Mortgage Backed Credit in connection with any (i) late payment penalties and similar charges; (ii) early payment penalties and similar charges and/or (iii) fees due in connection with an amendment or variation of the relevant Mortgage Backed Credit and which would, but for this exception, constitute Ancillary Mortgage Rights;

"Final Discharge Date" means the date on which the Common Representative is satisfied that all Secured Amounts and/or all other monies and other liabilities due or owing by the Issuer in connection with the Notes have been paid or discharged in full;

"Final Legal Maturity Date" means the Interest Payment Date falling in September 2056;

"First Interest Payment Date" means 15 September 2008;

"Fitch" means Fitch Ratings Limited;

"Global Notes" means the Permanent Global Notes and the Temporary Global Notes, each in the form of a new global note;

"Gross Cumulative Default Ratio" means, in respect of an Interest Payment Date, the Aggregate Principal Outstanding Balance (as at the related Calculation Date) of the Mortgage Backed Credits which have become Defaulted Mortgage Backed Credits since the Portfolio Determination Date divided by the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits as at the Portfolio Determination Date;

"Hedge Counterparty" means ABN AMRO Bank N.V., London Branch in its capacity as a counterparty in accordance with the terms of the Hedging Agreements or such other counterparty appointed in accordance with the terms of the Hedging Agreements;

"Hedging Agreements" means the Interest Rate Swap Transaction;

"Higher Class Notes" means, in relation to a Class of Notes (other than the Class A Notes), each Class of Notes ranking ahead of such Class of Notes in the Pre-Enforcement Interest Payments Priorities, the Pre-Enforcement Principal Payments Priorities or the Post-Enforcement Payments Priorities (as the case may be);

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

"ICSDs" means each of Euroclear and Clearstream, Luxembourg;

"Incorporated Terms Memorandum" means the memorandum so named dated on or about the Closing Date and initialled for the purpose of identification by each of the Transaction Parties;

"Incorrect Payments" means a payment incorrectly paid or transferred to the Payment Account, identified as such by the Servicer and confirmed by the Transaction Manager;

"Increasing Instalments Mortgage Backed Credit" means a Mortgage Backed Credit which is due to redeem pursuant to a schedule of increasing instalments calculated with reference to a pre-determined formula;

"Insolvency Event" in respect of a natural person or entity means:

- (a) the initiation of, or consent to any Insolvency Proceedings by such person or entity;
- (b) the initiation of Insolvency Proceedings against such a person or entity and such proceeding is not contested in good faith on appropriate legal advice;
- (c) the application (and such application is not contested in good faith on appropriate legal advice) to any court for, or the making by any court of, a bankruptcy, insolvency or an administration order against such person or entity;
- (d) the enforcement of, or any attempt to enforce (and such attempt is not contested in good faith on appropriate legal advice) any security over the whole or a material part of the assets and revenues of such a person or entity;
- (e) any distress, execution, attachment or similar process (and such process, if contestable, is not contested in good faith on appropriate legal advice) being levied or enforced or imposed upon or against any material part of the assets or revenues of such a person or entity;
- (f) the appointment by any court of a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, common representative, trustee or other similar official in respect of all (or substantially all) of the assets of such a person or entity generally; or
- (g) the making of an arrangement, composition or reorganisation with the creditors of such a person or entity;

"Insolvency Proceedings" means:

- (a) the presentation of any petition for the bankruptcy or insolvency of a natural person (whether such petition is presented by such person or another party); or
- (b) the winding-up, dissolution or administration of an entity,

and shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such person or entity is ordinarily resident or incorporated (as the case may be) or of any jurisdiction in which such person or entity may be liable to such proceedings;

"Instalment Due Date" in relation to any Mortgage Backed Credit means the original date on which each monthly instalment, quarterly instalment or semi annual instalment (as the case may be) is due and payable under the relevant Mortgage Backed Credit Agreement;

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

"Instrumentholders" means the persons who for the time being are the holders of the Instruments;

"Insurance Policies" means the insurance policies taken out by Borrowers in respect of Mortgage Backed Credits and the related Properties regarding which the Originator is also a beneficiary and any other insurance contracts of similar effect in replacement, addition or substitution thereof from time to time and **"Insurance Policy"** means any one of those insurance policies;

"Interest Amount" means in respect of a Rated Note for any Interest Period, the aggregate of:

- (a) the amount of interest calculated on the related Interest Determination Date in respect of such Rated Note for such Interest Period by multiplying the Principal Amount Outstanding of such Rated Note on the Interest Payment Date next following such Interest Determination Date by the relevant Note Rate and multiplying the amount so calculated by the relevant Day Count Fraction and rounding the resultant figure to the nearest 0.01 euro; and
- (b) in the case of each Rated Note (other than the Class A Notes) the Deferred Interest Amount Arrears in respect of such Rated Note on the preceding Interest Payment Date, together with accrued interest on such arrears in accordance with Condition 7.15 (*Default Interest*); and
- (c) in relation to a Class of Rated Notes for any Interest Period, the aggregate amount in paragraph (a) above, of all notes in such Class of Rated Notes for such Interest Period;

"Interest Collection Proceeds" means, in respect of any Business Day, the portion of the aggregate amount that stands to the credit of the Proceeds Account that relates to the Interest Receivables of the Mortgage Backed Credits;

"Interest Determination Date" means each day which is two Business Days prior to an Interest Payment Date, and, in relation to an Interest Period, the **"related Interest Determination Date"** means, the Interest Determination Date immediately preceding the commencement of such Interest Period;

"Interest Payment Date" means the 15th 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 next commencing after such Interest Determination Date;

"Interest Rate Swap Transaction" means the interest rate swap transaction entered into between the Issuer and the Hedge Counterparty pursuant to an ISDA Master Agreement and Schedule to be entered into as of the Closing Date and made between the Issuer and the Hedge Counterparty;

"Interest Receivables" means in respect of any Collections:

- (a) all interest collected and to be collected thereunder from and including the Portfolio Determination Date which shall be determined, in respect of the Mortgage Backed

Credits, on the basis of the rate of interest specified in the relevant Mortgage Backed Credit Agreement, other than any amounts of interest that are capitalised by the Servicer;

- (b) all Liquidation Proceeds in respect of the Mortgage Backed Credits allocated to interest;
- (c) all Collections in respect of Written-off Mortgage Backed Credits;
- (d) all Repurchase Proceeds allocated to interest; and
- (e) all interest accrued and credited to the Payment Account in the Calculation Period ending immediately prior to the related Calculation Date,

but so that Interest Receivables shall not include any Excluded Rights;

"Investor Report" means a report to be in a form acceptable to the Issuer, the Transaction Manager and the Common Representative to be delivered by the Transaction Manager to, *inter alios*, the Common Representative, the Rating Agency and each of the Paying Agents not less than two Business Days prior to each Interest Payment Date;

