

PELICAN MORTGAGES No. 6

(Article 62 Asset Identification Code 201203SGRCMGS00N0058)
€750,000,000 Class A Mortgage Backed Floating Rate Securitisation Notes due 2063
€250,000,000 Class B Mortgage Backed Floating Rate Securitisation Notes due 2063
€1,800,000 Class C Floating Rate Securitisation Notes due 2063
€65,000,000 Class D Residual Interest Securitisation Notes due 2063
€40,200,000 Class S Exposure Amount Notes due 2063
Issue Price: 100 per cent.

Issued by

SAGRES – Sociedade de Titularização de Créditos, S.A.

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

This Prospectus is dated 2 March 2012 and relates to the admission to trading on a regulated market of the Class A Notes as described herein. On 5 March 2012 (the "**Closing Date**") the Issuer will issue the €750,000,000 Class A Mortgage Backed Floating Rate Securitisation Notes due 2063 (the "**Class A Notes**"), the €250,000,000 Class B Mortgage Backed Floating Rate Securitisation Notes due 2063 (the "**Class B Notes**" and, together with the Class A Notes, the "**Mortgage Backed Notes**"), the €1,800,000 Class C Floating Rate Securitisation Notes due 2063 (the "**Class C Notes**" and, together with the Mortgage Backed Notes, the "**Floating Rate Notes**"), the €65,000,000 Class D Residual Interest Securitisation Notes due 2063 (the "**Class D Notes**" and, together with the Floating Rate Notes, the "**Securitisation Notes**") and the €40,200,000 Class S Exposure Amount Notes due 2063 (the "**Initial Class S Notes**" and, together with any Additional Class S Notes (as defined below) and any Securitisation Notes, the "**Notes**"). The issue price of each of the Securitisation Notes and of the Initial Class S Notes is 100 per cent. of their principal amount.

On each Interest Payment Date (for this purpose, an "**Additional Issue Date**") the Issuer may, provided that certain conditions are verified (see "**Overview of the Transaction – Issue of Additional Class S Notes and purchase of Additional Exposure Amount Mortgage Backed Credits Portfolio**"), elect to issue further Class S Notes up to the maximum aggregate amount of €40,200,000 (the "**Additional Class S Notes**"). Any Additional Class S Notes shall be fungible with the Initial Class S Notes.

Interest on the Floating Rate Notes, the Class D Distribution Amount and the Class S Return is payable on the 25th day of June 2012 and thereafter quarterly in arrears on the 25th 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 Floating Rate 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*, a margin of 0.3 per cent. per annum in relation to the Class A Notes, 0.5 per cent. per annum in relation to the Class B Notes and 1.5 per cent. per annum in relation to the Class C Notes. Neither the Class D Notes nor the Class S Notes will bear interest but will be entitled to the Class D Distribution Amount or the Class S Return, respectively, to the extent of available funds (as described herein).

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 Floating Rate Notes, the Class D Distribution Amount payable under the Class D Notes or the Class S Return payable under the Class S Notes is or becomes subject to income taxes (including withholding taxes) or other taxes (see "**Principal Features of the Notes – Taxes**").

The Floating Rate Notes will be redeemed at their Principal Amount Outstanding on the Final Legal Maturity Date to the extent that they have not been 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 a Securitised Available Principal Distribution Amount available for redeeming the Mortgage Backed Notes, as calculated on the related Calculation Date. The Class C Notes will be subject to mandatory redemption in whole or in part on each Interest Payment Date on which the Issuer has a Securitised Available Interest Distribution Amount available for redeeming the Class C Notes, as calculated on the related Calculation Date (see "**Principal Features of the Notes**").

On any Interest Payment Date, payments of principal on the Floating Rate 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.

To the extent that, on any Interest Payment Date (for such purpose, an "**Additional Sale Date**"), the amounts standing to the credit of the Payment Account and recorded in the Exposure Amount Cash Ledger exceed the Principal Outstanding Balance of Mortgage Backed Credits in the Additional Exposure Amount Mortgage Backed Credits Portfolio offered by the Originator on the relevant Additional Sale Date, amounts of the Exposure Amount Available Funds will be utilised by the Issuer on such Interest Payment Date to make payment of the Class S Return on the Class S Notes (see "**Principal Features of the Notes**").

The Notes will be subject to optional redemption (in whole but not in part) at their Principal Amount Outstanding together with accrued interest:

(A) in accordance with article 45 of the Securitisation Law, at the option of the Issuer on any Interest Payment Date: (a) following the occurrence of certain tax changes (as detailed in Condition 8.9 (*Optional Redemption in whole for taxation reasons*)) concerning, *inter alia*, the Issuer, the Mortgage Backed Credits and/or the Notes; or (b) following the Calculation Date on which the Aggregate Principal Outstanding Balance of the Loans in the Mortgage Backed Credits Portfolio is equal to or less than 10 (ten) per cent. of the Aggregate Principal Outstanding Balance of the Loans in the Initial Mortgage Backed Credits Portfolio as at the Initial Portfolio Determination Date and any Additional Mortgage Backed Credits in any Additional Mortgage Backed Credits Portfolio as at any Additional Portfolio Determination Date; or

(B) in the event the Notes are held by a sole Noteholder, such Noteholder being the Originator, at the option of the sole Noteholder on any Interest Payment Date, provided that all the requirements set out in Condition 8.8.2 will have been met.

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 residential mortgage loans originated in Portugal 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 StormHarbour Securities LLP or Caixa Económica Montepio Geral.

This Prospectus has been approved by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* or the "CMVM") as competent authority under Directive 2003/71/EC (the "Prospectus Directive") as a prospectus for admission of the Class A Notes to trading on a regulated market of Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. (the "Stock Exchange" or "Euronext" or "Euronext Lisbon"). Application has been made to the Euronext Lisbon for the Class A Notes to be admitted to trading on its main market Euronext Lisbon. According to article 118 of the Portuguese Securities Code (enacted by Decree-Law no. 486/99, dated 13 November, as amended from time to time) the CMVM only approves this Prospectus as meeting the requirements imposed under Portuguese and EU law pursuant to the Prospectus Directive. The language of the Prospectus is English, although 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.

In accordance with article 234 of the Portuguese Securities Code, the decision of Euronext Lisbon to admit the Class A Notes to trading on Euronext Lisbon does not involve any guarantee as to the contents of this information, the economic and financial condition of the issuer and the viability or quality of the Class A Notes.

No application has been made to list the Notes on any other stock exchange.

The Class A Notes are expected to be rated by DBRS Ratings Limited ("DBRS"), by Fitch Ratings Limited ("Fitch") and by Standard & Poor's Ratings Services ("S&P"), while the Class B Notes, the Class C Notes, the Class D Notes and the Class S Notes are expected to be unrated. It is a condition to the issuance of the Notes that the Class A Notes receive the ratings set out below:

	DBRS	Fitch	S&P
Class A Notes	AA(sf)	A(sf)	A-(sf)

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 Agencies

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended ("**CRA Regulation**"). Credit ratings included or referred to in this Prospectus have been or, as applicable, may be, issued by DBRS, Fitch and S&P, which are established in the European Union and registered under the CRA Regulation.

The Notes will be registered with the *Central de Valores Mobiliários* ("**CVM**"), operated by *Interbolsa - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.* ("**Interbolsa**"), in its capacity as securities settlement system.

The Issuer is authorised by CMVM as a securitisation company (*sociedade de titularização de créditos*).

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

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under this Prospectus are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. 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. 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 Issuer's Obligations 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 referred to as the "credit crunch" (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.

In addition, the current liquidity crisis has stalled the primary market for a number of financial products including instruments similar to the Notes. While it is possible that the current liquidity crisis may soon alleviate for certain sectors of the global credit markets, there can be no assurance that the market for securities similar to the Notes will recover at the same time or to the same degree as such other recovering global credit market sectors.

There exist significant additional risks for the Issuer and investors as a result of the current crisis.

These risks include, among others, (i) the likelihood that the Issuer will find it harder to dispose of the Assigned Mortgage Backed Credits in accordance with the Transaction Documents, (ii) the possibility that, on or after the Closing Date, the price at which Mortgage Backed Credits can be sold by the Issuer will have deteriorated from their effective purchase price and (iii) the increased illiquidity and price volatility of the Notes as there is currently no secondary trading in asset-backed securities. These additional risks may affect the returns on the Notes to investors.

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**".

No Fiduciary Role

None of the Issuer or any of the parties to the Transaction Documents or any of their respective affiliates is acting as an investment advisor and none of them (other than the Common Representative) assumes any fiduciary obligation to any purchaser of Notes.

None of the Issuer or any of the parties to the Transaction Documents or any of their respective affiliates assumes any responsibility to conducting or failing to conduct any investigation into the business, financial condition, prospects, credit-worthiness, status and/or affairs of any other Transaction Party nor makes any representation or warranty, express or implied, as to any of these matters.

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 StormHarbour or Montepio in their 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, upon acceleration following the delivery of an Enforcement Notice or upon the early redemption of the Notes as permitted under the Conditions, 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 or the Back-up Servicer (as applicable);
- (b) arrangements pursuant to the Transaction Accounts; and
- (c) the performance by all of the parties to the Transaction Documents (other than the Issuer) of their respective obligations under the Transaction Documents.

The Issuer notes that after the delivery of a Servicer Termination Notice in accordance with the Servicing Agreement, the performance of the functions by the Back-up Servicer is subject to approval from the CMVM in accordance with article 5.4 of the Securitisation Law and further is subject to a warm-up period of ninety days, in accordance with Clause 22 (*Appointment of Back-up Servicer*) of the Servicing Agreement, for the Back-up

Servicer to fully undertake such functions and discharge the corresponding duties. Noteholders should be aware that, during such transitional period, the Back-up Servicer may not be capable of ensuring the collections and recoveries from the Mortgage Backed Credits Portfolio on the same terms as the original Servicer and therefore the level of collections and recoveries could be affected.

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 (or the Class D Distribution Amount or Class S Return, as applicable) 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.

Transaction Party and Rating Trigger Risk

The Issuer and/or the Originator face the possibility that any of their counterparties will be unable to honour their contractual obligations to it. These parties may default on their obligations to the Issuer and/or the Originator due to insolvency, lack of liquidity, operational failure or other reasons.

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

Ratings are Not Recommendations. Ratings can be lowered, withdrawn or qualified.

There is no obligation on the part of any of the Transaction Parties under the Notes or the Transaction Documents to maintain any ratings for itself or the Class A 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 ratings initially assigned to the Class A Notes are 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 Agencies' ratings of the Class A Notes addresses the likelihood that Noteholders of such Class will receive timely payments of interest and ultimate repayment of principal. The ratings of "AAA(sf)", "AAA(sf)" and "AAA" are the highest ratings that DBRS, Fitch and S&P assign to notes, respectively. The Issuer notes that the Class A Notes have been assigned a rating of AA(sf) by DBRS, of A(sf) by Fitch and of A-(sf) by S&P.

In the case of DBRS, a rating of "AA(sf)" denotes, in the opinion of DBRS that an issuer is of superior credit quality meaning that the capacity for payment of financial obligations is considered high. Credit quality differs from AAA only to a small degree and is unlikely to be significantly vulnerable to future events.

In the case of Fitch, a rating of "A(sf)" denotes, in the opinion of Fitch, expectations of low default risk. The capacity for payment or financial commitments is considered strong, but this capacity may, nevertheless, be more vulnerable to adverse business or economic condition than is the case for higher ratings.

In the case of S&P, a rating of "A-(sf)" denotes, in the opinion of S&P that an obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The ratings take into consideration the characteristics of the Mortgage Backed Credits and the structural, legal and tax aspects associated with the Class A Notes. However, the ratings assigned to the Class A 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 Rating Agencies' 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 rating of the Class A Notes by any rating agency other than the Rating Agencies; there can be no assurance, however, as to whether any other rating agency will rate the Class A 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 Class A Notes could be lower than the ratings assigned by the Rating Agencies.

Credit ratings included or referred to in this Prospectus have been or, as applicable, may be, issued by DBRS, Fitch and S&P, each of which is established in the European Union and registered with the European Securities and Markets Authority under the CRAA Regulation.

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 fulfilment of the Issuer's obligations in respect of the Notes on each Interest Payment Date or on the Final Legal Maturity Date. If a Servicer Event or an Insolvency Event in respect of the Proceeds Account Bank has occurred and is continuing and there is a Payments Interruption Payment Shortfall, the Issuer will be entitled to use amounts made available under the Shortfall Liquidity to reduce or eliminate any such Payments Interruption Payment Shortfall on such Interest Payment 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.

Payments by Borrowers in respect of Mortgage Backed Credits

The ability of the Issuer to meet its payment obligations under the Notes depends almost entirely on the full and timely payments by the Borrowers of the amounts to be paid by such Borrowers in respect of the Mortgage

Backed Credits Portfolio. None of the Originator, the Servicer and the Back-up Servicer has made any representations nor given any warranties nor assumed any liability in respect of the ability of the Borrowers to make the payments due in respect of the Mortgage Backed Credits Portfolio. General economic conditions and other factors may have an adverse impact on the ability or willingness of Borrowers to meet their payment obligations in respect of the Mortgage Backed Credits Portfolio.

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 and as at each Additional Purchase 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. In any event, any Substitute Mortgage Backed Credit will always comply with the Eligibility Criteria as at the relevant substitution date. 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 in 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 relating to 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 Sole Arranger, 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 Transaction Party (other than the Originator), 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 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.

Absence of English Law Security

Under Portuguese law, the entirety of the Issuer's assets pertaining to this Transaction including those located in the United Kingdom, are covered by the statutory segregation rule provided in Article 62 of the Securitisation Law, which provides that the assets and liabilities (constituting an autonomous estate or *património autónomo*) of the Issuer in respect of each transaction entered into by the Issuer are completely segregated from any other assets and liabilities of the Issuer. In accordance with the terms of Article 61 and the subsequent articles of the Securitisation Law, the Transaction Assets are exclusively allocated for the discharge of the Issuer's liabilities towards the payments due under the Notes and the Transaction Creditors, and other creditors do not have any right of recourse over the Transaction Assets until there has been a full discharge of such liabilities.

Transaction Accounts subject to English Law

Notwithstanding the above (*Absence of English Law Security*), certain of the Transaction Documents entered into by the Issuer are governed by English law and the Transaction Accounts are located in England. In the absence of an assignment pursuant to English law of the Issuer's rights under the English law Transaction Documents, (i) this may hinder the Common Representative from taking action following the occurrence of an Event of Default, and (ii) prior to an Insolvency Event in respect of the Issuer, creditors of the Issuer (other than the Transaction Creditors) may have recourse to amounts standing to the credit of the Transaction Accounts (which would particularly be the case if the Issuer were to create security over the Transaction Accounts in favour of creditors other than the Transaction Creditors). However, the above concerns are mitigated by virtue of the fact that the Issuer will represent that it has not created (and will undertake that it will not create) any interest in the Transaction Assets in favour of any person other than the Transaction Creditors and that those other creditors of the Issuer in respect of other securitisation transactions are similarly bound by non-petition and limited recourse covenants which would prevent them from having recourse to the Transaction Assets.

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.

Compliance with Article 122(a) of the CRD and Notice 9/2010 of the Bank of Portugal

Article 122(a) of Directive 2006/48/EC (as amended by Directive 2009/111/EC) referred to as the Capital Requirements Directive (“**CRD**”) and Notice (“*Aviso*”) 9/2010 of the Bank of Portugal (“**Notice 9/2010**”) place an obligation on a credit institution that is subject to the CRD (a “**CRD Credit Institution**”) which assumes exposure to the credit risk in a securitisation transaction (as defined in Article 4(36) of Directive 2006/48/EC) to ensure that the originator, sponsor or original lender has explicitly disclosed that it will fulfil its Retention Obligation (as defined below), and to have a thorough understanding of all structural features of a securitisation transaction that would materially impact the performance of their exposures to the transaction. The Originator, which is an originator for the purposes of Article 4(41) of Directive 2006/48/EC, will undertake in the Mortgage Backed Credits Assignment Agreement to retain, on an ongoing basis, a material net economic interest of not less than 5 per cent. of the nominal amount of the securitised exposures (the “**Retention Obligation**”). The Originator will retain the net economic interest through retention of the Class D Notes and, if necessary, other Notes having the same or a more severe risk than those sold to investors, equivalent to no less than 5 per cent. of the Loans Portfolio. The Originator will undertake not to hedge, sell or in any other way mitigate its credit risk in relation to such retained exposures. The retained exposures may be reduced over time by, amongst other things, amortisation, and allocation of losses or defaults on the underlying Loans. The Quarterly Report will also provide quarterly confirmation as to the Originator’s continued holding of the original retained exposures. It should be noted that there is no certainty that references to the Retention Obligation in this Prospectus or the undertakings in the Mortgage Backed Credits Assignment Agreement will constitute explicit disclosure (on the part of the Originator) or adequate due diligence (on the part of the Noteholders) for the purposes of Article 122(a) and Notice 9/2010, and there can be no certainty that the Originator will comply with its undertakings set out in the Mortgage Backed Credits Assignment Agreement.

If the Originator does not comply with its undertakings set out in the Mortgage Backed Credits Assignment Agreement, the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market may be adversely affected.

Article 122(a) of the CRD and Notice 9/2010 also place an obligation on CRD Credit Institutions, before investing in a securitisation transaction and thereafter, to analyse, understand and stress test their securitisation positions, and monitor on an ongoing basis and in a timely manner performance information on the exposures underlying their securitisation positions. The Originator has undertaken to provide, or procure that the Servicer

shall provide to the Issuer, the Common Representative and the Transaction Manager such information as may be reasonably required by the Noteholders to be included in the Investor Report to enable such Noteholders to comply with their obligations pursuant to the CRD and Notice 9/2010. Where the relevant requirements of Article 122(a) of the CRD are not complied with in any material respect and there is negligence or omission in the fulfilment of its due diligence obligations on the part of a CRD Credit Institution that is investing in the Notes, a proportionate additional risk weight of no less than 250 per cent. of the risk weight (with the total risk weight capped at 1250 per cent.) which would otherwise apply to the relevant securitisation position shall be imposed on such credit institution, progressively increasing with each subsequent infringement of the due diligence provisions. Additionally, non-compliance with the requirements of Article 122(a) of the CRD may adversely affect the price and liquidity of the Notes. Noteholders should make themselves aware of the provisions of the CRD and make their own investigation and analysis as to the impact of the CRD on any holding of Notes.

The provisions of Article 122(a) of the CRD and Notice 9/2010 came into force on 31 December 2010. To date there is limited guidance, and no regulatory or judicial determination, on the interpretation and application of these provisions. Until additional guidance is available and such determinations are made, there will be uncertainty about the interpretation and application of these provisions. Noteholders should take their own advice on compliance with, and in the application of, the provisions of Article 122(a) and Notice 9/2010.

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 comply with the requirements set out in Regulation no. 12/2002 of the CMVM have appropriate ratings (as set out in the definition of Authorised Investments) depending on the term of the investment and the term of the investment instrument and shall not consist, either directly or indirectly, of asset-backed securities or credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives. 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, the price paid by the holders of the Notes, and in respect of the Class S Notes, the occurrence of a Set-off Event or the absence of the available funds for further purchases of Additional Exposure Amount Mortgage Backed Credits Portfolios or the Originator failing or being unable to offer to the Issuer Additional Mortgage Backed Credits Portfolios on an Additional Sale Date. 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, as amended, 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 and Back-up Servicer

The Issuer has engaged the Servicer to administer the Mortgage Backed Credits Portfolio and has appointed the Back-up Servicer to administer the Mortgage Backed Credits Portfolio upon delivery of a Servicer Termination Notice, pursuant to the Servicing Agreement. While each of the Servicer and the Back-up 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 that the appointment of the Servicer or the Back-up 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 or the Back-up Servicer (as the case may be) as many of the servicing and collections techniques currently employed were developed by the Servicer.

Upon termination of the appointment of the Servicer, the appointment of the Back-up Servicer as Servicer will be effective subject to obtaining approval by the CMVM. If the appointment of the Back-up 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 (or the Back-Up Servicer upon its appointment as 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 Agencies that such appointment shall not have an adverse effect on the Ratings of the Class A Notes.

Services and limited liability of Back-up Servicer

The performance of the services by the Back-up Servicer is dependent on receipt by the Back-up Servicer of certain documents, records and information from the Servicer and the Back-Up Servicer shall not be liable for any failure to carry out its obligations, which arises in connection with the Back-up Servicer not having received in full such documents, records and information from the Servicer, in accordance with Clause 22 (*Appointment of Back-up Servicer*) of the Servicing Agreement.

Additionally, the Back-up Servicer shall also not be held liable for any right which the Borrowers may exercise or invoke against the Servicer or for any monies or entitlements that may, for whatever reason, be retained and held by the original Servicer and, in such event, the Back-up Servicer will be dependent on the cooperation of the original Servicer in order to fully recover any such due amounts, including the possible intervention of the original Servicer in any judicial proceedings against such Borrowers.

The above described factors may limit the capacity of the Back-up Servicer to render the services in the manner rendered by the original Servicer and consequentially may impose a delay and negatively affect the collections and recoveries made under the Mortgage Backed Credits Portfolio and therefore affect the rights of the Noteholders to receive payments under the 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 Ratings of the Class A Notes.

Change of Counterparties

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

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

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. Following consultation with the Common Representative, the consent of Noteholders may not be required in relation to such amendments and/or waivers.

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, which values have already decreased since date of origination. 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.

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 no. 446/85 of 25 October 1985, as amended by Decree Law no. 220/95 of 31 August 1995 and Decree Law no. 249/99 of 7 July 1999 (which implemented Directive 93/13/CEE of 5 April 1993) and Decree Law no. 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 use 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 no. 220/94 of 23 August 1994 states the minimum level of information to be included in mortgage loans, such as the annual effective rate (*taxa anual efectiva*).
- Decree-law no. 359/91, of 21 September 1991 (as amended) which is applicable to loan agreements entered into prior to 1 July 2009, as well as Decree-law no. 133/2009, of 2 June 2009 (as amended), which has replaced Decree-law no. 359/91 as of 1 July 2009, set forth relevant regulations for consumer protection by providing that a contract may be null and void if inter alia it does not establish the annual global costs rate (the *taxa anual de encargos efectiva global*) related to the loan in question. Regarding early termination fees and provided the early termination occurs during a fixed rate interest period, Decree-law no. 133/2009 stipulates, inter alia, that restrictions on the early termination fee payable cannot be greater than the interest amount that would be payable by the relevant obligor from the early termination date to the date on which the fixed rate would cease to apply.

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.

Segregation of Assets and the Issuer Obligations

The Notes and the obligations owing to the Transaction Creditors will have the benefit of the segregation principle provided pursuant to article 62 of 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 the occurrence of an Event of Default (which includes the occurrence of 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 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*" – "*Securitized Pre-Enforcement Interest Payments Priorities*" and "*Post-Enforcement Payments Priorities*").

Both before and after the occurrence of an Event of Default (which includes the occurrence of 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.

In addition, the Class A Notes will not benefit from any payments deriving from the Exposure Amount Mortgage Backed Credits Portfolio unless and until a Set-Off Event has occurred or upon delivery of an Enforcement Notice.

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 or the Back-up Servicer and shall assume, unless it has actual knowledge to the contrary, that the Servicer or the Back-up 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 Issuer's Obligations

The Terms and Conditions of the Notes 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 Issuer's Obligations in respect of the Notes are 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 possibility of exercising against the Issuer any set-off rights the Borrower held against the Originator prior to the assignment of the relevant Mortgage Backed Credits to the Issuer. Such set-off rights held by the Borrower against the Originator prior to the assignment of the relevant Mortgage Backed Credits 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, at the time of assignment of the relevant Mortgage Backed Credits to the Issuer, 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 effected by a Borrower.

The Securitisation Law does not contain any direct provisions in respect of set-off (which therefore continues to be regulated by the Portuguese Civil Code's general legal provisions on this matter) but it may have an impact on the set-off risk related matters to the extent the Securitisation Law has varied the Portuguese Civil Code rules on assignment of credits. (See "**Selected Aspects of Laws of the Portuguese Republic Relevant to the Mortgage Backed Credits and the Transfer of the Mortgage Backed Credits**".)

Without prejudice to the above, in the event of an insolvency of Montepio (assuming that Montepio, at that time, is the appointed Servicer), there is a risk that a Borrower may exercise set-off.

In order to mitigate the Issuer's risk to set-off in respect of Exposure Amounts (as defined in **Overview of the Transaction – Securitised Mortgage Backed Credits Portfolio and Exposure Amount Mortgage Backed Credits Portfolio**), the Originator will, under the terms of the Mortgage Backed Credits Assignment Agreement, indemnify the Issuer in respect of any Exposure Amount set-off by a Borrower (or guarantor). In addition, the Originator will transfer to the Issuer the Additional Exposure Amount Mortgage Backed Credits Portfolio, which will be maintained as described in **Overview of the Transaction – Securitised Mortgage Backed Credits Portfolio and Exposure Amount Mortgage Backed Credits Portfolio**.

Centre of main interests

The Issuer has its registered office in Portugal. As a result there is a rebuttable presumption that its centre of main interests (“COMI”) is in Portugal and consequently that any main insolvency proceedings applicable to it would be governed by Portuguese law. In the decision by the European Court of Justice (“ECJ”) in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/2000 of 29 May 2000 on insolvency proceedings, that the place of a company's registered office is presumed to be the company's COMI and stated that the presumption can only be rebutted if "factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect". As the Issuer has its registered office in Portugal, has Portuguese directors and is registered for tax in Portugal, the Issuer does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision. If the Issuer's COMI is not located in Portugal, and is held to be in a different jurisdiction within the European Union, Portuguese insolvency proceedings would not be applicable to the Issuer.

Interest Rate Basis Risk

The Issuer has not entered into any interest rate hedging transaction in respect of its assets and liabilities under this transaction. Whilst the Issuer's payment obligations under the Floating Rate Notes are of a floating interest rate nature and the Loans comprising the Mortgage Backed Credits Portfolio are floating interest rate Loans, the reference rate by which the interest on the Floating Rate Notes is set and the reference rate by which the interest on the Loans comprising the Mortgage Backed Credits Portfolio may differ and the date on which the relevant interest rate is reset may differ. This may, in certain scenarios, result in the Issuer's income at times being insufficient to meet its payment obligations. This is mitigated by the Issuer's Cash Reserve Account which is sized to take into account the potential difference between the interest reference rates and reset dates under a number of scenarios.

The Securitisation Law

The Securitisation Law was enacted in Portugal by Decree-Law no. 453/99 of 5 November 1999 as amended by Decree-Law no. 82/2002 of 5 April 2002, by Decree-Law no. 303/2003 of 5 December 2003, by Decree-Law no. 52/2006 of 15 March 2006 and by Decree-Law no. 211-A/2008 of 3 November 2008 (the "**Securitisation Law**"). The Portuguese Securitisation Tax Law was enacted by Decree-Law no. 219/2001 of 4 August 2001 as amended by Law no. 109-B/2001 of 27 December 2001, by Decree-Law no. 303/2003 of 5 December 2003, by Law no. 107-B/2003 of 31 December 2003 and by Law no. 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.

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 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 Class A 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 administrative 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 Basel Capital Accord

The original Basel Accord was agreed in 1988 by the Basel Committee on Banking Supervision (the “**Committee**”). The 1988 Accord, now referred to as Basel I, helped to strengthen the soundness and stability of the international banking system as a result of the higher capital ratios that it required. The Committee published the text of the new capital accord under the title: “Basel II; International Convergence on Capital Measurement and Capital Standards: a revised framework” (the “**Framework**”) in June 2004. In November 2005, the Committee issued an updated version of the Framework. On 4 July 2006, the Committee issued a comprehensive version of the Framework. This framework places enhanced emphasis on market discipline and sensitivity to risk and serves as a basis for national and supra-national rule-making and approval processes for banking organisations. The Framework was put into effect for credit institutions in Europe via the recasting of a number of prior directives. This consolidating directive is referred to as the EU Capital Requirements Directive (“**CRD**”). Member states were required to transpose, and the financial services industry to apply, the CRD by 1 January 2007.

Given that the Framework is not self-implementing, implementation dates in participating countries are dependent on the relevant national implementation process in those countries.

In April 2008, the Basel Committee announced its intention to strengthen certain aspects of the Framework. It has published proposals for significant changes and there have been calls from various regulators for further revisions. The European Commission has also proposed changes to the CRD and amendments were put forward to the European Parliament and the Council of Ministers for consideration in October 2008.

In 12 September 2010, the oversight body of the Basel Committee (the Group of Central Bank Governors and Heads of Supervision “**GHOS**”), announced a substantial strengthening of existing capital requirements. The Committee’s package of reforms will increase the minimum common equity requirement from 2 per cent. to 4.5 per cent.. In addition, banks will be required to hold a capital conservation buffer of 2.5 per cent. to withstand future periods of stress bringing the total common equity requirements to 7 per cent. This reinforces the stronger definition of capital agreed by Central Bank Governors and Heads of Supervision in July of that year and the higher capital requirements for trading, derivative and securitisation activities.

The Framework will affect risk weighting of the Notes for investors subject to the new framework following implementation (whether via the CRD or otherwise by non-EU regulators). Consequently, Noteholders should consult their own advisers as to the consequences to and effect on them of the application of the Framework, as implemented by their own regulator, to their holding of Notes. The Issuer is not responsible for informing Noteholders of the effects of the changes to risk weighting which will result for investors from the adoption by their own regulator of the Framework (whether or not implemented by them in its current form or otherwise).

Additionally, the Committee has been developing a comprehensive set of reform measures known as “Basel III” in order to further strengthen the regulation, supervision and risk management of the banking sector. These measures aim, notably, at improving the banking sector’s ability to absorb shocks arising from financial and economic stress, improving risk management and governance and strengthening banks’ transparency and disclosures.

The GHOS agreed on the broad framework of Basel III in September 2009 and the Committee set out concrete proposals in December 2009. These consultation documents formed the basis of the Committee’s response to the financial crisis and are part of the global initiatives to strengthen the financial regulatory system that have been endorsed by the G20 leaders. The GHOS subsequently agreed on key design elements of the reform package at its July 2010 meeting and on the calibration and transition to implement the measures at its September 2010 meeting. On 12 November 2010, leaders of the G20 countries endorsed the agreement proposed by the Committee.

The new capital reserve rules are expected to be implemented in stages, between 1 January 2013 and 1 January 2019 (and subsequently transposed into the national laws), with a phase-in period beginning in 2013; the common equity requirements coming into force in 2015; the completing measures in 2019.

As stated above, 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 D Distribution Amount, the Class S Return 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

RESPONSIBILITY STATEMENTS

In accordance with article 149/1 (c), (d), (f) and (h) (ex vi article 243(a)) of the Portuguese Securities Code, the following entities are responsible for the information contained in the Prospectus:

The Issuer and Mr. Luís Aguiar, Ms. Raquel Pacheco and Ms. Ana Paula Silva, in their capacity as directors of the Issuer, are responsible for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. This 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 is responsible for such information accordingly (except where another party mentioned below accepts responsibility for certain information) and the Issuer has confirmed to the Sole Arranger that the Issuer is so responsible.