"Issuer" means SAGRES – Sociedade de Titularização de Créditos, S.A., a Portuguese securitisation company (*Sociedade de Titularização de Créditos*), incorporated in the Portuguese Republic and registered with the Commercial Registry Office of Lisbon under the registration and tax payer number 506.561.461, in its capacity as issuer of the Notes;

"Issuer Covenants" has the meaning given to such term in Condition 6 (*Issuer Covenants*);

"Issuer's Auditors" means KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A. in, represented by Vitor Manuel da Cunha Ribeirinho nr. 1081;

"Issuer Expenses" means any fees, liabilities and expenses, in relation to this transaction, payable by the Issuer to the Servicer, the Transaction Manager (or any successor), any Paying Agent (including the Paying Agent), the Accounts Bank, the Agent Bank, the Hedge Counterparty, the ICSDs and any Third Party Expenses that would be paid or provided for by the Issuer on the next Interest Payment Date, including the Issuer Fixed Transaction Revenue;

"Issuer Fixed Transaction Revenue" means an amount equal to 0.01% of the Principal Outstanding Balance of the Notes as of the Interest Payment Date, payable in arrear on each Interest Payment Date;

"Issuer-ICSDs Agreement" means the agreement dated on or about the Closing Date between the Issuer and the ICSDs;

"Issuer Obligations" means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Noteholders or the other Transaction Creditors under the Transaction Documents;

"Issuer's Jurisdiction" means the Portuguese Republic;

"Lead Manager" means ABN AMRO Bank N.V., London Branch;

"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;

"Liquidation Proceeds" in relation to a Mortgage Backed Credit means the net proceeds of realisation of such Mortgage Backed Credit including those arising from the sale or other disposition of other collateral or property of the related Borrower or any other party directly or indirectly liable for payment of the Receivables related to such Mortgage Backed Credit and available to be applied thereon;

"Lisbon Business Day" means any day on which banks are open for business in Lisbon;

"Loan" means the aggregate euro advances made by the Originator to the relevant Borrower by way of a loan under a Mortgage Backed Credit Agreement and from time to time outstanding, representing credits of the Originator due by such Borrower;

"Material Adverse Effect" means, a material adverse effect on the validity or enforceability of any of the Transaction Documents or, in respect of a Transaction Party, a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) of such Transaction Party to the extent that such effect would, with the passage of time or the giving of notice, be likely to impair such Transaction Party's performance of its obligations under any of the Transaction Documents;
- (b) the ability of such Transaction Party to perform its obligations under any of the Transaction Documents;
- (c) the rights or remedies of such Transaction Party under any of the Transaction Documents including the accuracy of the representations and warranties given by such party thereunder; or
- (d) in the context of the Mortgage Backed Credits, a material adverse effect on the interests of the Issuer or the Common Representative in the Mortgage Backed Credits or on the ability of the Issuer (or the Servicer on the Issuer's behalf) to collect the Receivables;

"Meeting" means a meeting of Noteholders of any Class or Classes (whether originally convened or resumed following an adjournment);

"Minimum Short-Term Rating" means, in respect of any entity, such person's short term unsecured, unsubordinated, unguaranteed debt obligations being rated, in the case of "F-1" by Fitch;

"Mortgage" means, in respect of any Loan, the charge created by way of voluntary mortgage over the relevant Property together with all other Encumbrances or guarantees the benefit of which is vested in the Originator as security for the repayment of that Loan;

"Mortgage Backed Credit" means any Loan, its Mortgage and its Ancillary Mortgage Rights assigned by the Originator to the Issuer;

"Mortgage Backed Credit Agreement" means, in respect of a Mortgage Backed Credit, the agreement made between the Seller and the relevant Borrower in respect of which the Seller has agreed to make a Loan to that Borrower by way of public deed or any other legally acceptable contract (in accordance with Decree-Law no. 255/93, of 15 July 1993) by which the

Mortgage was granted, the relevant Loan Agreement and all other agreements or documentation relating to that Mortgage Backed Credit;

"Mortgage Backed Credits Portfolio" means the Loans and the related Mortgages, Ancillary Mortgage Rights and Receivables specified in the information records identified in Schedule VIII of the Mortgage Backed Credits Assignment Agreement as updated from time to time to reflect the additions of Substitute Mortgage Backed Credits and the removal of Retired Mortgage Backed Credits;

"Mortgage Backed Credit Warranty" means any of the warranties given by the Originator in respect of the Mortgage Backed Credits Portfolio in Schedule III of the Mortgage Backed Credits Assignment Agreement;

"Mortgage Backed Credits Assignment Agreement" means the agreement so named dated on or about the Closing Date and entered into between the Originator and the Issuer;

"Mortgage Backed Notes" means the Class A Notes, the Class B Notes, the Class C Notes, Class D Notes and the Class E Notes;

"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 whilst they remain outstanding and thereafter the Class E Notes whilst they remain outstanding and thereafter the Class F Notes whilst they remain outstanding;

"Net Provisioned Amounts" means all amounts used for the reduction of the debit balance on the Principal Deficiency Ledger pursuant to paragraphs (f), (h), (j), (l) and (n) of the Pre-Enforcement Interest Payments Priorities, including, without limitation, amounts provisioned and accounted for;

"Note Principal Payment" means, any payment to be made or made by the Issuer in accordance with Condition 8.2 (*Pro-Rata Mandatory Redemption in part of Mortgage Backed Notes*), Condition 8.3 (*Sequential Mandatory Redemption in part of Mortgage Backed Notes*) and Condition 8.4 (*Mandatory Redemption in whole of Class F Notes*);

"Note Rate" means, in respect of each Class of Rated Notes for each Interest Period, the Euro Reference Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of such Class;

"Notes" means the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes;

"Noteholders" means the persons who for the time being are the holders of the Notes;

"Notices Condition" means Condition 20 (*Notices*);

"Original LTV" means, in respect of all Loans and secured on the same property, the ratio of the Aggregate Principal Outstanding Balance as at the date such Loans were originated to the original valuation of the property completed when the Loan was originated and rounded to the nearest first decimal figure;

"Originator" means Montepio in its capacity as originator of the Loans;

"outstanding" means, in relation to the Instruments, all the Instruments other than:

- (a) those which have been redeemed and cancelled in full in accordance with their respective Conditions;
- (b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Common Representative or the Paying Agent in the manner provided for in the Paying Agency Agreement (and, where appropriate, notice to that effect has been given to the Instrumentholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;
- (c) those which have become void under the Conditions;
- (d) those mutilated or defaced Instruments which have been surrendered or cancelled and those Instruments which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Instruments have been issued pursuant to the Conditions; and
- (e) any Temporary Global Note, to the extent that it shall have been exchanged for a Permanent Global Note of the same Class or any Permanent Global Note, to the extent that it shall have been exchanged for the related Definitive Notes pursuant to the provisions contained therein and their respective Conditions;