The members of the supervisory board of the Issuer, Mr. João Duque, Mr. Joaquim Pais Jorge and Mr. André Figueiredo in their capacities as members of the Supervisory Board of the Issuer are responsible for the accuracy of the financial statements of the Issuer required by law or regulation to be prepared as from the date on which they began their current term of office following their appointment as members of the Supervisory Board of the Issuer. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Mr. João Duque, Mr. Joaquim Pais Jorge and Mr. André Figueiredo as to the accuracy or completeness of any information contained in this Prospectus (other than the aforementioned financial information) or any other information supplied in connection with the Notes or their distribution.

Caixa Económica Montepio Geral in its capacity as Originator accepts responsibility for the information in this Prospectus 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) and all undertakings and confirmations for and in respect of the Retained Interest (as defined under "Principle Features of the Notes" below) and, as applicable, the making of certain information available to investors pursuant to Article 122a of the CRD and Notice 9/2010 (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 "**Description of the Accounts Bank**" (the "**Accounts Bank Information**") and such Accounts Bank Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Accounts Bank as to the accuracy or completeness of any information contained in this Prospectus (other than the Accounts Bank Information) or any other information supplied in connection with the Notes or their distribution.

KPMG & Associados, Sociedade de Revisores Oficiais de Contas S.A. in its capacity as the independent auditor of the Issuer, represented by Vitor Manuel da Cunha Ribesinho is responsible for the Auditors Reports issued in connection with the audited financial statements prepared in accordance with the International Financial Reporting Standards IAS/IFRS as adopted by the European Union ("EU") for the years ended 31 December 2009 and 2010, which are incorporated by reference herein and confirms that the financial information relating to the Issuer in the section headed "Documents Incorporated by Reference" including the independent auditor's report, the balance sheet and profit and loss information and accompanying notes (incorporated by reference)

has been, where applicable, accurately extracted from the audited financial statements for the relevant years. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by KPMG & Associados – SROC, S.A. as to the accuracy or completeness of any information contained in this Prospectus (other than such financial information) or any other information supplied in connection with the Notes or their distribution.

In accordance with article 149, no. 3 (*ex vi* article 243) of the Portuguese Securities Code, liability of the entities referred to above is excluded if any of such entities proves that the addressee knew or should have known about the shortcoming in the contents of this Prospectus on the date of issue of the contractual declaration or when the respective revocation was still possible. Pursuant to subparagraph b) of article 150 of the Portuguese Securities Code, the Issuer is strictly liable (*i.e.* independently of fault) if any of the members of its management board, of the members of the auditing body, accounting firms, chartered accountants and any other individuals that have certified or, in any other way, verified the accounting documents on which the Prospectus is based is held responsible for such information.

Further to subparagraph b) of article 243 of the Portuguese Securities Code, the right to compensation based on the aforementioned responsibility statements is to be exercised within 6 (six) months following the knowledge of a shortcoming in the contents of the Prospectus and ceases, in any case, 2 (two) years following (i) disclosure of the admission Prospectus or (ii) amendment that contains the defective information or forecast.

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 Back-up Servicer, the Transaction Manager, the Common Representative, the Accounts Bank, the Paying Agent, the Agent Bank and the Sole Arranger (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 and the Sole Arranger 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 Sole Arranger 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 Sole Arranger 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 Sole Arranger or on any person affiliated with the Sole Arranger 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 Sole Arranger and Sole Arranger.

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 the Economic and Monetary Union as contemplated by the Treaty.

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

Interpretation

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings set out in this Prospectus and, in particular in Condition 22 (*Definitions*). An index of defined terms used in this Prospectus appears on pages 150 to 154. 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.

Language

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

THE 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 having the sole commercial 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 €1,245,000,000 and having its registered office at Rua Áurea, 219-241, in Lisbon, Portugal, sole taxpayer number and commercial 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, in Lisbon, Portugal, or any successor appointed in accordance with the provisions of the Servicing Agreement.
- Back-up Servicer:** Whitestar Servicing Company, S.A., constituted and incorporated under the laws of Portugal, with the share capital of € 50.000.00, registered with the Commercial Registry Office of Lisbon under sole taxpayer and commercial registration number 508099161, with head office at Amoreiras Square, Rua Carlos Alberto da Mota Pinto, n.º 17, 7.ªA, in Lisbon, Portugal,.
- Common Representative:** Deutsche Trustee Company Limited, a limited liability company incorporated under the laws of England, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, 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 International PLC, Sucursal em Portugal, acting through its office at Rua Barata Salgueiro, 30, 4.º, 1269-056 Lisboa, Portugal, in its capacity as Paying Agent in respect of the Notes in accordance with the terms of the Paying Agency Agreement.

Transaction Creditors: The Common Representative, the Agents, the Transaction Manager, the Accounts Bank, the Originator, the Servicer and the Back-up Servicer.

Sole Arranger: StormHarbour Securities LLP, acting as structuring arranger to the Originator, acting through its office at 10 Old Burlington Street, London, W1S 3AG, United Kingdom.

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 and should be read as an introduction to the Prospectus. 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. Prospective Noteholders should also note that this Prospectus is construed in accordance with article 5.2 (d) and (e) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, and that such provisions shall apply in the relevant context.

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**"):

€750,000,000 Class A Mortgage Backed Floating Rate Securitisation Notes due 2063;

€250,000,000 Class B Mortgage Backed Floating Rate Securitisation Notes due 2063;

€1,800,000 Class C Floating Rate Securitisation Notes due 2063;

€65,000,000 Class D Residual Interest Securitisation Notes due 2063;

€40,200,000 Class S Notes due 2063 (the "**Initial Class S Notes**"); and

any Additional Class S Notes, issued by the Issuer on Additional Issue Date, in accordance with the terms of the Common Representative Appointment Agreement and the Conditions, up to the maximum aggregate amount of €40,200,000.

The Additional Class S Notes will be entirely fungible with the Initial Class S Notes.

The Notes of each Class will be purchased by Montepio or any of its subsidiaries (the "**Caixa Económica Montepio Geral Group**") on the Closing Date and held by the relevant purchaser.

Issue Date

In relation to the Securitisation Notes and the Initial Class S Notes, 5 March 2012 and, in relation to the Additional Class S Notes, the Additional Issue Date on which such Additional Class S Notes are issued in accordance with the Conditions.

Issue Price:

The Securitisation Notes and the Initial Class S Notes will be issued at 100 per cent. of their principal amount.

Form and Denomination:

The Notes will be in dematerialised book-entry (*forma escritural*) and registered (*nominativas*) form and in denominations of €100,000 each (the "**Denomination**") and will be registered with the CVM managed by Interbolsa.

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*").

The Notes represent the right to receive interest (or the Class D

Distribution Amount or the Class S Return, as applicable) and principal payments from the Issuer in accordance with the Conditions, the Common Representative Appointment Agreement.

Any payments due under the Securitisation Notes will benefit from, and be made under, the Securitised Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities, whilst the Class S Notes will benefit from, and be made under, the relevant Exposure Amount Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities.

Payments of principal on the Floating Rates Notes on any Interest Payment Date will be made, prior to the delivery of an Enforcement Notice, in accordance with the Securitised Pre-Enforcement Principal Payments Priorities, sequentially by redeeming all principal outstanding on the Class A Notes, thereafter by redeeming all principal outstanding on the Class B Notes, thereafter by redeeming all principal outstanding on the Class C Notes.

In accordance with the Securitised Pre-Enforcement Interest Payments Priorities, prior to the delivery of an Enforcement Notice, all payments of interest due on the Class A Notes will rank in priority to payments of interest due on the Class B Notes and on the Class C Notes, any principal repayments on the Class C Notes and any amounts due on the Class D Notes; all payments of interest due on the Class B Notes will rank in priority to payments of interest due on the Class C Notes, any principal repayments on the Class C Notes and any amounts due on the Class D Notes; all payments of interest due on the Class C Notes will rank in priority to any principal repayments on the Class C Notes and any amounts due on the Class D Notes; and any principal repayments on the Class C Notes will rank in priority to any amounts due on the Class D Notes.

Prior to the delivery of an Enforcement Notice, there is no ranking, preference or priority of order of payments between the Securitisation Notes and the Class S Notes, except to the extent that, further to the occurrence of a Set-off Event, the Mortgage Backed Credits included in the Exposure Amount Mortgage Backed Credits Portfolio, and funds deriving therefrom, which would be available to the Issuer to meet its payment obligations under the Class S Notes in accordance with the Exposure Amount Pre-Enforcement Payments Priorities, will be made available to the Issuer to meet its obligations under the Securitisation Notes in accordance with the relevant Securitised Payments Priorities.

After the delivery of an Enforcement Notice, any payments due under the Class A Notes will rank in priority to any payments due on the Class B Notes, which will rank in priority to any payments due under the Class S Notes, which will rank in priority to any payments due under the Class C Notes, which will rank in priority to any payments due under the Class D Notes, in each case in accordance with the Post-Enforcement Payments Priorities.

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 4.7 (*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 Creditors' Privilege:

The Notes and the other obligations of the Issuer under the Transaction Documents owing to the Transaction Creditors will have the benefit of the statutory segregation and creditors' privilege (*privilégio creditório*) provided for in articles 62 and 63 of the Securitisation Law.

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 in the Securitised Mortgage Backed Credits Portfolio pursuant to the Mortgage Backed Credits Assignment Agreement. The proceeds of the issue of the Class C Notes will be used to (i) fund the initial up-front transaction expenses of the Issuer, (ii) pay the interest accrued and not yet paid on the Loans in the Securitised Mortgage Backed Credits Portfolio as at the Initial Portfolio Determination Date, and in respect of Subsidised Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio, any interest accrued (claimed and not claimed) but not yet paid by the Portuguese government as at the close of business on the Initial Portfolio Determination Date on the assumption that all principal repayments due and payable by Borrowers prior to the Initial Portfolio Determination Date have actually been made, and (iii) pay the cost of funding for the Seller of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio from (and including) the Initial Portfolio Determination Date to (but excluding) the Closing Date (the "**Carrying Cost**").

The proceeds of the issue of the Class D Notes will be used to establish the Cash Reserve Account with the Initial Cash Reserve Required Balance on the Closing Date.

The Issuer will apply the proceeds of the issue of the Initial Class S Notes towards the purchase of the Initial Exposure Amount Mortgage Backed Credits Portfolio and the proceeds of any Additional Class S Notes towards the purchase of any Additional Mortgage Backed Credits Portfolio on the relevant Additional Issue Date, pursuant to the Mortgage Backed Credits Assignment Agreement.

Rate of Interest:	<p>The Floating Rate 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:</p> <ul style="list-style-type: none"> (a) In respect of the Class A Notes 0.3 per cent. per annum; (b) In respect of the Class B Notes, 0.5 per cent. per annum; and (c) In respect of the Class C Notes, 1.5 per cent. per annum.
Repayments on the Class C Notes:	<p>In respect of any Interest Payment Date, the Class C Notes will bear an entitlement to payment of the Class C Principal Payment in the amount calculated by the Transaction Manager to be paid from the Securitised 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 Securitised Pre-Enforcement Interest Payments Priorities or the Post-Enforcement Payments Priorities (as applicable).</p>
Class D Distribution Amount:	<p>In respect of any Interest Payment Date, the Class D Notes will bear an entitlement to payment of the Class D Distribution Amount in the amount calculated by the Transaction Manager to be paid from the Securitised 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 Securitised Pre-Enforcement Interest Payments Priorities or the Post-Enforcement Payments Priorities.</p>
Class S Return:	<p>In respect of any Interest Payment Date, the Class S Notes will bear an entitlement to payment of the Class S Return in the amount calculated by the Transaction Manager to be paid from the Exposure Amount Available Funds 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 Exposure Amount Pre-Enforcement Payments Priorities or the Post-Enforcement Payments Priorities.</p>
Interest Accrual Period:	<p>Interest on the Floating Rate Notes and the amounts due on the Class D Notes or the Class S Notes will be paid quarterly in arrears. 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.</p>
Interest Payment Date:	<p>Interest on the Floating Rate Notes, the Class D Distribution Amount or the Class S Return is payable quarterly in arrears on the 25th 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).</p>

Business Day:	Any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer 2 System is open for settlement of payments in euro (a "TARGET Day") 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 (<i>Final Redemption, Mandatory Redemption in part and Optional Redemption</i>), the Notes will be redeemed by the Issuer on the Final Legal Maturity Date at their Principal Amount Outstanding.
Final Legal Maturity Date:	The Interest Payment Date falling in December 2063.
Authorised Investments:	The Issuer has the right to make Authorised Investments using amounts standing to the credit of the Payment Account and the Cash Reserve Account.
Taxation in respect of the Notes:	<p>Payments of interest and principal and other amounts due under the Notes will be subject to income taxes, including applicable withholding taxes (if any), and other taxes (if any) and neither the Issuer nor any other person will be obliged to pay additional amounts in relation thereto.</p> <p>Income generated by the holding (distributions) or transfer (capital gains) of the Notes is generally subject to Portuguese tax for debt notes ("<i>obrigações</i>") if the holder is a Portuguese resident or has a permanent establishment in Portugal to which the income might be attributable. Pursuant to the Securitisation Tax Law, any payments of interest made in respect of the Notes to Noteholders who are not Portuguese residents and 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 (twenty five) 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 Ministerial Order (<i>Portaria</i>) 150/2004 of 13 February, as amended by Ministerial Order 292/2011 of 8 November.</p> <p>Please refer to the section headed "Taxation" for more information.</p>
Retained Interest:	<p>Article 122(a) of the CRD and <i>Aviso</i> (Notice) 9/2010 of the Bank of Portugal ("Notice 9/2010") place an obligation on a credit institution that is subject to the CRD (a "CRD Credit Institution") which assumes exposure to the credit risk in a securitisation transaction (as defined in Article 4(36) of Directive 2006/48/EC) to ensure that an originator, sponsor or original lender has explicitly disclosed that it will retain, on an ongoing basis, a material net economic interest in the securitisation of not less than 5% of the nominal amount of the securitised exposures relating to the Securitised Mortgage Backed Credits Portfolio.</p> <p>Article 122(a) of the CRD and Notice 9/2010 also place an obligation on CRD Credit Institutions, before investing in a securitisation transaction and thereafter, to analyse, understand and</p>

stress test their securitisation positions, and monitor on an ongoing basis and in a timely manner performance information on the exposures underlying their securitisation positions.

In accordance with the requirements of Article 122(a) of the CRD and Notice 9/2010, the Originator will retain the Class D Notes (being the first loss tranche) and, if necessary, other Notes having the same or a more severe risk than those sold to investors, so that the retention equals in total at least 5 per cent. of the Mortgage Backed Credits Portfolio (the "**Retained Interest**"). The Originator will undertake that there will be no arrangements pursuant to which the Retained Interest will decline over time materially faster than the Principal Outstanding Balance of the Purchased Receivables transferred to the Issuer, although the Retained Interest may be reduced over time by, amongst other things, amortisation, allocation of losses or defaults on the underlying Receivables.

The Originator has also undertaken to provide, or procure that the Servicer shall provide, to the Issuer, the Common Representative and the Transaction Manager such information as may be reasonably required by the Noteholders to be included in the Investor Report to enable such Noteholders to comply with their obligations pursuant to the CRD. (See "**Risk Factors - Compliance with Article 122(a) of the CRD and Notice 9/2010 of the Bank of Portugal**").

"CRD" means the Capital Requirements Directive comprising Directive 2006/48/EC and Directive 2006/49/EC, formally adopted by the Council and the European Parliament on 14 June 2006, as may be amended or superseded from time to time.

No Purchase of Notes by the Issuer:

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

Ratings:

The Class A Notes are expected on issue to be assigned the following Ratings by the Rating Agencies:

Class A Notes	AA(sf) by DBRS
	A(sf) by Fitch
	A-(sf) by S&P

The Class B Notes, the Class C Notes, the Class D Notes and the Class S Notes will not be rated.

Each of DBRS, Fitch and S&P are established in the European Union and registered under CRA Regulation.

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 Agencies.

Redemption in Whole at the option of the Issuer:

The Issuer, provided it complies with article 45 of the Securitisation Law, 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 in the Mortgage Backed Credits Portfolio is equal to or less than 10 (ten) per cent. of the Aggregate Principal Outstanding Balance of the Loans in the Initial Mortgage Backed Credits Portfolio as at the Initial Portfolio Determination Date and any Additional Mortgage Backed Credits in any Additional Mortgage Backed Credits Portfolio as at any Additional 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
- (c) after the date on which, by virtue of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would not be entitled to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or the Issuer would be treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive under the Transaction Documents; or
- (d) after the date of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law) which would cause the total amount payable in respect of any of the Notes to cease to be receivable by the Noteholders including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to any Mortgage Backed Credit.

Redemption in Whole at the option of the sole Noteholder:

In the event the Notes are all held by a Sole Noteholder, such Noteholder being the Originator, the sole Noteholder may request the Issuer to redeem all (but not some only) of the Notes at their Principal Amount Outstanding (together with accrued interest) on any Interest Payment Date, provided that all the following conditions will have been met:

- (i) a Resolution of the sole Noteholder will have been passed either at a duly convened and held Meeting of Noteholders or by means of a Written Resolution, approving the early redemption of the Notes; and
- (ii) the sole Noteholder will have given at least 60 (sixty) days' prior (to the intended early redemption date) written notice to the Issuer and the Paying Agent of the Resolution mentioned in (i) above;
- (iii) the Originator accepts to acquire the Mortgage Backed Credits Portfolio on the relevant early redemption date; and

- (iv) the Issuer shall have provided to the Common Representative, prior to the envisaged early redemption date, a certificate signed by 2 (two) directors of the Issuer confirming, amongst other things, should that be the case, 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 and meet its payment obligations of a higher priority under the Securitised Pre-Enforcement Payments Priorities and the Exposure Amount Pre-Enforcement Payments Priorities.

Paying Agent:

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 (thirty) days prior written 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 in accordance with the Portuguese Securities Code and the applicable procedures of Interbolsa. 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:

Settlement of the Securitisation Notes and the Initial Class S Notes is expected to be made on or about the Closing Date. Settlement of any Additional Class S Notes is expected to be made on or about the relevant Additional Issue Date.

Listing:

Application has been made to the Stock Exchange for the Class A Notes to be admitted to trading on its main market Euronext Lisbon.

No application has been made to list the Notes on any other stock exchange.

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 Master Execution Deed, the Subscription Agreement and the Accounts Agreement which will be governed by English law.

OVERVIEW OF THE TRANSACTION

Purchase of Initial Mortgage Backed Credits Portfolio:

Under the terms of the Mortgage Backed Credits Assignment Agreement, the Originator will, on the Closing Date, assign to the Issuer and the Issuer will, subject to satisfaction of certain conditions precedent, purchase from the Originator, certain mortgage backed credits (the "**Initial Mortgage Backed Credits Portfolio**").

Securitised Mortgage Backed Credits Portfolio and Exposure Amount Mortgage Backed Credits Portfolio:

The Initial Mortgage Backed Credits Portfolio will be divided into 2 (two) sub-portfolios, the Securitised Mortgage Backed Credits Portfolio and the Initial Exposure Amount Mortgage Backed Credits Portfolio.

The Securitised Mortgage Backed Credits Portfolio alone will provide collateralisation for the Securitisation Notes and the cashflows from which will be used exclusively by the Issuer for effecting payments on the Securitisation Notes in accordance with the Securitised Payments Priorities.

The Exposure Amount Mortgage Backed Credits Portfolio will provide collateralisation for the Class S Notes and to protect the Issuer against the materialisation of any Exposure Amount through the exercise by a Borrower of any set-off or deduction from any amount payable by such Borrower under a Mortgage Backed Credit Agreement in respect of claims that such Borrower has against the Originator and the potential failure of the Originator to indemnify the Issuer.

Cashflows from the Exposure Amount Mortgage Backed Credits Portfolio will be used exclusively by the Issuer in accordance with the Exposure Amount Pre-Enforcement Payments Priorities or the Post-Enforcement Payments Priorities.

"Exposure Amount" means:

- (a) in respect of each Mortgage Backed Credit in the Initial Mortgage Backed Credits Portfolio, the lower of the Principal Outstanding Balance of such Mortgage Backed Credits and the aggregate amount of the relevant Borrower's funds placed on deposit with the Originator as at the Closing Date; and
- (b) in respect of a Substitute Mortgage Backed Credit or Additional Mortgage Backed Credit being added to the Securitised Mortgage Backed Credits Portfolio or the Exposure Amount Mortgage Backed Credits Portfolio on a Substitution Date or any Additional Purchase Date (as the case may be), the lower of the Principal Outstanding Balance of such Substitute Mortgage Backed Credits or Additional Mortgage Backed Credit and the aggregate amount of the relevant Borrower's funds placed on deposit with the Originator as at the relevant Substitution Date or Additional Purchase Date, respectively, and

provided that the Exposure Amount shall be reduced to the lowest historic amount of the funds on deposit with the Originator from time to time by the relevant Borrower.

"Additional Purchase Date" means, as applicable, an Additional Sale Date and/or Additional Issue Date.

Consideration for Purchase of the Securitised Mortgage Backed Credits Portfolio:

In consideration for the assignment of the Securitised Mortgage Backed Credits Portfolio on the Closing Date, the Issuer will pay the Securitised Portfolio Purchase Price (as defined below - see "**Overview of Certain Transaction Documents - Mortgage Backed Credits Assignment Agreement**") to the Originator.

"**Securitised Portfolio Purchase Price**" means the amount payable by the Issuer to the Originator in consideration for the Securitised Mortgage Backed Credits Portfolio pursuant to the Mortgage Backed Credits Assignment Agreement;

Consideration for Purchase of the Initial Exposure Amount Mortgage Backed Credits Portfolio:

In consideration for the assignment of the Initial Exposure Amount Mortgage Backed Credits Portfolio on the Closing Date, the Issuer will pay the Initial Exposure Amount Portfolio Purchase Price (as defined below - see "**Overview of Certain Transaction Documents - Mortgage Backed Credits Assignment Agreement**") to the Originator.

"**Initial Exposure Amount Portfolio Purchase Price**" means the amount payable by the Issuer to the Originator in consideration for the Initial Exposure Amount Mortgage Backed Credits Portfolio pursuant to the Mortgage Backed Credits Assignment Agreement;

Purchase of Additional Mortgage Backed Credits for Additional Exposure Amount Mortgage Backed Credits Portfolio on any Additional Sale Date:

Under the terms of the Mortgage Backed Credits Assignment Agreement the Originator will offer to sell and assign to the Issuer and the Issuer will, subject to satisfaction of certain conditions precedent, purchase from the Originator, Additional Mortgage Backed Credits on any Additional Sale Date in which the Issuer has available funds in the Payment Account and recorded in the Exposure Amount Cash Ledger which are sufficient to pay the Additional Exposure Amount Portfolio Purchase Price relating to the Additional Exposure Amount Mortgage Backed Credits Portfolio offered to sell by the Originator on such Additional Purchase Date.

The Additional Mortgage Backed Credits included in the Additional Exposure Amount Mortgage Backed Credits Portfolio must satisfy the Additional Mortgage Backed Credits Criteria.

"**Additional Mortgage Backed Credits Criteria**" means the following criteria that any Additional Mortgage Backed Credits must satisfy:

- (a) each Additional Mortgage Backed Credit meets the Eligibility Criteria;
- (b) the weighted average current loan to value ratio (the "**WACLTV**") of the Exposure Amount Mortgage Backed Credit Portfolio after the inclusion of the Additional Mortgage Backed Credits is less than or equal the WACLTV of the Securitised Mortgage Backed Credits Portfolio as at the relevant Calculation Date;
- (c) the weighted average percentage of Mortgage Backed Credits referencing 3 month EURIBOR (the "**WA 3m Reference Rate**") in the Exposure Amount Mortgage Backed Credits Portfolio after the inclusion of the Additional Mortgage Backed Credits is greater than or equal to the WA 3m Reference Rate of the Securitised Mortgage Backed Credits Portfolio as at the relevant Calculation Date;

- (d) the weighted average margin (“**WA Margin**”) of the Mortgage Backed Credits in the Exposure Amount Mortgage Backed Credits Portfolio after the inclusion of the Additional Mortgage Backed Credits is greater than or equal to the WA Margin of the Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio as at the relevant Calculation Date;
- (e) the weighted average percentage of Subsidised Loans benefiting from a subsidy from the Portuguese government (“**WA Subsidised Loans**”) in the Exposure Amount Mortgage Backed Credits Portfolio after the inclusion of the Additional Mortgage Backed Credits is less than or equal to the WA Subsidised Loans of the Loans in the Securitised Mortgage Backed Credits Portfolio as at the relevant Calculation Date;
- (f) the weighted average percentage of Loans that feature a constant amortisation amount (“**WA Constant Amortisation Loans**”) in the Exposure Amount Mortgage Backed Credit Portfolio after the inclusion of the Additional Mortgage Backed Credits is greater than or equal to the WA Constant Amortisation Loans of the Loans in the Securitised Mortgage Backed Credits Portfolio as at the relevant Calculation date;
- (g) the weighted average percentage of Loans made to Borrowers in respect of their main private dwelling (which excluded secondary dwelling or buy-to-let properties) is greater than or equal to that of the Securitised Mortgage Credits Backed Portfolio as at the relevant Calculation Date;
- (h) the weighted average of the time since origination of the Exposure Amount Mortgage Backed Credits Portfolio after the inclusion of the Additional Mortgage Backed Credits is greater than or equal to that of the Securitised Mortgage Credits Backed Portfolio as at the relevant Calculation Date;
- (i) the sum of (x) the aggregate of the Principal Outstanding Balance(s) of the Exposure Amount Mortgage Backed Credits Portfolio after the inclusion of the Additional Mortgage Backed Credits and (y) any cash amount comprising the Exposure Amount Available Amount, is greater than or equal to the Exposure Amount Required Amount as at the relevant Calculation Date;
- (j) the Mortgage Backed Credit Warranties are true in every material respect on the relevant Additional Purchase Date in respect of the Additional Mortgage Backed Credits by reference to the facts and circumstances then subsisting; and
- (k) each Additional Mortgage Backed Credit is not in arrears.

"**Additional Mortgage Backed Credits**" means the Mortgage Backed Credits included in any Additional Exposure Amount Mortgage Backed Credits Portfolio.

"**Additional Exposure Amount Mortgage Backed Credits Portfolio**" means any additional portfolio of Mortgage Backed Credits acquired by the Issuer on any Additional Purchase Date and to form

part of the Exposure Amount Mortgage Backed Credits Portfolio.

"Exposure Amount Available Amount" means, in respect of any Interest Payment Date, an amount equal to the aggregate of the Principal Outstanding Balance of the Mortgage Backed Credits comprised in the Exposure Amount Mortgage Backed Credits Portfolio other than in respect of Defaulted Mortgage Loans and the balance of the Exposure Amount Cash Ledger on such Interest Payment Date.

"Exposure Amount Required Amount" means such amount calculated by the Servicer with reference to the Exposure Amount in respect of all Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio at that time multiplied by 1.16 for the Mortgage Backed Credits contained in the Exposure Amount Mortgage Backed Credits Portfolio and multiplied by 1 (one) for cash amounts recorded in the Exposure Amount Cash Ledger.

Issue of Additional Class S Notes and Purchase of Additional Exposure Amount Mortgage Backed Credits Portfolio:

On any Interest Payment Date (for this purpose, each an **"Additional Issue Date"**), the Issuer may issue Additional Class S Notes and use the relevant proceeds solely towards the funding of any additional expenses of the Issuer in connection with the issue of Additional Class S Notes and the purchase of an Additional Exposure Amount Mortgage Backed Credits Portfolio which (i) the Originator is able to offer on such Additional Issue Date; (ii) complies with the Additional Mortgage Backed Credits Criteria; and (iii) is sufficient to cover any Exposure Amount Available Amount Shortfall which would subsist on such Additional Issue Date were such Additional Exposure Amount Mortgage Backed Credits Portfolio not purchased by the Issuer.

The Principal Outstanding Balance of each Additional Exposure Amount Mortgage Backed Credits Portfolio acquired by the Issuer on an Additional Issue Date will be the lesser of the proceeds deriving from the issue of the Additional Class S Notes and the Principal Outstanding Balance of the Mortgage Backed Credits which comply with the Additional Exposure Amount Mortgage Backed Credits Criteria offered for sale by the Originator on such Additional Issue Date.

"Exposure Amount Available Amount Shortfall" means the negative amount equal to the difference between the Exposure Amount Available Amount and the Exposure Amount Required Amount.

Consideration for Purchase of the Additional Exposure Amount Mortgage Backed Credits Portfolios:

In consideration for the assignment of any Additional Mortgage Backed Credits Portfolio on an Additional Purchase Date, the Issuer will agree to pay the relevant Additional Exposure Amount Portfolio Purchase Price.

"Additional Exposure Amount Portfolio Purchase Price" means the amount payable by the Issuer to the Originator in consideration for assignment to the Issuer of the Additional Exposure Amount Mortgage Backed Credits Portfolio pursuant to Clause 2.8 (*Consideration for sale of Additional Exposure Amount Mortgage Backed Credits Portfolios*) of the Mortgage Backed Credits Assignment Agreement as set out in the relevant Additional Purchase Notice.

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, under the Mortgage Backed Credits Assignment Agreement 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 10 (ten) Lisbon Business Days after each Calculation Date to deliver to the Issuer, the Transaction Manager and the Back-up Servicer 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 Issuer, the Common Representative and the Paying Agent not less than 2 (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. The Proceeds Account will be duly identified in the records of the Proceeds Account Bank as the account into which collections under the Mortgage Backed Credits are credited and segregated from all other assets of the Proceeds Account Bank.

So long as the Servicer and the Proceeds Account Bank are the same entity, all Collections received by the Servicer from a Borrower pursuant to a Mortgage Backed Credit will be immediately 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 an Insolvency Event occurs in respect of the Proceeds Account Bank, the Proceeds Account will be transferred to another financial institution and the Borrowers will be notified by the Back-up Servicer (or a Successor Servicer, if the appointment of the Back-up Servicer has terminated) that they should as soon as practicable, and in any case within 30 (thirty) 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 Transaction Management Agreement and the Accounts Agreement.

A downgrade of the rating of the Accounts Bank by the Rating Agencies below the Minimum Ratings will require the Transaction Manager, on behalf of the Issuer, to transfer the Payment Account and the funds standing to the credit thereof to a bank selected and appointed by the Transaction Manager, on behalf of the Issuer, whose rating

meets or exceeds the Minimum Ratings.

Ledgers relating to the Payment Account:

The Transaction Manager will undertake that it will create and maintain 4 (four) ledgers as records in the books of the Issuer to distinguish between certain types of amounts added to and deducted from or held within the Payment Account. The ledgers will not constitute sub-accounts of the Payment Account.

The "**Securitised Ledger**" will record all amounts received by the Issuer deriving from the Securitised Mortgage Backed Credits Portfolio and paid by the Issuer in accordance with the terms of the Securitised Payments Priorities.

The "**Exposure Amount Interest Collections Ledger**" will record all Interest Collection Proceeds received by the Issuer deriving from the Exposure Amount Mortgage Backed Credits Portfolio and paid by the Issuer in accordance with the terms of the Exposure Amount Pre-Enforcement Payments Priorities.

The "**Exposure Amount Principal Collections Ledger**" will record all Principal Collection Proceeds received by the Issuer deriving from the Exposure Amount Mortgage Backed Credits Portfolio and paid by the Issuer in accordance with the terms of the Exposure Amount Pre-Enforcement Payments Priorities.