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Instrumentholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 17 (*Waiver*), Clause 18 (*Modifications*), Clause 20 (*Proceedings and Actions by the Common Representative*), Clause 28 (*Appointment of Common Representative*) and Clause 29 (*Notice of New Common Representative*) of the Common Representative Appointment Agreement and Condition 12 (*Events of Default*), Condition 13 (*Proceedings*) and Condition 15 (*Meetings of Noteholders*) and the Provisions for Meetings of Noteholders; and
- (iii) any discretion, power or authority, whether contained in the Common Representative Agreement or provided by law, which the Common Representative is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Instruments (if any) which are for the time being held by or for the benefit of the Issuer, the Originator, the Servicer or the Transaction Manager shall (unless and ceasing to be so held) be deemed not to remain outstanding;

"Participating Member State" means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

"Paying Agency Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Agents, and the Common Representative;

"Paying Agent" means Citibank, N.A. (London Branch) in its capacity as the Paying Agent in respect of the Notes;

"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;

"Payment Account" means the account in the name of the Issuer and maintained at the Accounts Bank (or such other bank to which the Payment Account may be transferred and into which Collections are transferred by the Servicer);

"Payments Priorities" means the Pre-Enforcement Interest Payments Priorities, the Pre-Enforcement Principal Payments Priorities and the Post-Enforcement Payments Priorities, as the case may be;

"Payment Shortfall" means, as at any Interest Payment Date, an amount equal to the greater of:

- (a) zero; and
- (b) the aggregate of the amounts required to pay or provide in full on such Interest Payment Date for the items falling in (a) to (m) other than (f), (h) and (j) of the Pre-Enforcement Interest Payments Priorities less the amount of the Available Interest Distribution Amount calculated in respect of such Interest Period but before taking into account any Principal Draw Amount;

"Permanent Global Notes" means the Class A Permanent Global Note, the Class B Permanent Global Note, the Class C Permanent Global Note, the Class D Permanent Global Note, the Class E Permanent Global Note and the Class F Permanent Global Note;

"Portfolio Determination Date" means 2nd May 2008.

"Post-Enforcement Payments Priorities" means the provisions relating to the order of payments priorities set out in Clause 14 (*Post-Enforcement Payments Priorities*) of the Security Deed;

"Potential Event of Default" means an event which would be (with the expiry of a grace period, the lapse of time, the giving of notice, certification, declaration or demand or the making of a determination and/ or the fulfilment of any similar condition) an Event of Default;

"Pre-Enforcement Interest Payments Priorities" means the provisions relating to the order of payments priorities set out in Paragraph 20 (*Pre-Enforcement Interest Payment Priorities*) of Schedule 2 to the Transaction Management Agreement;

"Pre-Enforcement Payments Priorities" means the Pre-Enforcement Interest Payments Priorities and the Pre-Enforcement Principal Payments Priorities as the case may be;

"Pre-Enforcement Principal Payments Priorities" means the provisions relating to the order of payments priorities set out in Paragraph 21 (*Pre-Enforcement Principal Payments Priorities*) of Schedule 1 to the Transaction Management Agreement;

"Principal Amount Outstanding" means, on any day:

- (a) in relation to a Note, the principal amount of that Note upon issue less the aggregate amount of any principal payments in respect of that Note which have become due and payable on or prior to that day;

- (b) in relation to a Class, the aggregate of the amount in (a) in respect of all Notes outstanding in such Class; and
- (c) in relation to the Notes outstanding at any time, the aggregate of the amount in (a) in respect of all Notes outstanding, regardless of Class;

"Principal Collection Proceeds" means, in respect of any Business Day, the portion of the aggregate amount that stands to the credit of the Proceeds Account that relates to the Principal Receivables of the Mortgage Backed Credits;

"Principal Deficiency Ledgers" means the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger, the Class C Principal Deficiency Ledger, the Class D Principal Deficiency Ledger and the Class E Principal Deficiency Ledger;

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

- (a) the amount by which the Issuer would be unable to make payment in full of items (a) to (e) of the Pre-Enforcement Interest Priorities;
- (b) subject to satisfaction of part (a) of the Principal Draw Test, the amount by which the Issuer would be unable to make payment in full of item (g) of the Pre-Enforcement Interest Priorities; and
- (c) subject to satisfaction of part (b) of the Principal Draw Test, the amount by which the Issuer would be unable to make payment in full of item (i) of the Pre-Enforcement Interest Priorities;

and provided always that no Principal Draw Amount shall be made on any Interest Payment Date on which a debit balance will remain on the Capitalised Interest Ledger following the making of all payments or provisions on such Interest Payment Date;

"Principal Draw Test" means, in respect of an Interest Payment Date and whether a Principal Draw Amount can be made to reduce or eliminate a Payment Shortfall in respect of a Class of Notes:

- (a) in relation to a Payment Shortfall in respect of the Class B Notes the debit balance of the Class B Principal Deficiency Ledger, after any reduction thereof on such Interest Payment Date, is less than or equal to 50 per cent. of the Principal Amount Outstanding of the Class B Notes as at close of business on such Interest Payment Date; and
- (b) in relation to a Payment Shortfall in respect of the Class C Notes the debit balance of the Class C Principal Deficiency Ledger, after any reduction thereof on such Interest Payment Date, is less than or equal to 75 per cent. of the Principal Amount Outstanding of the Class C Notes as at close of business on such Interest Payment Date;

for the avoidance of doubt the Principal Draw Test will always be deemed to be satisfied in respect of the Class A Notes;

"Principal Outstanding Balance" means in relation to any Mortgage Backed Credit or Loan and on any date, the aggregate of:

- (a) the original principal amount advanced to the Borrower; plus
- (b) any other disbursement, legal expense, fee or charge capitalised; plus
- (c) any payment of interest falling due which is capitalised by the Servicer; plus
- (d) any further advance of principal to the Borrower; less
- (e) any repayments of the amounts in (a), (b), (c) and (d) above,

provided that, in respect of any Written-off Mortgage Backed Credit, the Principal Outstanding Balance will be deemed to be zero;

"Principal Receivables" in respect of any Collections:

- (a) all cash collections and other cash proceeds of any Mortgage Backed Credit in respect of principal collected or to be collected thereunder from (and including) the Portfolio Determination Date including repayments and prepayments of principal thereunder and similar charges allocated to principal and any payments in respect of interest which has been capitalised (other than such amounts as are referred to in item (c) of the definition of "Interest Receivables");
- (b) all Liquidation Proceeds in respect of such Mortgage Backed Credit (other than Liquidation Proceeds arising after such Mortgage Backed Credit becomes a Written-off Mortgage Backed Credit) allocated to principal; and
- (c) all Repurchase Proceeds allocated to principal,

but so that Principal Receivables shall not include any Excluded Rights;