The "**Exposure Amount Cash Ledger**" will record all cash received by the Issuer from the Originator towards the Exposure Amount Required Amount.

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 Transaction Manager on behalf of 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 ("*património autónomo*"), 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 Cashflow Payment Shortfall or a Payments Interruption Payment Shortfall - Principal Draw Amounts and Shortfall Liquidity Ledger:

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 Cashflow Payment Shortfall will exist on such Interest Payment Date, the Transaction Manager will ensure that there is deducted an amount equal to the Principal Draw Amount from the Securitised 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 Cashflow 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 Payments Interruption Payment Shortfall will exist on such Interest Payment Date (a “**Shortfall Liquidity Event**”), the Issuer will procure that a debit is made to the Cash Reserve Account on such Interest Payment Date in accordance with the terms of the Transaction Management Agreement (a “**Shortfall Liquidity Debit**”) equal to the lower of (i) the aggregate amounts standing to the credit of the Cash Reserve Account recorded in the Shortfall Liquidity Ledger on the relevant Interest Payment Date and (ii) the amount of such Payments Interruption Payment Shortfall. Such amount will be credited to the Payment Account and added to the Securitised Available Interest Distribution Amount on or prior to such Interest Payment Date to reduce or, as applicable, eliminate such Payments Interruption Payment Shortfall.

Any amount standing to the credit of the Cash Reserve Account and recorded in the Shortfall Liquidity Ledger on final redemption or optional redemption in whole of the Notes will, on the Final Legal Maturity Date or the date on which all of the Notes are subject to any optional redemption of the Notes (as applicable), be applied in accordance with the Securitised Pre-Enforcement Interest Payments Priorities.

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 Cashflow Payment Shortfall on such Interest Payment Date and provided always that the Principal Draw Amount shall be 0 (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.

Cash Reserve Account:

On or prior to 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 €65,000,000 from the proceeds of the issue of the Class D Notes will be transferred.

The amount standing to the credit of the Cash Reserve Account will be recorded in 2 (two) ledgers: (i) the General Ledger and (ii) the Shortfall Liquidity Ledger.

On the first Business Day immediately following the occurrence of a Servicer Event or an Insolvency Event in respect of the Proceeds Account Bank, the Transaction Manager shall, provided that it is notified of such occurrence, record as a credit entry in the Shortfall Liquidity Ledger all amounts available to the Issuer under the Shortfall Liquidity. All other amounts standing to the credit of the Cash Reserve Account will be recorded in the General Ledger.

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 and the Accounts Agreement.

A downgrade of the rating of the Accounts Bank by the Rating Agencies below the Minimum Ratings 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, selected and appointed by the Transaction Manager, on behalf of the Issuer, whose rating meets or exceeds the Minimum Ratings.

Replenishment of Cash Reserve Account:

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

Release of funds from the Cash Reserve Account recorded in the General Ledger:

As the Principal Amount Outstanding of the Notes reduces through repayment of principal by the Issuer in accordance with the Securitised Pre-Enforcement Principal Payments Priorities, the Cash Reserve Account Required Balance may from time to time be reduced. Any amount standing to the credit of the Cash Reserve Account and recorded in the General Ledger (i) in excess of the Cash Reserve Account Required Balance as reduced from time to time or (ii) on final redemption or optional redemption in whole of the Notes, will be credited to the Payment Account on the relevant Interest Payment Date, the Final Legal Maturity Date of the Notes or the date on which all of the Notes are subject to any optional redemption (as applicable) and applied in accordance with the Securitised Pre-Enforcement Interest Payment Priorities.

Excess Securitised 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 Securitised Available Interest Distribution Amount will be applied towards the remaining items in the Securitised Pre-Enforcement Payments Priorities in respect of such Interest Payment Date.

Securitised Available Interest Distribution Amount:

"Securitised 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 included in the Securitised Mortgage Backed Credits Portfolio during the Calculation Period immediately preceding such Interest Payment Date and standing to the credit of the Payment Account; plus
- (b) where the proceeds or estimated proceeds of disposal or, on maturity, the maturity proceeds of any Authorised Investment received in relation to the relevant Calculation Period exceeds the original cost of such Authorised Investment, the amount of such excess together with interest thereon; plus
- (c) all amounts standing to credit of the Cash Reserve Account which are recorded in the General Ledger; plus

- (d) an amount standing to the credit of the Cash Reserve Account and recorded in the Shortfall Liquidity Ledger equal to any Shortfall Liquidity Debit to be made on such Interest Payment Date to cover any Payments Interruption Payment Shortfall in respect of such Interest Payment Date; plus
- (e) the amount of any Principal Draw Amount to be made on such Interest Payment Date to cover any Cashflow Payment Shortfall in respect of such Interest Payment Date; plus
- (f) on the Final Legal Maturity Date or the date of redemption in full of the Notes, all other amounts standing to the credit of the Cash Reserve Account and recorded in the Shortfall Liquidity Ledger; plus
- (g) interest accrued and credited to the Transaction Accounts during the relevant Calculation Period; plus
- (h) the amount of any Capitalised Interest Application Amount to be applied on such Interest Payment Date; plus
- (i) any portion of the Securitised Available Principal Distribution Amount remaining after the redemption in full of the Mortgage Backed Notes; less
- (j) any amounts recorded on Exposure Amount Interest Collections Ledger and transferred from the Exposure Amount Cash Ledger to the Securitised Ledger in accordance with the Transaction Management Agreement; and
- (k) any Withheld Amount;

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

Securitised Available Principal Distribution Amount:

"Securitised 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 included in the Securitised Mortgage Backed Credits Portfolio during the Calculation Period immediately preceding such Interest Payment Date; plus
- (b) such amount of the Securitised Available Interest Distribution Amount as is credited to the Payment Account and which is applied by the Transaction Manager on such Interest Payment Date in reducing the debit balance on the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger; plus

- (c) any amounts recorded on Exposure Amount Principal Collections Ledger and transferred from the Exposure Amount Cash Ledger to the Securitised Ledger in accordance with the Transaction Management Agreement; less
- (d) the amount of any Capitalised Interest Application Amount to be applied on such Interest Payment Date; less
- (e) the amount of any Principal Draw Amount to be applied on such Interest Payment Date.

Principal Deficiency Ledger:

The Issuer will establish in its books a principal deficiency ledger comprising 2 (two) sub-ledgers (the "**Class A Principal Deficiency Ledger**" and the "**Class B 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 in the Securitised Mortgage Backed Credits Portfolio 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 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 0 (zero), the Deemed Principal Losses in relation to Loans in the Securitised Mortgage Backed Credits Portfolio on the related Calculation Date as a credit entry on such ledger.

Borrower Set-Off of Exposure Amounts:

A Borrower may have the right to set-off an Exposure Amount with the Originator up to the amount payable in respect of its Loan on the Closing Date (or the date on which the Issuer purchases the relevant Mortgage Backed Credit if later) against the Issuer's claim against such Borrower under the relevant Mortgage Backed Credit if the Originator fails to satisfy the Borrower's claim in respect of the Exposure Amount.

If any Borrower makes a withdrawal of funds deposited with the Originator after the Closing Date such that the balance of the funds then deposited with the Originator is lower than the Exposure Amount, the amount that may be set-off against the Issuer will be reduced to the historical minimum balance of the amounts deposited by such Borrower with the Originator.

The amounts which can be set-off in respect of Exposure Amounts will be reduced to nil if the relevant funds deposited with the Originator have been withdrawn and the relevant deposit account is closed.

The amounts which can be set-off in respect of Exposure Amounts will also be reduced by the amount by which they exceed the Principal Outstanding Balance of the relevant Loan.

In order to mitigate the Issuer's risk to set-off in respect of Exposure Amounts, the Originator will, under the terms of the Mortgage Backed Credits Assignment Agreement assign to the Issuer, and the Issuer will purchase, the Initial Exposure Amount Mortgage Backed Credits Portfolio on the Closing Date and, subject to satisfaction of certain conditions precedent, any Additional Exposure Amount Mortgage Backed Credits Portfolio on any Additional Purchase Date. Additionally, the Originator will, under the terms of the Mortgage Backed Credits Assignment Agreement, indemnify the Issuer in respect of any Exposure Amount set-off by a Borrower if such Exposure Amount is not satisfied through the use of the Exposure Amount Available Amount.

Exposure Amount Mortgage Backed Credits Portfolio:

The aggregate of (i) the Principal Outstanding Balance of the Mortgage Backed Credits other than in respect of Defaulted Mortgage Loans comprised within the Exposure Amount Mortgage Backed Credits Portfolio as at the Closing Date and (ii) cash recorded in the Exposure Amount Cash Ledger on the Closing Date, will be in an amount of no less than the Exposure Amount Required Amount.

The Exposure Amount Mortgage Backed Credits Portfolio will, in accordance with the terms of the Mortgage Backed Credits Assignment Agreement and the Transaction Management Agreement, be maintained by the Originator and the Issuer for the purpose of mitigating set-off risk by Borrowers against the Issuer if the Originator fails to satisfy the Borrower's claim in respect of the Exposure Amount.

After the Closing Date, the Exposure Amount Required Amount will be calculated by the Servicer (having been provided with the relevant information by the Originator) quarterly, on an account by account basis, with reference to the Exposure Amount in respect of all Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio.

If the Exposure Amount Required Amount exceeds the Principal Outstanding Balance of the Mortgage Backed Credits other than in respect of Defaulted Mortgage Loans comprised within the Exposure Amount Mortgage Backed Credits Portfolio after the Closing Date, the Issuer may issue Additional Class S Notes in order to fund the acquisition of Additional Mortgage Backed Credits from the Originator for inclusion in the Exposure Amount Mortgage Backed Credits Portfolio.

Exposure Amount Required Amount:

The Issuer will be required until the date on which all the Notes have been redeemed in full to ensure that the Exposure Amount Available Amount is at least equal to the Exposure Amount Required Amount in accordance with the terms of the Transaction Management Agreement.

Withdrawals from the Exposure Amount Interest Collections Ledger, the Exposure Amount Principal Collections Ledger and the Exposure Amount Cash Ledger may be made only in accordance with the provisions of the Transaction Management Agreement and the Common Representative Appointment Agreement.

Other than to effect the payment of the relevant Additional Exposure Amount Portfolio Purchase Price on any Additional Sale Date, the circumstances in which such withdrawals may be made relate to the exercise by a Borrower of any set-off or deduction from any amount payable by such Borrower under a Securitised Mortgage Backed Credit in respect of claims that such Borrower has against the Originator.

Amounts withdrawn for such purpose from the Exposure Amount Interest Collections Ledger will be credited to the Securitised Ledger on the relevant Interest Payment Date and will form part of the Securitised Available Interest Distribution Amount.

Amounts withdrawn for such purpose from the Exposure Amount Principal Collections Ledger will be credited to the Securitised Ledger on the relevant Interest Payment Date and will form part of the Securitised Available Principal Distribution Amount.

Amounts of interest or other income received in respect of the amounts standing to the credit of the Exposure Amount Cash Ledger, the Exposure Amount Interest Collections Ledger and the Exposure Amount Principal Collections Ledger will form part of Exposure Amount Available Funds and be credited to the Exposure Amount Cash Ledger and will be used by the Issuer towards the purchase of any Additional Exposure Amount Mortgage Backed Credits Portfolio on the relevant Additional Sale Date or towards payment of the Class S Return, in accordance with the Exposure Amount Pre-Enforcement Payments Priorities.

"Exposure Amount Available Amount" means, in respect of any Interest Payment Date, the sum of (i) an amount equal to the aggregate of the Principal Outstanding Balance of the Mortgage Backed Credits comprised in the Exposure Amount Mortgage Backed Credits Portfolio other than in respect of Defaulted Mortgage Loans and (ii) the balance of the Exposure Amount Cash Ledger on such Interest Payment Date.

Exposure Amount Deficiency Ledger:

The Transaction Manager will, pursuant to the Transaction Management Agreement, open and maintain in the books of the Issuer a ledger under which the Issuer will record any Exposure Amounts and reductions thereof from Exposure Amount Available Funds in accordance with the Exposure Amount Pre-Enforcement Payments Priorities (the **"Exposure Amount Deficiency Ledger"**).

At any time the Exposure Amount Deficiency Ledger will be debited with all Exposure Amounts which have been set-off or deducted by Borrowers from any amount payable by such Borrowers under a Mortgage Backed Credit in the Securitised Mortgage Backed Credits Portfolio in respect of claims that such Borrower has against the Originator.

On each Interest Payment Date, Mortgage Backed Credits with a Principal Outstanding Balance approximately equal to the balance of the Exposure Amount Deficiency Ledger will be transferred from the Exposure Amount Mortgage Backed Credits Portfolio to the Securitised Mortgage Backed Credits Portfolio to reduce or eliminate any debit balance on the Exposure Amount Deficiency Ledger. Mortgage Backed Credits will be selected by the Servicer for transfer which mimic to the extent possible the attributes of the Mortgage Backed Credit(s) in the Securitised Mortgage Backed Credits Portfolio in relation to which Set-off has been exercised.

In the event that after transferring the entire Exposure Amount Mortgage Backed Credits Portfolio the Exposure Amount Deficiency Ledger still has a debit balance, then the Issuer will transfer sufficient cash from the Exposure Amount Cash Ledger to the Exposure Amount Deficiency Ledger to eliminate that balance, such cash will also be recorded in the Securitised Ledger and any amounts credited to the Exposure Amount Interest Collections Ledger or the Exposure Amount Principal Collections Ledger shall be credited to the Securitised Available Interest Distribution Amount or the Securitised Available Principal Distribution Amount, respectively, on such Interest Payment Date.

Any Additional Mortgage Backed Credits purchased by the Issuer on any Additional Purchase Date may also be transferred on such date by the Servicer to the Securitised Mortgage Backed Credits Portfolio to reduce or eliminate the debit on the Exposure Amount Deficiency Ledger.

**Securitised Pre-Enforcement
Interest Payments Priorities:**

Prior to the delivery of an Enforcement Notice, the Securitised 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 the Interest Amount in respect of the Class A Notes;
- (e) *fifth*, in or towards reduction of the debit balance on the Class A Principal Deficiency Ledger until such balance is equal to 0 (zero);
- (f) *sixth*, in or towards payment to the Cash Reserve Account up to the Cash Reserve Account General Ledger Required Balance;

- (g) *seventh*, in or towards payment to the Cash Reserve Account up to the Cash Reserve Account Shortfall Liquidity Ledger Required Balance;
- (h) *eighth*, 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*);
- (i) *ninth*, in or towards reduction of the debit balance on the Class B Principal Deficiency Ledger to 0 (zero);
- (j) *tenth*, 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 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*);
- (k) *eleventh*, in or towards repayment of principal on the Class C Notes until the Class C Notes have been redeemed in full;
- (l) *twelfth*, in or towards payment of any Class D Distribution Amount due and payable in respect of the Class D Notes.

**Securitised Pre-Enforcement
Principal Payments Priorities:**

Prior to the delivery of an Enforcement Notice, the Securitised 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:

- (i) *first*, in or towards payment 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 of the Principal Amount Outstanding of the Class B Notes until all the Class B Notes have been redeemed in full;
- (iii) *third*, following redemption in full of the Class A Notes and the Class B Notes, the Securitised Available Principal Distribution Amount shall be added to the Securitised Available Interest Distribution Amount and applied in accordance with the Securitised Pre-Enforcement Interest Payments Priorities.

**Redemption of Class C Notes from
Securitised Available Interest
Distribution Amount:**

The Class C Notes will be redeemed on each Interest Payment Date to the extent that the Securitised Available Interest Distribution Amount is available for that purpose after satisfying item (j) of the Securitised Pre-Enforcement Interest Payments Priorities.

Redemption of Class D Notes from Securitised Available Interest Distribution Amount:

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

Exposure Amount Pre-Enforcement Payments Priorities:

Prior to the delivery of an Enforcement Notice, the Exposure Amount Available Funds 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 (the "**Exposure Amount Pre-Enforcement Payments Priorities**"), 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 below:

- (a) *first*, together with any other amounts standing to the credit of the Payment Account and recorded in the Exposure Amount Cash Ledger, in or towards the purchase of Additional Mortgage Backed Credits offered to sell by the Originator on such Additional Sale Date;
- (b) *second*, in or towards the retention of any such Exposure Amount Available Funds in the Payment Account and recorded in the Exposure Amount Interest Collections Ledger and the Exposure Amount Principal Collections Ledger up to the Exposure Amount Required Amount for credit to the Exposure Amount Cash Ledger; and
- (c) *third*, in or towards payment of the Class S Return under the Class S Notes.

Redemption of Class S Notes from Exposure Amount Available Funds:

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

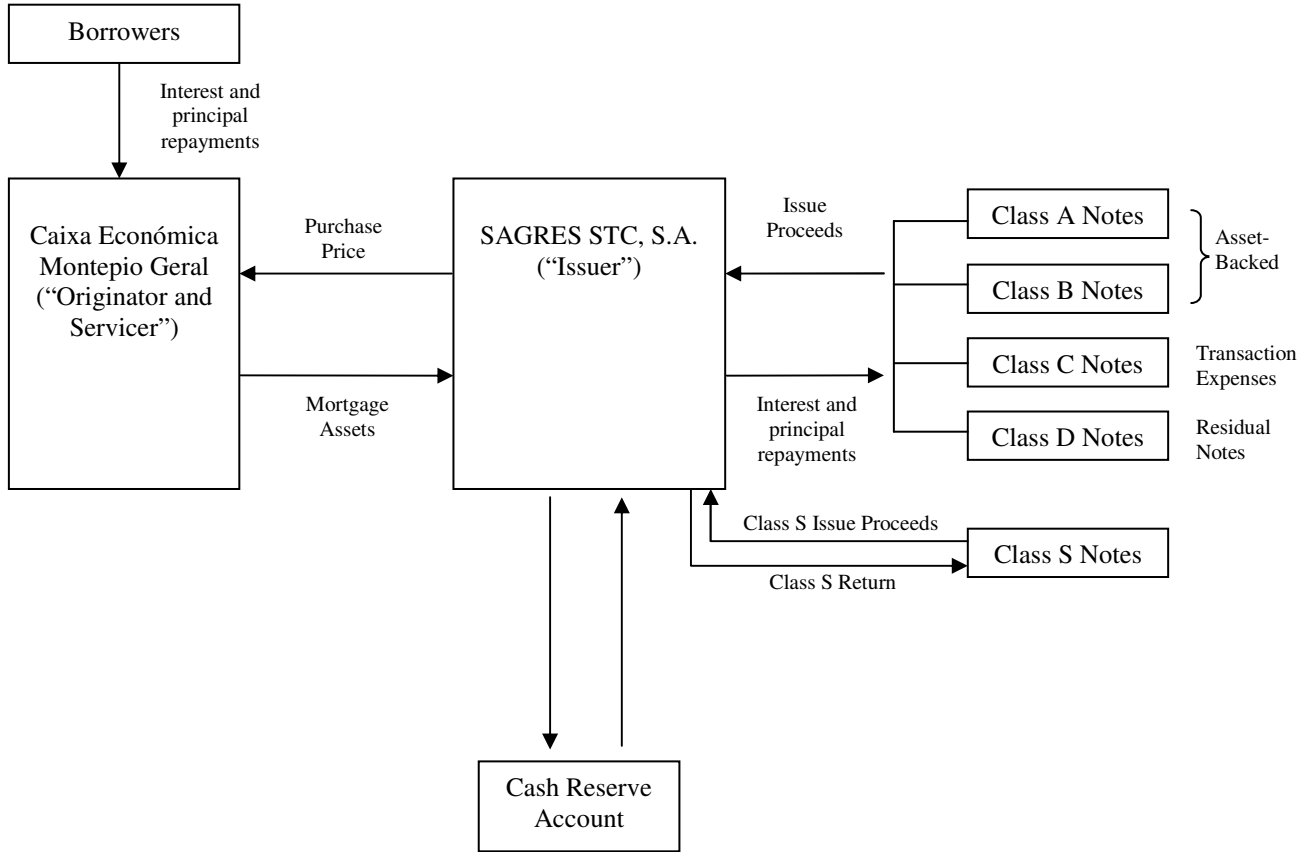
Post-Enforcement Payments Priorities:

Following the delivery of an Enforcement Notice, all amounts standing to the credit of the Payment Account, all amounts standing to the credit of the Cash Reserve Account and recorded in the General Ledger, and all amounts received or recovered by the Issuer and/or the Common Representative in respect of the Mortgage Backed Credits Portfolio 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 of the Issuer's liability to tax, in relation to this transaction, if any;
- (b) *second*, on a *pari passu* and *pro rata* basis, in or towards payment 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;

- (c) *third*, in or towards payment of the Issuer Expenses;
- (d) *fourth*, in or towards payment of accrued interest on the Class A Notes but so that current interest will be paid before interest that is past due;
- (e) *fifth*, in or towards payment 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 but so that current interest will be paid before interest that is past due;
- (g) *seventh*, in or towards payment 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 the Class S Return under the Class S Notes;
- (i) *ninth*, in or towards payment of accrued interest on the Class C Notes but so that current interest will be paid before interest that is past due;
- (j) *tenth*, in or towards payment of the Principal Amount Outstanding of the Class C Notes until all Class C Notes have been redeemed in full; and
- (k) *eleventh*, in or towards payment of any Class D Distribution Amount.

STRUCTURE AND CASH FLOW DIAGRAM OF TRANSACTION



DOCUMENTS INCORPORATED BY REFERENCE

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

The independent statutory auditor's report and audited annual financial statements of the Issuer for the financial year ended 31 December 2009 and 31 December 2010 and the unaudited financial statements for the six month period ended 30 June 2011, and as available at www.cmvm.pt.

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. Noteholders may inspect a copy of the documents in physical or electronic form described below upon request at the specified office of the Paying Agent.

Mortgage Backed Credits Assignment Agreement

Consideration for Purchase of the Initial Mortgage Backed Credits Portfolio

The Initial Mortgage Backed Credits Portfolio comprises 2 (two) sub-portfolios: the Securitised Mortgage Backed Credits Portfolio and the Initial Exposure Amount Mortgage Backed Credits Portfolio.

The Securitised Mortgage Backed Credits Portfolio

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

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

The Securitised Mortgage Backed Credits Portfolio as at the Closing Date will be the Securitised Mortgage Backed Credits Portfolio as at the Initial 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 Initial 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 in the Securitised Mortgage Backed Credits Portfolio 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 component of the proceeds of redemption of Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio which repay between the Initial Portfolio Determination Date and the Closing Date and the principal component 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 Securitised Available Principal Distribution Amount on the next Interest Payment Date.

The Exposure Amount Mortgage Backed Credits Portfolio

In consideration for the assignment of the Initial Exposure Amount Mortgage Backed Credits Portfolio on the Closing Date, the Issuer will agree to pay the Initial Exposure Amount Portfolio Purchase Price.

Under the terms of the Mortgage Backed Credits Assignment Agreement the Originator will offer to sell and assign to the Issuer and the Issuer will, subject to satisfaction of certain conditions precedent, purchase from the Originator, Additional Exposure Amount Mortgage Backed Credits Portfolios comprised of Additional Mortgage Backed Credits which comply with the Additional Mortgage Backed Credits Criteria on any Additional Sale Date in which the Issuer has available funds in the Payment Account and recorded in the Exposure Amount Cash Ledger which are sufficient to pay the Additional Exposure Amount Portfolio Purchase Price relating to the Additional Exposure Amount Mortgage Backed Credits Portfolio offered to sell by the Originator on such Additional Purchase Date.

On any Additional Issue Date, the Issuer may issue Additional Class S Rate Notes and use the relevant proceeds towards, *inter alia*, the purchase of an Additional Exposure Amount Mortgage Backed Credits Portfolio which (i) the Originator is able to offer on such Additional Issue Date; (ii) complies with the Additional Mortgage Backed Credits Criteria; and (iii) is sufficient to cover any Exposure Amount Available Amount Shortfall which would subsist on such Additional Issue Date were such Additional Exposure Amount Mortgage Backed Credits Portfolio not purchased by the Issuer. The Principal Outstanding Balance of each Additional Exposure Amount Mortgage Backed Credits Portfolio acquired by the Issuer on an Additional Issue Date will be the lesser of the proceeds deriving from the issue of the Additional Class S Notes and the Principal Outstanding Balance of the Mortgage Backed Credits which comply with such Eligibility Criteria and Additional Exposure Amount Mortgage Backed Criteria offered for sale by the Originator on such Additional Issue Date

In consideration for the assignment of any Additional Mortgage Backed Credits Portfolio on an Additional Purchase Date, the Issuer will agree to pay the relevant Additional Exposure Amount Portfolio Purchase Price as set out on the relevant Additional Purchase Notice.

The Additional Mortgage Backed Credits must satisfy the Additional Mortgage Backed Credits Criteria.

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 whereby the assignment becomes effective at the time of execution of the relevant sale agreement, either the Closing Date or each Additional Purchase Date, 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 out to be filed with the 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 postal*") 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 5 (*Notice Details*) 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 on the Closing Date as at the Initial Portfolio Determination Date, in respect of the Additional Mortgage Backed Credits on each Additional Purchase Date as at the relevant 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 "Eligibility 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, article 4 of the Securitisation Law;
- (vi) are free and clear of any Encumbrance other than the Mortgage;
- (vii) are payable in full at least 36 (thirty six) months prior to the Final Legal Maturity Date;
- (viii) can be segregated and identified on any day in the Originator's records;
- (ix) in respect of which the Originator has not received, prior to the relevant 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 or first and consecutive ranking voluntary mortgage, all in favour of the Originator, enforceable in accordance with its terms against the relevant Borrower;
- (xiii) have a Principal Outstanding Balance as at the relevant 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 €800,000; and
- (xiv) in respect of which, the proportion that the Exposure Amount relating to the Exposure Amount Mortgage Backed Credits Portfolio bears to the Aggregate Principal Amount Outstanding of the Mortgage Backed Credits in the Exposure Amount Mortgage Backed Credits Portfolio is lower than or equal to the proportion that the Exposure Amount relating to the Securitised Amount Mortgage Backed Credits Portfolio bears to the Aggregate Principal Amount Outstanding of the Mortgage Backed Credits in the Securitised Amount Mortgage Backed Credits Portfolio.

(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 Law;

- (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 relevant 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 a “Permitted Variation” as defined in the Incorporated Terms Memorandum;
- (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 voluntary mortgage or with first and consecutive ranking priority voluntary mortgages, all in favour of the Originator);
- (xi) relates to a Mortgage over a residential Property located in Portugal;
- (xii) is secured on one mortgage asset only;
- (xiii) bears a floating interest rate indexed to 3-month or 6-month EURIBOR, such that instalment and interest charge amounts reset every 3 (three) or 6 (six) months respectively;
- (xiv) is a monthly amortising loan with fixed maturity date and whose instalments can only change because of interest fluctuations, or a Mixed Instalments Mortgage Backed Credit or a Fixed Instalments Mortgage Backed Credit;
- (xv) does not have a cap on interest rates;
- (xvi) was granted to an Eligible Borrower;
- (xvii) is current and not in arrears, as confirmed by the Originator’s IT System;
- (xviii) is covered by property insurance;
- (xix) has a remaining term of less than 600(six hundred) months;
- (xx) includes information on the property valuation at origination;
- (xxi) was granted to borrowers on the basis of their annual tax returns;
- (xxii) includes information on borrower employment status;
- (xxiii) includes information on the ranking of the mortgage, the identification of the notary (when applicable) and the lien registration number;
- (xxiv) in the case of a Mortgage Backed Credit Agreement for construction purposes, the construction proposed in such Mortgage Backed Credit Agreement is complete;
- (xxv) has a maximum CLTV of 100 (one hundred) per cent.; and
- (xxvi) has an OLTV of no more than 120 (one hundred and twenty) 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 Caixa Económica Montepio Geral 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 (thirty) 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 (thirty) 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 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 OLTV ratio of the Substitute Mortgage Backed Credits does not exceed the weighted average of the aggregate OLTV ratio at the relevant Portfolio Determination Date of the Retired Mortgage Backed Credits plus 5 (five) 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 relevant Portfolio Determination Date by more than 0.25 (zero point twenty five) per cent.;
- (c) the maturity date of the Substitute Mortgage Backed Credit must not be later than 3 (three) 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 (zero point twenty five) 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 (zero point seventy four) 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 (twelve) month period following the Initial Portfolio Determination Date may not exceed 5 (five) per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits Portfolio on the Initial Portfolio Determination Date and the Aggregate Principal Outstanding Balance of Substitute Mortgage Backed Credits may not exceed 20 (twenty) per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits Portfolio on the Initial 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 Ratings of the Class A 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 Credit(s) 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 in the Securitised Mortgage Backed Credits Portfolio and the related Receivables were substituted; and references to the "Initial Portfolio Determination Date" were references to the date upon which the Principal Outstanding Balance of the relevant Mortgage Backed Credit or Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio 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 Mixed 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 Mortgage Backed Credits assigned to the Issuer as a result of any exercise of any right of set-off by any Borrower against the Issuer which has occurred on or prior to the Closing Date or any Additional Purchase Date (as the case may be).

In order to mitigate the Issuer's risk to set-off, the Originator will, under the terms of the Mortgage Backed Credits Assignment Agreement, indemnify the Issuer in respect of any Exposure Amount set-off by a Borrower. In addition, the Originator will assign to the Issuer and the Issuer will purchase the Exposure Amount Mortgage Backed Credits Portfolio.

If, in a given Calculation Period, in relation to any Mortgage Backed Credits included in the Mortgage Backed Credits Portfolio, a Set-Off Event occurs and the amount due or to become due by a Borrower in respect to such Mortgage Backed Credits is reduced, the Servicer will, on the corresponding Interest Payment Date, transfer Mortgage Backed Credits with an Aggregate Principal Amount Outstanding up to the amount of such reduction

from the Exposure Amount Mortgage Backed Credits Portfolio to the Securitised Mortgage Backed Credits Portfolio.

In addition, subject to the terms and conditions of the Mortgage Backed Credits Assignment Agreement, the Servicing Agreement and the satisfaction of the Additional Mortgage Backed Credits Criteria as at the relevant Additional Portfolio Determination Date, the Originator may offer to sell and assign to the Issuer and the Issuer agrees to purchase, Additional Exposure Amount Mortgage Backed Credits Portfolios, on any Additional Sale Date or Additional Issue Date as specified in and pursuant to an Additional Purchase Notice in substantially the same form as Schedule 12 (*Additional Purchase Notice*) of the Mortgage Backed Credits Assignment Agreement relating to the relevant Additional Exposure Amount Mortgage Backed Credits Portfolio.