"Pro-Rata Test" means that on a Calculation Date the Transaction Manager has determined that:

- (a) the Principal Amount Outstanding of the Class A Notes as at the immediately succeeding Interest Payment Date after payments of any principal in respect thereof have been made will be less than or equal to 75 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date; and
- (b) the balance of the Cash Reserve Account as at the immediately succeeding Interest Payment Date after any replenishment thereof will be equal to the Cash Reserve Account Required Balance as at such Interest Payment Date; and
- (c) the Aggregate Principal Outstanding Balance of Loans in arrears by more than 90 days as at such Calculation Date (less the sum of all Net Provisioned Amounts) is less than 3 per cent. of the Aggregate Principal Outstanding Balance of the Loans in the Mortgage Backed Credits Portfolio as at the Portfolio Determination Date;
- (d) the Aggregate Principal Outstanding Balance of the Loans is not lower than 10 per cent. of the Aggregate Principal Outstanding Balance of the Loans as at the Portfolio Determination Date; and

- (e) the Aggregate Principal Outstanding Balance (as measured at such Calculation Date) of the Mortgage Backed Credits which have become Defaulted Mortgage Backed Credits since the Portfolio Determination Date (less the sum of all Net Provisioned Amounts) is less than 3.5 per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits as at the Portfolio Determination Date.

"Proceeds Account" means the account in the name of the Originator at the Proceeds Account Bank, utilised for the time being by the Originator and/or the Servicer in relation to Collections on the Mortgage Backed Credits or, with the prior written consent of the Issuer, such other account or accounts as may for the time being be in addition thereto or substituted therefor and designated as a Proceeds Account;

"Proceeds Account Bank" means Montepio or, with the prior written consent of the Issuer, such other bank or banks as may for the time being be nominated by the Originator and/or the Servicer in addition thereto or substituted therefore with which the relevant Proceeds Account is maintained or, following downgrade of the Proceeds Account Bank's short-term unsecured debt obligations below "F-2" by Fitch, such other financial institution as may be designated by the Issuer;

"Property" means, in relation to any Loan, the property upon which the repayment of such Loan is secured by the corresponding Mortgage and **"Properties"** means any of them;

"Prospectus" means the Prospectus dated the Signing Date prepared in connection with the issue by the Issuer of the Notes;

"Provisions for Meetings of Noteholders" means the provisions contained in Schedule V of the Common Representative Appointment Agreement;

"Rated Notes" means the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes;

"Rating" means the then current rating of each Class of Rated Notes given by the Rating Agency and **"Ratings"** shall be construed accordingly;

"Rating Agency" means Fitch Ratings Ltd;

"Ratings Confirmation" means the confirmation to the Issuer and/or the Common Representative from the Rating Agency that its then current rating of the Rated Notes will not be downgraded, qualified or withdrawn as a result of the modification, amendment, waiver, appointment, authorisation or action;

"Receiptholders" means the persons who for the time being are holders of the Receipts;

"Receipts" means the Class A Receipts, the Class B Receipts, the Class C Receipts, the Class D Receipts, the Class E Receipts and the Class F Receipts;

"Receivables" means the Principal Receivables and the Interest Receivables;

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

"Reference Bank" means the principal Euro-zone office of four major banks selected by the Agent Bank from time to time;

"Relevant Date" means, in respect of any Notes, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after the date on which notice is duly given to the Noteholders in accordance with the Notices Condition that, upon further presentation of the Notes being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation;

"Relevant Margin" means:

- (a) in relation to the Class A Notes, 0.30 per cent. per annum prior to the Step-up Date and 0.30 per cent. per annum on the Step-up Date and thereafter;
- (b) in relation to the Class B Notes, 0.45 per cent. per annum prior to the Step-up Date and 0.45 per cent. per annum on the Step-up Date and thereafter;
- (c) in relation to the Class C Notes, 0.60 per cent. per annum prior to the Step-up Date and 0.60 per cent. per annum on the Step-up Date and thereafter; and
- (d) in relation to the Class D Notes, 0.90 per cent. per annum prior to the Step-up Date and 0.90 per cent. per annum on the Step-up Date and thereafter;
- (e) in relation to the Class E Notes, 1.25 per cent. per annum prior to the Step-up Date and 1.25 per cent. per annum on the Step-up Date and thereafter;

"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 Common Representative and as has been notified to the Noteholders in accordance with the Notices Condition;

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

"Repurchase Price" means, in relation to any Mortgage Backed Credit, an amount equal to the Principal Outstanding Balance at the date of the re-assignment of such Mortgage Backed Credit plus interest accrued and outstanding as at the date of re-assignment;

"Repurchase Proceeds" means such amounts as are received by the Issuer pursuant to the sale of certain Mortgage Backed Credits by the Issuer to the Originator pursuant to the Mortgage Backed Credits Assignment Agreement;

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes of any Class, to reduce the amount of principal or interest due on any date in respect of the Notes of any Class or to alter the method of calculating the amount of any payment in respect of the Notes of any Class on redemption or maturity or on any Interest Payment Date;

- (b) to effect the exchange, conversion or substitution of the Notes, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to alter the priority of payment of interest or principal in respect of the Notes; or
- (e) to amend this definition;

"Resolution" means a resolution passed at a Meeting duly convened and held in accordance with the provisions for Meetings of Noteholders;

"Retired Mortgage Backed Credit" means a Mortgage Backed Credit re-assigned by the Purchaser to the Seller pursuant to Clause 9 (*Re-assignment*) of the Mortgage Backed Credits Assignment Agreement;

"Return Amount" means an amount as described in the Hedging Agreements;

"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 Common Representative) as may replace such services;

"Secured Amounts" means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each of the Noteholders and Transaction Creditors under the Transaction Documents;

"Securitisation Law" means Decree Law no. 453/99 of 5 November 1999 as amended from time to time by Decree Law no. 82/2002 of 5 April 2002, Decree Law no. 303/2003 of 5 December 2003 and Decree Law no. 52/2006 of 15 March 2006;

"Security" means the security over the Charged Property created pursuant to the Security Deed;

"Security Deed" means the deed so named dated on or about the Closing Date between the Issuer and the Common Representative;

"Servicer" means Montepio in its capacity as servicer under the Servicing Agreement;

"Servicing Agreement" means an agreement so named to be entered into on the Closing Date between the Servicer, the Proceeds Account Bank and the Issuer;

"Signing Date" means 19 May 2008;

"Specified Offices" means in relation to any Agent:

- (a) the office specified against its name in Schedule VII (*Notices*) to the Incorporated Terms Memorandum; or
- (b) such other office as such Agent may specify in accordance with Clause 13.9 (*Changes in Specified Offices*) of the Paying Agency Agreement;

"**Step-up Date**" means the Interest Payment Date falling in June 2017;

"**Stock Exchange**" means the Irish Stock Exchange Limited;

"**Subscription Agreement**" means an agreement so named dated on or about the Signing Date between the Issuer, the Originator and ABN AMRO Bank N.V., London Branch as Lead Manager;

"**Subsidised Mortgage Backed Credit**" means a Mortgage Backed Credit in respect of which the payment of interest is partially subsidised by the Portuguese Government in accordance with Decree-Law 328-B/86 of 30 September 1986 and Decree-Law 349/98 of 11 November 1998, as amended;

"**Substitute Mortgage Backed Credit**" means, in respect of a Retired Mortgage Backed Credit, a Mortgage Backed Credit which is substituted into the Mortgage Backed Credits Portfolio in accordance with the terms of the Mortgage Backed Credits Assignment Agreement and the Servicing Agreement;

"**Substitution Date**" means any given date on which a Retired Mortgage Backed Credit is substituted into the Mortgage Backed Credits Portfolio in accordance with the terms of the Mortgage Backed Credits Assignment Agreement and the Servicing Agreement;

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

"**TARGET Day**" means any day on which the TARGET System is open;

"**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) imposed or levied by or on behalf of any Tax Authority and "**Taxes**", "**taxation**", "**taxable**" and comparable expressions shall be construed accordingly;

"**Tax Authority**" means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function, including H.M. Revenue and Customs;

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

"**Temporary Global Notes**" means the Class A Temporary Global Note, the Class B Temporary Global Note, the Class C Temporary Global Note, the Class D Temporary Global Note, the Class E Temporary Global Note and the Class F Temporary Global Note;

"**Third Party Expenses**" means any amounts due and payable by the Issuer to third parties (not being Transaction Creditors) including any liabilities payable in connection with:

- (a) the purchase or disposal of any Authorised Investments;
- (b) any filing or registration of any Transaction Documents;
- (c) any provision for and payment of the Issuer's liability to tax (if any) in relation to the transaction contemplated by the Transaction Documents;
- (d) any law or any regulatory direction with whose directions the Issuer is accustomed to comply;
- (e) any legal or audit or other professional advisory fees (including Rating Agency fees);
- (f) any directors' fees or emoluments;
- (g) any advertising, publication, communication and printing expenses including postage, telephone and telex charges;
- (h) the admission of the Notes to listing or to trading on the Stock Exchange; and
- (i) any other amounts then due and payable to third parties and incurred without breach by the Issuer of the provisions of the Transaction Documents;

"Transaction Accounts" means the Payment Account and the Cash Reserve Account opened in the name of the Issuer with the Accounts Bank or such other accounts as may, with the prior written consent of the Common Representative, be designated as such accounts;

"Transaction Assets" means the specific pool of assets of the Issuer which collateralises the Issuer Obligations including, the Mortgage Backed Credits, Collections, the Transaction Accounts, the Issuer's rights in respect of the Transaction Documents and any other right and/or benefit either contractual or statutory relating thereto purchased or received by the Issuer in connection with the Notes;

"Transaction Creditors" means the Common Representative, the Agents, the Transaction Manager, the Accounts Bank, the Originator, the Servicer and the Hedge Counterparty;

"Transaction Documents" means the Incorporated Terms Memorandum, the Prospectus, the Mortgage Backed Credits Assignment Agreement, the Servicing Agreement, the Subscription Agreement, the Common Representative Appointment Agreement, the Co-ordination Agreement, the Notes, the Coupons, the Transaction Management Agreement, the Paying Agency Agreement, the Security Deed, the Accounts Agreement, the Hedging Agreements, the Issuer-ICSDs Agreement and any other agreement or document entered into from time to time by the Issuer pursuant thereto;

"Transaction Management Agreement" means the agreement so named to be entered into on the Closing Date between the Issuer, the Transaction Manager, the Accounts Bank and the Common Representative;

"Transaction Manager" means Citibank, N.A. (London Branch) in its capacity as transaction manager to the Issuer in accordance with the terms of 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;

"value added tax" means the tax imposed in conformity with the Sixth Directive of the European Economic Communities (77/388/EEC) (including in relation to the United Kingdom, value added tax imposed by the Value Added Tax Act 1994 and legislation and regulations supplemental thereto) and any other tax of a similar fiscal nature substituted for, or levied in addition to, such tax whether imposed in a member state of the European Union or elsewhere;

"VAT" means value added tax provided for in the VAT Legislation and any other tax of a similar fiscal nature whether imposed in Portugal (instead of or in addition to value added tax) or elsewhere from time to time;

"VAT Legislation" means the Portuguese Value Added Tax Code approved by Decree Law no. 394-B/84 of 26 December 1984 as amended from time to time;

"Withheld Amount" means an amount paid (in respect of Tax imposed by the Portuguese Republic) by the Issuer on an Interest Payment Date to the Payment Account which will not form part of the Available Interest Distribution Amount or the Available Principal Distribution Amount on such Interest Payment Date;

"Written-off Mortgage Backed Credit" means on any day, any Receivables in respect of a Mortgage Backed Credit in respect of which:

- (a) 36 or more monthly instalments have not been paid by the respective Instalment Due Dates relating thereto and are outstanding on such day of determination;
- (b) the Liquidation Proceeds have been realised;
- (c) proceedings have been commenced by or against the relevant Borrower for such Borrower's insolvency, in particular any proceedings against the relevant Borrower under the Insolvency and Company Recovery Code, enacted by Decree Law no. 53/2004 of 18 March 2004 (as amended) and the Servicer is aware or has been notified of such proceedings; or
- (d) a classification as a Written-off Mortgage Backed Credit has been made by the Originator or, where the Originator is no longer the Servicer, the Servicer.

"Written Resolution" means, in relation to any Class, a resolution in writing signed by or on behalf of all holders of Notes of the relevant Class who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

Any defined terms used in these Conditions which are not defined above shall bear the meanings given to them in the Transaction Documents.

TAXATION

The following is a general description of certain tax considerations in Portugal and the United Kingdom relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective Noteholders should consult their tax advisers as to the consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes under the tax laws of the country of which they are resident for tax purposes and the tax laws of Portugal and the United Kingdom. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Portuguese Taxation

The following is a summary of the current Portuguese withholding tax treatment at the date hereof in relation to certain aspects of the Portuguese taxation of payments of principal and interest in respect of, and transfers of, the Notes. The statements do not deal with other Portuguese tax aspects regarding the Notes and relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide, does not constitute tax or legal advice and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers.