Retained Interest

In the Mortgage Backed Credits Assignment Agreement, the Originator will undertake the following in relation to Article 122a of the CRD and Notice 9/2010:

- (a) to retain the Retained Interest, as selected at the Closing Date, until the Principal Amount Outstanding of the Notes is reduced to 0 (zero);
- (b) if there is an increase in the Mortgage Backed Credits Portfolio, to increase the retention to a level of not less than 5 (five) per cent. of the Mortgage Backed Credits Portfolio after such increase;
- (c) to confirm to the Issuer and Transaction Manager on each date on which a Quarterly Report is delivered that it continues to hold the Retained Interest;
- (d) to provide notice to the Issuer, the Common Representative and the Transaction Manager as soon as practicable in the event it no longer holds the Retained Interest;
- (e) that at the Closing Date there are no arrangements pursuant to which the Retained Interest will decline over time materially faster than the Mortgage Backed Credits transferred to the Issuer;
- (f) not to reduce its credit exposure to the Retained Interest either through hedging or the sale of all or part of the Retained Interest;
- (g) to provide, or procure that the Servicer shall provide to the Issuer, the Common Representative and the Transaction Manager such information as may be reasonably required by the Noteholders to be included in the Investor Report to enable such Noteholders to comply with their obligations pursuant to the CRD and Notice 9/2010; and
- (h) to provide the Servicer such information as may be reasonably required by the Noteholders to be included in the Investor Report, in order to enable such Noteholders to comply with their obligations pursuant to the CRD and Notice 9/2010.

Applicable law and jurisdiction

The Mortgage Backed Credits Assignment Agreement and all non contractual obligations arising from or connected with it 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 will not be limited to:

- (a) servicing and administering the Mortgage Backed Credits;
- (b) implementing the enforcement procedures in relation to any 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, Transaction Manager and the Back-up Servicer within 10 (ten) 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

So long as the Servicer and the Proceeds Account Bank are the same entity, 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 immediately 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 an Insolvency Event occurs in respect of the Proceeds Account Bank, the Proceeds Account will be transferred to another financial institution and the Borrowers will be notified by the Back-up Servicer (or a Successor Servicer, if the appointment of the Back-up Servicer has terminated) that they should as soon as practicable, and in any case within 30 (thirty) 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 the relevant 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 within the 12 (twelve) month period following the Initial Portfolio Determination Date exceeds 5 (five) per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits Portfolio on the Initial Portfolio Determination Date; or, if more than 12 (twelve) months have elapsed since the Initial Portfolio Determination Date, where the Aggregate Outstanding Balance of the Mortgage Backed Credits which are subject to Permitted Variations exceeds 20 (twenty) per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits Portfolio on the Initial 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 Class A Notes); or
- (b) such Mortgage Backed Credit has already been subject to 2 (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 Class A Notes); or
- (c) such Mortgage Backed Credit is an Mixed 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 (*Conditions for variations*) 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 (thirty seven) 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 (fifty) day period commencing on the Initial Portfolio Determination Date or relevant Additional Portfolio Determination Date in which case the Originator will have 37 (thirty seven) 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 (*Conditions for Substitute Mortgage Backed Credits*) 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 (three) years prior to the Final Legal Maturity Date, provided that, no variation or amendment to an Mixed 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 1 (*Services to be provided by the Servicer*) 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 and the Back-up 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 and the Back-up Servicer only covenanting on similar terms, applicable as necessary to reflect the changes required by the difference existing between Montepio and Whitestar Servicing Company, S.A., as from the delivery of a Servicer Termination Notice.

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 5 (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 paragraph (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 15 (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 (sixty) 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 the *Regime Geral das Instituições de Crédito e Sociedades Financeiras* approved by 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 a 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 the Back-up 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 Mortgage 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 (the “**Servicer Termination 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 28 (*Computer Systems*) of Schedule 1 (*Services to be provided by the Servicer*) 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 (but without affecting any accrued rights and Liabilities) from the Servicer Termination Date, upon the occurrence of a Servicer Event by delivering a Servicer Termination Notice, which will give effectiveness to the appointment of the Back-up Servicer in accordance with the provisions of the Servicing Agreement.

Back-up Servicer

As from the Closing Date, the Back-up Servicer will be appointed by the Issuer to, on an unconditional basis, undertake to perform the Services under and in accordance with the Transaction Documents and, subject to approval by the CMVM to be appointed as the Successor Servicer of the Servicer immediately upon the delivery of a Servicer Termination Notice.

The Back-up Servicer will be required to, while Montepio is still acting as Servicer:

- (a) establish preliminary procedures for the transfer of servicing;
- (b) initial and periodic (on a yearly basis, up to each anniversary date of the signature of the Servicing Agreement) onsite reviews of the Servicer's operations; and
- (c) conduct initial mapping and periodic (on a yearly basis, up to each anniversary date of the signature of the Servicing Agreement) updates of the relevant Servicer's data systems.

Prior to the delivery of a Servicer Event Notice, the Back-up Servicer will be required to: (i) establish preliminary procedures for the transfer of servicing functions and furnish a summarised description of such preliminary procedures to the Issuer up to the first anniversary date of the signature of the Servicing Agreement; (ii) conduct initial and periodic (on a yearly basis, up to each anniversary date of the signature of the Servicing Agreement) onsite reviews of the Servicer's operations; and (iii) conduct initial mapping and periodic (on a yearly basis, up to each anniversary date of the signature of the Servicing Agreement) updates of the relevant Servicer's data systems.

After the delivery of a Servicer Event Notice (without prejudice to the functions to be carried out by the original Servicer until the delivery of a Servicer Termination Notice), the Back-up Servicer will be immediately required to perform the Services in accordance with the terms of all of the provisions of the Servicing Agreement (except Clause 13 (*Servicer Fees*) thereof) and including the Services set out in Schedule 1 (*Services to be provided by the Servicer*) to the Servicing Agreement, providing a warm up period of 90 (ninety) days as from the Servicer Termination Notice is observed for the Back-up Servicer to fully undertake such functions and discharge the corresponding duties.

Applicable law and jurisdiction

The Servicing Agreement and all non contractual obligations arising from or connected with it 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 pursuant to Article 65 of the Securitisation Law and to Articles 357, 358 and 359 of Decree Law no. 262/86 of 2 September 1986, as amended (the "**Portuguese Companies Code**").

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 and of article 359 of the Portuguese Companies Code) 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 delivery of an Enforcement Notice, 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 interests of any of the Noteholders and the Transaction Creditors;
- (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 or any other Transaction Creditor, concur with the Issuer and any other relevant Transaction Party in making:

- (A) any modification to any provision of the Conditions or any of the other Transaction Documents (other than in respect of a Reserved Matter or any provision of the Conditions) 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 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 itself); or
- (B) any modification to any provision of the Conditions or to any of the other Transaction Documents (other than in respect of a Reserved Matter or any provision of the Conditions), provided that such modification is of a formal, minor or technical nature or is made to correct a manifest error,

provided that:

- (i) 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); and
- (ii) no such modification will take effect until and unless regarding item (A) and (B) above the Rating Agencies have been previously notified to the making of any such modification and notice thereof has been delivered to the Noteholders in accordance with Condition 18 (*Notices*) to the extent the Common Representative requires such notice to be given.

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 3 (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. In the event of the Common Representative giving notice under the Common Representative Appointment Agreement, the Issuer shall use its best endeavours to procure a new common representative to be immediately appointed. As soon as possible and, in any case, prior to the expiry of the 3 (three) calendar months' notice period the Issuer and / or the Common Representative shall convene a Meeting for appointing such person as new common representative as the Issuer, the Common Representative or the Noteholders may propose. If, for whatever reason, including without limitation for lack of quorum, a new Common Representative is not appointed at such a Meeting, the Issuer will, in the succeeding 15 (fifteen) Business Days, resort to court to ensure the judicial appointment of a new Common Representative, failing which the Common Representative shall have the right but not the obligation to resort directly to court to ensure the judicial appointment of a new Common Representative. For the avoidance of doubt, the costs of such determination shall be for the account of the Issuer. For the further avoidance of doubt, the appointment of a new Common Representative will not amount, de per se, to an Insolvency Event. The retirement of any Common Representative shall not become effective until the appointment of a new Common Representative, except if, should a new Common Representative not be appointed at the referred Meeting (i) the Issuer does not immediately resort to court, requesting the judicial appointment of a new Common Representative, or (ii) the court does not or cannot accept to appoint a new Common Representative, upon the Issuer's request, in any of which cases the Common Representative may notify the Issuer of the effectiveness of its retirement.

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, provided that 90 (ninety) days' prior notice is given to the Common Representative.

Applicable law and jurisdiction

The Common Representative Appointment Agreement and all non contractual obligations arising from or connected with it 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 unsecured debt obligations of the Accounts Bank are downgraded below the Minimum Ratings or it otherwise ceases to be rated this will result in the termination of the appointment of the Accounts Bank within 30 (thirty) days of the downgrade and the appointment of a replacement accounts bank subject to the provisions of the Accounts Agreement, and the Transaction Manager, on behalf of the Issuer, will ensure the relevant transfer procedures to the replacement accounts bank.

The Accounts Agreement and all non contractual obligations arising from or connected with it 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 and all non contractual obligations arising from or connected with it 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 and the Ledgers in such a manner as to enable the Issuer to perform its payment 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 and the Ledgers;
- (c) taking the necessary action and giving the necessary notices to ensure that the Payment Account, the Cash Reserve Account and the Ledgers 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 and the Ledgers; and
- (e) directing the Accounts Bank to invest 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 and the Accounts 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 Securitised Pre-Enforcement Interest Payments Priorities.

The Transaction Management Agreement and all non contractual obligations arising from or connected with it 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.

ESTIMATED WEIGHTED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of each Class of the Floating Rate 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 Floating Rate Notes can be made under certain assumptions. Based on the assumptions that:

- (a) the Loans are subject to a constant annual rate of principal prepayments shown in the table below;
- (b) 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;
- (c) the Loans continue to be fully performing;
- (d) the transaction is called when the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits in the Mortgage Backed Credits Portfolio is less than 10% of the original Outstanding Principal Balance of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits in the Initial Mortgage Backed Credits Portfolio.

The approximate average lives and principal payment windows of each Class of the Floating Rate Notes at various assumed rates of prepayment of the Loans, would be as follows:

CPR	Class A Notes				
	0%	3%	6%	9%	12%
WAL	17.26	10.10	6.71	4.93	3.86
Principal Payment Window	From 25/6/2012 to 25/12/2042	From 25/6/2012 to 25/12/2034	From 25/6/2012 to 25/6/2028	From 25/6/2012 to 25/3/2024	From 25/6/2012 to 25/9/2021

CPR	Class B Notes				
	0%	3%	6%	9%	12%
WAL	34.78	28.21	21.74	16.83	13.45
Principal Payment Window	From 25/12/2042 to 25/12/2048	From 25/12/2034 to 25/12/2042	From 25/6/2028 to 25/9/2036	From 25/3/2024 to 25/6/2031	From 25/9/2021 to 25/9/2027

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

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

Assumptions (a), (b) and (c) 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.

USE OF PROCEEDS

Proceeds of the Notes

The gross and net proceeds of the issue of the Securitisation Notes and the Initial Class S Notes will amount to €1,107,000,000.

The Issuer will apply the proceeds of the issue of the Mortgage Backed Notes solely towards the purchase of the Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio pursuant to the Mortgage Backed Credits Assignment Agreement. The proceeds of the issue of the Class C Notes will be used to (i) fund the initial up-front transaction expenses of the Issuer, (ii) pay the interest accrued and not yet paid on the Loans in the Securitised Mortgage Backed Credits Portfolio as at the Initial Portfolio Determination Date, and in respect of Subsidised Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio, any interest accrued (claimed and not claimed) but not yet paid by the Portuguese Government as at the close of business on the Initial Portfolio Determination Date on the assumption that all principal repayments due and payable by Borrowers prior to the Initial Portfolio Determination Date have actually been made, and (iii) fund the Carrying Cost. The proceeds of the issue of the Class D Notes will be used to establish the Cash Reserve Account with the Initial Cash Reserve Required Balance on the Closing Date.

The Issuer will apply the proceeds of the issue of the Initial Class S Notes towards the purchase of the Initial Exposure Amount Mortgage Backed Credits Portfolio and the proceeds of any Additional Class S Notes towards the purchase of any Additional Mortgage Backed Credits Portfolio on the relevant Additional Issue Date, pursuant to the Mortgage Backed Credits Assignment Agreement.

The direct cost of the admission of the Class A Notes to trading on the Stock Exchange's regulated market and the listing on the Stock Exchange will amount to €17,500.

CHARACTERISTICS OF THE MORTGAGE BACKED CREDITS

The Mortgages

The Mortgage Backed Credits Portfolio:

The Initial Mortgage Backed Credits Portfolio as at the Initial 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, in respect of the Securitised Mortgage Backed Credits Portfolio, and Table 16 below, in respect of the Initial Exposure Amount Mortgage Backed Credits Portfolio.

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.

As at the Initial Portfolio Determination Date, no Loans in the Initial Mortgage Backed Credits Portfolio were then in arrears.

Characteristics of the Securitised Mortgage Backed Credits Portfolio

The pool of Loans from which the Securitised Mortgage Backed Credits Portfolio was selected had the aggregate characteristics indicated in Tables 1 to 15 below as at 16 January 2012. 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 Off Date	16-Jan-12
Current Balance	1,057,617,241
Number of Loan Parts	14,981
Average Current Balance	70,597
Number of Borrowers	9,131
Average Current Balance Per Borrower	115,827
WA Seasoning (months)	55.26
WA Maturity (years)	36.85
Floating rate	100.00%
WA Interest Rate	3.03%
WA Spread	1.42%
WA Original LTV	96.25%

WA Current LTV	88.44%
First or First-and-Consecutive Liens (% portfolio)	100.00%
First, Owner Occupied Property	96.96%
Second Homes	2.18%
Buy-To-Let	0.71%
Other	0.15%
Non Subsidised Loans	99.75%
Subsidised Loans	0.25%
Performing Loans (Not in arrears)	100.00%
Constant Amortisation Loans	64.92%
Mixed Amortisation Loans	33.99%
Fixed Amortisation Loans	1.09%
Maximum Property Exposure	0.08%
Average Property Exposure	0.01%

Table 2: Breakdown by Original Borrower Balance

Original Balance per Loan part	Number of loans	Original Amount	% of Orig. Amount
0-20000	3,845	45,143,589	4.11%
20000-40000	1,596	46,563,649	4.24%
40000-60000	933	48,733,838	4.44%
60000-80000	2,049	148,576,070	13.53%
80000-100000	2,386	218,189,201	19.87%
100000-120000	1,576	175,621,940	16.00%
120000-140000	1,110	144,780,973	13.19%
140000-160000	658	99,308,738	9.05%
160000-180000	354	60,672,615	5.53%
180000-200000	192	36,999,814	3.37%
200000-220000	92	19,506,836	1.78%
220000-240000	69	15,860,643	1.44%
240000-260000	47	11,797,940	1.07%
260000-280000	17	4,624,000	0.42%
280000-300000	20	5,907,880	0.54%
300000-320000	8	2,495,000	0.23%
320000-340000	5	1,635,000	0.15%
340000-360000	9	3,173,758	0.29%
380000-400000	4	1,600,000	0.15%
>400000	11	6,640,000	0.60%
Total	14,981	1,097,831,485	100.00%

Table 3: Breakdown by Current Borrower Balance

Current Balance per Loan Part	Number of loans	Outstanding Amount	% of Outs. Amount
0-20000	3,912	43,875,939	4.15%
20000-40000	1,589	44,849,233	4.24%
40000-60000	996	51,107,559	4.83%
60000-80000	2,117	150,795,760	14.26%
80000-100000	2,303	206,470,485	19.52%
100000-120000	1,652	180,992,759	17.11%
120000-140000	1,031	133,026,411	12.58%
140000-160000	621	92,251,673	8.72%
160000-180000	326	55,179,114	5.22%
180000-200000	178	33,837,018	3.20%
200000-220000	96	20,186,689	1.91%
220000-240000	48	10,900,615	1.03%

240000-260000	44	10,867,342	1.03%
260000-280000	20	5,374,328	0.51%
280000-300000	15	4,348,719	0.41%
300000-320000	10	3,073,605	0.29%
320000-340000	4	1,314,050	0.12%
340000-360000	5	1,730,633	0.16%
360000-380000	2	758,019	0.07%
380000-400000	2	789,508	0.07%
400000-420000	1	415,990	0.04%
420000-440000	1	427,104	0.04%
>440000	8	5,044,690	0.48%
Total	14,981	1,057,617,241	100.00%