Noteholders who may be liable to taxation in jurisdictions other than Portugal in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions). In particular, Noteholders should be aware that they may be liable to taxation under the laws of Portugal and of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of Portugal.

The reference to "**interest**" and "**capital gains**" in the paragraphs below mean "**interest**" and "**capital gains**" as understood in Portuguese tax law. The statements below do not take any account of any different definitions of "**interest**" or "**capital gains**" which may prevail under any other law or which may be created by the Conditions or any related documentation.

The present transaction qualifies as a securitisation transaction (*operação de titularização de créditos*) for the purposes of the Securitisation Law. Portuguese tax-related issues for transactions which qualify as securitisation transactions under the Securitisation Law generally are governed by Decree Law number 219/2001 of 4 August 2001 as amended by Law 109- B/2001 of 27 December 2001, by Decree Law 303/2003 of 5 December 2003, by Law 107-B/2003 of 31 December 2003 and by Law 53-A/2006 of 29 December 2006 (the "**Securitisation Tax Law**").

Noteholder's Income Tax

Income generated by the holding (distributions) or transfer (capital gains) of the Notes is generally subject to the Portuguese tax regime for debt securities (*obrigações*). Any payments of interest made in respect of the Notes to Noteholders who are not Portuguese residents and do not have a permanent establishment in Portugal to which the income might be attributable will be exempt from Portuguese income tax implications. The exemption from income tax liability does not apply to non-resident entities if: (i) more than 25 per cent. of its share capital is held, either directly or indirectly, by Portuguese residents, or (ii) its country of residence is any of the jurisdictions listed as tax havens in Regulation 150/2004 of 13 February 2004, as amended ("**Tax Haven**"). If the above exemption does not apply, interest payments on the Notes made to non-resident entities are subject to withholding tax at the current definitive rate of 20 per cent, which may be reduced under the provisions of any applicable treaties relating to the avoidance of double taxation.

Under current Portuguese law, interest payments in respect of the Notes made to Portuguese tax resident companies are subject to withholding tax for corporate income tax purposes at the current rate of 20 per cent. on account of the final tax bill. Interest payments on the Notes to Portuguese tax resident individuals are subject to withholding tax for personal income tax purposes at the current definitive rate of 20 per cent, unless an option is made for the inclusion of such income within the individual's global taxable income, in which case the withholding tax will be treated as a payment on account of the final tax bill.

Capital gains obtained by non-resident entities on the transfer of the Notes are exempt from corporate income tax in the same terms referred above for interest payments, unless the said exemption does not apply. In such cases, capital gains are subject to taxation at a 25 per cent flat rate. Capital gains obtained by non-resident individuals on the transfer of the Notes are excluded from taxation for personal income tax purposes, except in the case of individuals who are resident in a Tax Haven.

Capital gains obtained by Portuguese tax resident companies with the transfer of the Notes are subject to corporate income tax in general terms, currently at a rate of 25 per cent. to which is added, in most municipalities, the maximum 1.5 per cent. municipal surcharge (*derrama*) due over the Portuguese corporate holder taxable profits, where applicable. Capital gains obtained by Portuguese tax resident individuals with the transfer of the Notes are excluded from taxation for personal income tax purposes.

In order to comply with the Securitisation Tax Law an operating procedure has been instituted pursuant to which Euroclear and Clearstream, Luxembourg will obtain from participants, who are not resident in Portugal, a commitment not to render custody and settlement services to Portuguese tax residents and to non-exempt Noteholders in general. As a result of this limitation (i) Noteholders which are exempt from Portuguese income tax may be required to certify such status to the financial intermediary that holds and/or settles the Notes on his behalf, and (ii) Portuguese tax residents and non-exempt Noteholders in general may be prevented from using certain financial intermediaries to hold and/or make settlements in respect of the Notes.

United Kingdom Taxation

The following is a summary of the United Kingdom withholding tax treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The statements do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes and relate only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of Noteholders (such as dealers). 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 disposing 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 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.

The reference to "**interest**" in the paragraphs below means "**interest**" as understood in United Kingdom tax law. The statements below do not take any account of any different definitions of "**interest**" or "**principal**" which may prevail under any other law or which may be created by the Conditions or any related documentation.

United Kingdom 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 situated 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. On the basis of the H.M. Revenue and Customs, published interpretation of the relevant legislation, Notes which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country. The Stock Exchange is a recognised stock exchange for these purposes.

In all other cases, UK interest on the Notes may fall to 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 or any other exemption which may apply.

Provision of information

Noteholders 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 Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the H.M. Revenue and Customs 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 H.M. Revenue and Customs may, in certain cases, be passed by the H.M. Revenue and Customs to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

With effect from 6 April 2006, the provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

Other Rules Relating to United Kingdom Withholding Tax

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such person for, an individual resident in one of those territories.

SUBSCRIPTION AND SALE

General

ABN AMRO Bank N.V., London Branch (the Lead Manager) has in the Subscription Agreement upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Mortgage Backed Notes at their issue price of 100 per cent. of their respective Principal Amount Outstanding. The Lead Manager is entitled to receive certain joint selling commissions and underwriting commissions in relation to the subscription for the Mortgage Backed Notes. The Issuer has also agreed to reimburse the Lead Manager for certain of their expenses incurred in connection with the management of the issue of the Mortgage Backed Notes. The Lead Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Mortgage Backed Notes. The Issuer and the Originator have agreed to indemnify the Lead Manager against certain liabilities in connection with the issue of the Mortgage Backed Notes.

The Notes of each Class will be purchased from the Lead Manager by the Originator or another member of the Montepio Group on the Closing Date and held by the relevant purchaser.

United States of America

The Notes have not been, and will not be, registered under the US Securities Act 1933, as amended (the "**Securities Act**") and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes and any coupons appertaining thereto (the "**Coupons**") will bear a legend to the following effect: "**Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code**". The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

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

The Lead Manager has represented to and agreed with the Issuer that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Mortgage Backed Notes (a) as part of its 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 Mortgage Backed Notes (or Class F Notes) during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Mortgage Backed Notes (or Class F 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 Mortgage Backed Notes (or Class F 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

In relation to the Mortgage Backed Notes the Lead Manager has further represented to and agreed with the Issuer that:

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

Portugal

In relation to the Mortgage Backed Notes the Lead Manager has agreed with the Issuer that (i) it has not directly or indirectly taken any action or offered, advertised or sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver any Mortgage Backed Notes (or the Class F 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 Mortgage Backed Notes (or Class F Notes) as an issue in the Portuguese market otherwise than in accordance with all applicable laws and regulations and (ii) it has not directly or indirectly distributed and will not directly or indirectly distribute any document, circular, advertisements or any offering material except in accordance with all applicable laws and regulations.

Public Offers Generally

Save for having obtained the approval of the Prospectus by the Irish Financial Services Regulatory Authority and applied for admission of the Notes to the Official List of the Stock Exchange and to trading on its regulated market, no action has been or will be taken in any jurisdiction by the Issuer or the Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

Investor Compliance

Persons into whose hands this Prospectus comes are required by the Issuer and the Lead Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 30 April 2008.
2. It is expected that the Notes will be admitted to the Official List of the Stock Exchange on the Closing Date, subject only to the issue of the Temporary Global Notes of each Class of Notes.
3. Save as disclosed in this Prospectus, there are no governmental, litigation or arbitration proceedings, including any which are pending or threatened of which the Issuer is aware, which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position of the Issuer.
4. Save as disclosed in this Prospectus, since 31 December 2006 (the date of the most recent audited annual accounts of the Issuer) there has been (i) no significant change in the financial or trading position of the Issuer, and (ii) no material adverse change in the financial position or prospects of the Issuer.
5. Save as disclosed in this Prospectus, the Issuer has no outstanding or created but unissued loan capital, term loans, borrowings, indebtedness in the nature of borrowing or contingent liabilities, nor has the Issuer created any mortgages, charges or given any guarantees.
6. The Transaction Manager shall produce an Investor Report no later than two Business Days prior to each Interest Payment Date. The Investor Report shall be available at the specified offices of the Common Representative.
7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN and the Common Codes for the Notes are as follows:

	Common Code	ISIN
Class A Notes	036513799	XS0365137990
Class B Notes	036513829	XS0365138295
Class C Notes	036513896	XS0365138964
Class D Notes	036513900	XS0365139004
Class E Notes	036513969	XS0365139699
Class F Notes	036513993	XS0365139939

8. The *Comissão do Mercado de Valores Mobiliários*, pursuant to Article 62 of the Securitisation Law, has assigned asset identification code 200805SGRCMGNXXN0026 to the Notes.
9. Copies of the following documents will be available in physical and/ or electronic form at the Specified Office of the Paying Agent during usual business hours on any week day (Saturdays, Sundays and public holidays excepted) after the date of this document and for the life of the Notes:
 - (a) the *Estatutos* or *Contrato de Sociedade* (constitutional documents) of the Issuer;

- (b) the following documents:
- (1) Incorporated Terms Memorandum;
 - (2) Mortgage Backed Credits Assignment Agreement,
 - (3) Servicing Agreement;
 - (4) Common Representative Appointment Agreement;
 - (5) Paying Agency Agreement;
 - (6) Transaction Management Agreement;
 - (7) Accounts Agreement;
 - (8) Hedging Agreements;
 - (9) Co-ordination Agreement;
 - (10) Security Deed; and
 - (11) Issuer-ICSDs Agreement.
10. The most recent publicly available financial statements for each of the last three accounting financial periods of the Issuer (which at the date hereof are only expected to be the audited annual financial statements) will be available for inspection at the following website: www.cmvm.pt. after the date of this document and for the life of the Notes.
11. KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A. have given, and have not withheld, their consent to the inclusion of their report in respect of the accounts of the Issuer in this Prospectus in the form and context in which it is included and have authorised the contents of that part of the Prospectus.
12. The Notes of each Class shall be freely transferable. No transaction made on the Stock Exchange after the Closing Date shall be cancelled.

INDEX OF DEFINED TERMS

Defined term	Page number
"Accounts Agreement"	125
"Accounts Bank"	125
"Agent Bank"	125
"Agents"	125
"Aggregate Principal Outstanding Balance"	125
"Ancillary Mortgage Rights"	125
"Assets"	126
"Assigned Rights"	126
"Authorised Investments"	10
"Available Interest Distribution Amount"	126
"Available Principal Distribution Amount"	127
"Borrower"	127
"Breach of Duty"	127
"Business Day"	127
"Calculation Date"	128
"Carrying Cost"	43
"Cash Reserve Account"	128
"Cash Reserve Account Required Balance"	128
"Cash Reserve Floor Amount"	129
"Charged Property"	128
"Class A Coupons"	130
"Class A Definitive Notes"	130
"Class A Notes"	130
"Class A Permanent Global Note"	130
"Class A Principal Deficiency Ledger"	130

"Class A Receipts"	130
"Class A Temporary Global Note"	130
"Class B Coupons"	130
"Class B Definitive Notes"	130
"Class B Notes"	130
"Class B Permanent Global Note"	130
"Class B Principal Deficiency Ledger"	130
"Class B Receipts"	130
"Class B Temporary Global Note"	130
"Class C Coupons"	131
"Class C Definitive Notes"	131
"Class C Notes"	131
"Class C Permanent Global Note"	131
"Class C Principal Deficiency Ledger"	131
"Class C Receipts"	131
"Class C Temporary Global Note"	131
"Class D Coupons"	131
"Class D Definitive Notes"	131
"Class D Notes"	131
"Class D Permanent Global Note"	131
"Class D Receipts"	131
"Class E Coupons"	131
"Class E Definitive Notes"	131
"Class E Notes"	131
"Class E Permanent Global Note"	131
"Class E Receipts"	131
"Class F Coupons"	132
"Class F Definitive Notes"	132

"Class F Distribution Amount"	132
"Class F Noteholders"	132
"Class F Notes"	132
"Class F Permanent Global Note"	133
"Class F Receipts"	133
"Class F Temporary Global Note"	133
"Clean-up Call Date"	71
"Clearstream, Luxembourg"	133
"Closing Date"	133
"CLTV"	133
"CMVM"	133
"Calculation Period"	127
"Collection Proceeds"	133
"Collections"	133
"Common Representative"	133
"Common Representative Appointment Agreement"	133
"Common Representative's Fees "	133
"Common Representative's Liabilities"	133
"Conditions"	133
"Co-ordination Agreement"	134
"Couponholders"	134
"Coupons"	134
"Day Count Fraction"	134
"Deemed Principal Loss"	134
"Defaulted Mortgage Backed Credit"	134
"Deferred Interest Amount Arrears"	134
"Definitive Notes"	134
"Eligible Mortgage Backed Credit Agreement"	47

"Encumbrance"	135
"Enforcement Notice"	135
"Enforcement Procedures"	135
"English Law Transaction Documents"	135
"EURIBOR"	135
"Euro", "€" or "euro"	135
"Euro Reference Rate"	135
"Euro Screen Rate"	135
"Euroclear"	135
"Event of Default"	136
"Exchange Date"	136
"Excluded Rights"	136
"Final Discharge Date"	136
"Final Legal Maturity Date"	136
"First Interest Payment Date"	136
"Fitch"	136
"FTC"	95
"Global Notes"	136
"Hedging Agreements"	136
"Hedge Counterparty"	136
"Hedge Guarantor"	69
"Higher Class Notes"	136
"Holder"	136
"ICSD"	136
"Incorporated Terms Memorandum"	136
"Incorrect Payments"	136
"Independent Auditor's Report"	87
"Insolvency Event"	137

"Insolvency Proceedings"	137
"Instruments"	137
"Instrumentholders"	137
"Insurance Policies"	138
"Interest Amount"	138
"Interest Collection Proceeds"	138
"Interest Determination Date"	138
"Interest Payment Date"	138
"Interest Period"	138
"Interest Rate Swap Transaction"	138
"Interest Receivables"	138
"Investor Report"	138
"Issuer"	138
"Issuer Covenants"	139
"Issuer Expenses"	139
"Issuer Fixed Transaction Revenue"	139
"Issuer Obligations"	139
"Issuer's Jurisdiction"	139
" Lead Manager"	139
"Liabilities"	139
"Liquidation Proceeds"	139
"Lisbon Business Day"	140
"Loan"	140
"Material Adverse Effect"	140
"Material Term"	57
"Meeting"	140
"Minimum Denomination"	7
"Minimum Short-Term Rating"	140

"Mortgage"	140
"Mortgage Backed Credit"	140
"Mortgage Backed Credit Agreement"	140
"Mortgage Backed Credits Portfolio"	141
"Mortgage Backed Credit Warranty"	141
"Mortgage Backed Credits Assignment Agreement"	141
"Mortgage Backed Notes"	141
"Most Senior Class"	141
"Gross Cumulative Default Ratio"	141
"Net Provisioned Amount"	141
"Note Principal Payment"	141
"Note Rate"	141
"Notes"	141
"Noteholders"	141
"Notices Condition"	141
"Notification Event"	46
"Mortgage Backed Credits Sale Notification Event Notice"	46
"Original LTV"	141
"Originator"	141
"outstanding"	141
"Participating Member State"	142
"Paying Agency Agreement"	142
"Paying Agents"	143
"Payment Account"	143
"Payments Priorities"	143
"Payment Shortfall"	143
"Permanent Global Notes"	143
"Permitted Variations"	56

"Portfolio Determination Date"	133
"Portuguese Tax Authority"	67
"Post-Enforcement Payments Priorities"	143
"Pre-Enforcement Interest Payments Priorities"	143
"Pre-Enforcement Payments Priorities"	143
"Pre-Enforcement Principal Payments Priorities"	143
"Principal Amount Outstanding"	143
"Principal Collection Proceeds"	144
"Principal Deficiency Ledgers"	144
"Principal Draw Amount"	144
"Principal Draw Test"	144
"Principal Outstanding Balance"	145
"Paying Agent"	142
"Pro-Rata Test"	145
"Proceeds Account"	145
"Proceeds Account Bank"	146
"Property"	146
"Property Deeds"	46
"Prospectus"	146
"Provisions for Meetings of Noteholders"	146
"Purchase Price"	43
"Quarterly Report"	14
"Rating"	146
"Rating Agency"	146
"Ratings Confirmation"	146
"Receipholders"	146
"Receipts"	146
"Receivables"	146

"Receiver"	146
"Reference Bank"	146
"Relevant Date"	147
"Relevant Margin"	147
"Relevant Period"	147
"Relevant Screen"	147
"Representative Amount"	147
"Repurchase Price"	147
"Repurchase Proceeds"	147
"Reserved Matter"	147
"Resolution"	148
"Retired Mortgage Backed Credit"	148
"Retired Mortgage Backed Credits Pool "	52
"Rounded Arithmetic Mean"	148
"Screen"	148
"Secured Amounts"	148
"Securitisation Law"	148
"Security"	148
"Security Deed"	148
"Servicer"	148
"Servicer Records"	57
"Services"	57
"Servicing Agreement"	148
"Signing Date"	148
"Specified Offices"	148
"Step-up Date"	149
"Stock Exchange"	149
"Subscription Agreement"	149

"Subsidised Mortgage Backed Credit"	149
"Substitution Date"	149
"Substitute Mortgage Backed Credit"	149
"Substitute Mortgage Backed Credits Pool "	53
"STC"	95
"Talon" and "Talons"	149
"TARGET Day"	149
"TARGET System"	149
"Tax"	149
"Tax Authority"	149
"Tax Deduction"	149
"Temporary Global Notes"	149
"Third Party Expenses"	149
"Transaction Accounts"	150
"Transaction Assets"	150
"Transaction Creditors"	150
"Transaction Documents"	150
"Transaction Management Agreement"	150
"Transaction Manager"	150
"Transaction Party"	150
"Treaty"	150
"value added tax"	151
"VAT"	151
"VAT Legislation"	151
"Withheld Amount"	66
"Written-off Mortgage Backed Credit"	151
"Written Resolution"	151

REGISTERED OFFICE OF THE ISSUER

SAGRES Sociedade de Titularização de Créditos, S.A.

Rua Barata Salgueiro, No. 30, 4º
Lisbon, Portugal.

ARRANGER and LEAD MANAGER

ABN AMRO Bank N.V., London Branch

250 Bishopsgate
London EC2M 4AA, United Kingdom

PAYING AGENT

Citibank, N.A. (London Branch)

Citigroup Centre 2
Canada Square, Canary Wharf
London E14 5LB, United Kingdom

COMMON REPRESENTATIVE

Deutsche Trustee Company Limited

Winchester House,
1 Great Winchester Street,
London EC2N 2DB,
United Kingdom

LISTING AGENT

A&L Listing Limited

25-28 North Wall Quay
Ireland International Financial Services Centre
Dublin 1
Ireland

LEGAL ADVISERS

*To the Lead Manager
and the Common Representative
as to Portuguese law*

Uría Menéndez
Rua Castilho, 20 - 6º
1250-069 Lisbon, Portugal

*To the Lead Manager, the Issuer, the Accounts
Bank and the Transaction Manager as to English
law*

Baker and McKenzie LLP
100 New Bridge Street
London EC4V 6JA, United Kingdom

To the Originator as to Portuguese law

António Frutuoso de Melo & Associados Sociedade De Advogados, RL
Avenida da Liberdade 38
7th Floor, Lisbon
1250-145, Portugal

*To the Common Representative
as to English law*

Baker and McKenzie LLP
100 New Bridge Street
London EC4V 6JA, United Kingdom

To the Issuer as to Portuguese law

Vieira de Almeida & Associados
Av. Duarte Pacheco, 26
1070-110 Lisbon, Portugal

AUDITORS TO THE ISSUER

**KPMG & Associados,
Sociedade de Revisores Oficiais de Contas S.A.**
Avenida Praia da Vitória, 71 – A,
11º, Lisbon, Portugal