Table 4: Breakdown by Seasoning

Seasoning (months)	Number of loans	Outstanding Amount	% of Outs. Amount
0-12	155	16,629,549	1.57%
12-24	1,500	135,119,013	12.78%
24-36	1,393	118,962,669	11.25%
36-48	1,199	85,267,407	8.06%
48-60	3,153	210,397,733	19.89%
60-72	4,024	255,392,356	24.15%
72-84	2,189	142,201,295	13.45%
84-96	702	46,510,177	4.40%
96-108	417	28,755,393	2.72%
108-120	112	9,514,659	0.90%
120-132	70	5,064,969	0.48%
132-144	27	1,896,208	0.18%
144-156	23	1,178,493	0.11%
156-168	11	504,133	0.05%
168-180	4	175,780	0.02%
192-240	2	47,405	0.00%
Total	14,981	1,057,617,241	100.00%

Table 5: Breakdown by Remaining Term to Maturity

Remaining Term to Maturity (months)	Number of loans	Outstanding Amount	% of Outs. Amount
0-120	17	317,723	0.03%
120-240	292	16,255,208	1.54%
240-360	1,573	105,611,127	9.99%
360-420	4,737	319,346,057	30.19%
420-480	4,366	316,652,439	29.94%
480-540	2,232	165,700,782	15.67%
540-600	1,764	133,733,905	12.64%
Total	14,981	1,057,617,241	100.00%

Table 6: Breakdown by Benchmark Index

Benchmark Index	Number of loans	Outstanding Amount	% of Outs. Amount
Euribor 3-month	8,562	616,077,134	58.25%
Euribor 6-month	6,419	441,540,107	41.75%
Total	14,981	1,057,617,241	100.00%

Table 7: Breakdown by Spread to Benchmark Base

Spread	Number of loans	Outstanding Amount	% of Outs. Amount
0-0.5	729	66,058,016	6.25%
0.5-1	5,021	348,139,222	32.92%
1-1.5	3,705	261,236,371	24.70%
1.5-2	2,847	193,369,912	18.28%

2-2.5	1,231	92,987,056	8.79%
2.5-3	917	64,420,127	6.09%
3-3.5	313	22,946,786	2.17%
3.5-4	76	3,856,779	0.36%
4-4.5	45	2,516,969	0.24%
4.5-5	73	1,599,468	0.15%
5-5.5	11	199,503	0.02%
5.5-6	5	101,886	0.01%
6-6.5	4	97,785	0.01%
>7	4	87,361	0.01%
Total	14,981	1,057,617,241	100.00%

Table 8: Breakdown by Original Loan to Value

Original Loan to Value	Number of loans	Outstanding Amount	% of Outs. Amount
50-55	2	58,044	0.01%
55-60	1	91,266	0.01%
60-65	5	1,104,224	0.10%
70-75	5	352,858	0.03%
75-80	28	2,049,810	0.19%
80-85	427	37,639,325	3.56%
85-90	2,849	225,082,887	21.28%
90-95	2,241	168,087,765	15.89%
95-100	7,595	512,789,277	48.49%
100-105	439	26,159,200	2.47%
105-110	531	31,544,623	2.98%
110-115	481	28,905,107	2.73%
115-120	377	23,752,855	2.25%
Total	14,981	1,057,617,241	100.00%

Table 9: Breakdown by Current Loan to Value

Current Loan to Value	Number of loans	Outstanding Amount	% of Outs. Amount
80-85	4,494	314,270,708	29.71%
85-90	4,677	335,108,152	31.69%
90-95	3,960	276,292,999	26.12%
95-100	1,850	131,945,382	12.48%
Total	14,981	1,057,617,241	100.00%

Table 10: Breakdown by Employment Type

Employment Type	Number of loans	Outstanding Amount	% of Outs. Amount
ADMINISTRATIVE WORKER	3,786	244,192,513	23.09%
DIRECTOR / ADMINISTRATOR	964	87,685,111	8.29%
ENTREPRENEUR	9	705,796	0.07%
ENTREPRENEUR OF ENERGY	4	212,248	0.02%
ENTREPRENEUR OF TELECOMMUNICATIONS	1	179,192	0.02%
ENTREPRENEUR OF TRANSPORTS	12	857,098	0.08%
ENTREPRENEUR OF CIVIL CONSTRUCTION	61	4,339,855	0.41%
ENTREPRENEUR OF SERVICES	133	10,228,078	0.97%
EXECUTIVE	1,693	142,200,212	13.45%
FARMER	16	1,387,271	0.13%
HOTELARIA ENTREPRENEUR	80	5,541,110	0.52%
HOUSEWIFE	88	6,207,788	0.59%
INDUSTRIAL	42	2,560,158	0.24%
NO SPECIALIZED WORKER	873	52,226,676	4.94%
RETAILER	154	11,133,560	1.05%
RETIRED	51	3,269,333	0.31%

SELF-EMPLOYED	427	33,714,197	3.19%
SPECIALIZED WORKER	3,032	185,008,014	17.49%
STUDENT	216	16,962,692	1.60%
TECHNICIAN	2,912	222,318,271	21.02%
UNEMPLOYED	411	25,423,543	2.40%
NA	16	1,264,523	0.12%
Total	14,981	1,057,617,241	100.00%

Table 11: Breakdown by Property Region

Region	Number of loans	Outstanding Amount	% of Outs. Amount
AVEIRO	694	44,869,728	4.24%
BEJA	37	2,844,017	0.27%
BRAGA	773	49,324,392	4.66%
BRAGANÇA	26	1,840,327	0.17%
CASTELO BRANCO	480	26,439,023	2.50%
COIMBRA	258	17,665,089	1.67%
ÉVORA	365	25,337,911	2.40%
FARO	516	41,026,417	3.88%
GUARDA	93	5,547,426	0.52%
ILHA DA MADEIRA	374	27,542,619	2.60%
ILHA DE PORTO SANTO	3	227,654	0.02%
ILHA DE SÃO JORGE	15	1,262,435	0.12%
ILHA DE SÃO MIGUEL	217	16,949,237	1.60%
ILHA DO FAIAL	30	2,217,302	0.21%
ILHA DO PICO	30	2,298,526	0.22%
ILHA TERCEIRA	114	9,483,634	0.90%
LEIRIA	425	28,720,976	2.72%
LISBOA	4,026	329,871,178	31.19%
PORTALEGRE	152	9,637,713	0.91%
PORTO	3,288	196,172,513	18.55%
SANTARÉM	613	39,691,900	3.75%
SETÚBAL	2,167	158,374,535	14.97%
VIANA DO CASTELO	91	6,801,782	0.64%
VILA REAL	28	1,858,674	0.18%
VISEU	166	11,612,232	1.10%
Total	14,981	1,057,617,241	100.00%

Table 12: Breakdown by Subsidy Type

Subsidy Type (Class of Subsidy)	Number of loans	Outstanding Amount	% of Outs. Amount
None	14,930	1,054,957,494	99.75%
General	12	651,086	0.06%
Youth	39	2,008,661	0.19%
Total	14,981	1,057,617,241	100.00%

Table 13: Breakdown by Amortisation Method

Amortisation Method	Number of loans	Outstanding Amount	% of Outs. Amount
Constant	10,905	686,609,179	64.92%
Mixed	3,960	359,517,166	33.99%
Fixed	116	11,490,897	1.09%
Total	14,981	1,057,617,241	100.00%

Table 14: Breakdown by Original Incremental Period

Original Incremental Period (Years)	Number of loans	Outstanding Amount	% of Outs. Amount
Constant/Fixed	11,021	698,100,075	66.01%
0-2	1	106,513	0.01%

2-4	17	1,720,143	0.16%
4-6	869	81,419,868	7.70%
6-8	2,769	247,294,394	23.38%
8-10	281	26,718,619	2.53%
10-12	23	2,257,629	0.21%
Total	14,981	1,057,617,241	100.00%

Table 15: Breakdown by Remaining Incremental Period

Remaining Incremental Period (Years)	Number of loans	Outstanding Amount	% of Outs. Amount
Constant/Fixed	11,021	698,100,075	66.01%
0-2	1,687	149,162,218	14.10%
2-4	2,139	194,750,814	18.41%
4-6	129	14,320,338	1.35%
6-8	5	1,283,795	0.12%
Total	14,981	1,057,617,241	100.00%

Characteristics of the Initial Exposure Amount Mortgage Backed Credits Portfolio

Table 16: Initial Exposure Amount Mortgage Backed Credits Portfolio

The pool of Loans that constitute the Initial Exposure Amount Mortgage Backed Credits Portfolio had the aggregate characteristics indicated in Table 16 below as at 15 of February 2012. Amounts are rounded to the nearest €1 with 50 cents being rounded upwards. This gives rise to some rounding errors in the table.

Summary	
Cut Off Date	15-Feb-11
Current Balance	40,151,113
Number of Loan Parts	583
Average Current Balance	68,870
Number of Borrowers	338
Average Current Balance Per Borrower	118,790
WA Seasoning (months)	65.59
WA Maturity (years)	35.21
Floating rate	100.00%
WA Interest Rate	3.32%
WA Spread	1.72%
WA Original LTV	96.32%
WA Current LTV	88.45%
First or First-and-Consecutive Liens (% portfolio)	100.00%
First, Owner Occupied Property	96.53%
Second Homes	2.91%
Buy-To-Let	0.56%
Non Subsidised Loans	100.00%
Subsidised Loans	0.00%
Performing Loans (Not in arrears)	100.00%
Constant Amortisation Loans	71.56%

Mixed Amortisation Loans	28.44%
Maximum Property Exposure	0.82%
Average Property Exposure	0.30%

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 Sole Arranger 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 Sole Arranger.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer is a limited liability company registered and incorporated on 10 July 2003 in Portugal as a special purpose vehicle for the purpose of issuing asset-backed securities under the Securitisation Law and has been duly authorised by the Portuguese securities supervising authority (Comissão do Mercado de Valores Mobiliários, the “CMVM”) through a resolution of the Board of Directors of the CMVM 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 floor, Lisbon, Portugal, telephone number +351 213 116 300. The Issuer has no subsidiaries. The Issuer is registered with the Commercial Registry Office of Lisbon under the sole commercial registration and taxpayer number 506.561.461.

Main Activities

The principal corporate purposes 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

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

Name	Business Address	Principal Occupation
Luis Aguiar	Rua Barata Salgueiro, No. 30, 4th floor, Lisbon, Portugal	Banker
Raquel Pacheco	Rua Barata Salgueiro, No. 30, 4th floor, Lisbon, Portugal	Banker
Ana Paula Silva	Rua Barata Salgueiro, No. 30, 4th floor, Lisbon, Portugal	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 No. 189, having its offices at Avenida Praia da Vitória, 71 – A, 11º, Lisbon, Portugal represented by Vítor Manuel da Cunha Ribeirinho, ROC No.1081.

Members of the Supervisory Board and Secretary

The members of the supervisory board of the Issuer for the term 2010-2012 are as follows:

Chairman: André Figueiredo

Members: João Duque and Joaquim Pais Jorge

The Issuer has no employees. The directors are officers of Citigroup Global Markets Limited and Citibank International Plc.

The secretary of the Issuer is Isabel Maria de Sousa Carita Charraz with offices at Rua Barata Salgueiro, No. 30, 4th floor, Lisbon, Portugal.

The chairman and secretary of the Issuer shareholder general meeting are Pedro Simões Coelho and Ana Rita Almeida Campos, respectively.

Legislation Governing the Issuer's Activities

The Issuer's activities are governed by the Securitisation Law and supervised by the Portuguese Securities Market Commission (CMVM).

Financial Statements

Audited financial statements of the Issuer are published on an annual basis and are available at www.cmvm.pt and are certified by an auditor registered with the CMVM.

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 Republic of Portugal in respect of tax liabilities, if any, 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.

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

Capital Requirements

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

The level of capitalisation of the Issuer is determined by reference to the net value outstanding of notes issued by the Issuer and traded (*em circulação*) at any given point in time. Apart from the minimum share capital, a securitisation company ("**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 (zero point five) 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 (zero point one) 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 €14,500,000.

The Shareholder

All of the Shares are held directly by the Shareholder. There are not any special mechanisms in place to ensure that control is not abusively exercised. Risk of control abuse is in any case mitigated by the provisions of the Securitisation Law and the remainder applicable legal and regulatory provisions and the supervision of the Issuer by the CMVM and the Bank of Portugal.

Capitalisation and Indebtedness of the 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.

Total Indebtedness	16,479,601,918
Pelican Mortgages No. 6 Transaction	1,107,000,000
Class A Notes	750,000,000
Class B Notes	250,000,000
Class C Notes	1,800,000
Class D Notes	65,000,000
Class S Notes	40,200,000
Other Securitisation Transactions ⁽¹⁾	15,372,601,918
Total Capitalisation ⁽¹⁾⁽²⁾	16,984,840
Share capital (Authorised €250,000; Issued 50,000 shares with a par value of €5 each)	250,000
Supplementary Capital Contributions	14,500,000
Reserves and Retained Earnings	2,234,840

⁽¹⁾ As at 31 December 2011

⁽²⁾ Excluding Net Profit for 2011

Other Securities of the Issuer

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

Accounting Policies

The financial information was prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

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.

Trading Activity

Since its incorporation and until 31 December 2011, the Issuer has entered into 19 securitisation transactions pursuant to which it has issued the following asset-backed securitisation notes:

Transaction	Issue Date	Maturity Date	Tranches	Principal amount issued (euro)	Outstanding principal amount¹ (euro)
1	18 November 2003	20 November 2009	1	25,519,865	0 (*)
2	20 April 2004	20 September 2012	6	1,663,000,000	0 (*)
3	25 November 2004	20 September 2047	1	283,810,000	0 (**)
4	6 April 2005	21 November 2039	4	500,010,000	99,332,000
5	22 November 2005	21 June 2056	5	1,509,000,000	529,145,160
6	31 July 2006	22 December 2012	1	22,500,000	0 (*)
7	28 September 2006	21 April 2059	6	1,509,000,000	707,044,532
8	20 December 2006	20 November 2034	6	616,713,000	166,459,426
9	29 March 2007	15 September 2054	6	762,375,000	375,072,071
10	31 July 2007	21 November 2060	6	1,514,751,000	999,913,932
11	20 May 2008	15 September 2056	6	1,028,600,000	865,900,333
12	18 December 2008	20 March 2021	3	206,100,000	128,703,356
13	9 January 2009	21 September 2065	4	1,522,500,000	1,522,000,000
14	25 March 2009	15 December 2061	6	1,027,500,000	894,191,661
15	4 December 2009	16 July 2062	4	1,308,200,000	1,163,344,989
16	22 June 2010	15 July 2036	5	1,205,794,000	1,108,694,457
17	6 August 2010	21 July 2064	3	1,421,000,000	1,421,000,000
18	31 December 2010	21 August 2033	4	1,981,600,000	1,981,600,000
19	11 February 2011	21 December 2039	4	3,422,600,000	3,409,700,000
Total					15,372,601,918

1. Outstanding principal amount as of 31 December 2011
 (*) Transactions in which the Notes were redeemed in full
 (**) Transaction transferred to another STC

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.

DESCRIPTION OF THE ORIGINATOR

Caixa Económica Montepio Geral is a savings bank which was created on 24 March 1844 and which institutional capital is, as at the date of this Prospectus, €1,245,000,000, is wholly owned by its founder Montepio Geral Associação Mutualista (“MGAM”). MGAM is a mutual association whose aim is to provide individual and collective social protection schemes and health benefits to its 463,390 mutual members (as at 31 December 2010). In accordance with the Credit Institutions General Regime (approved by Decree Law 298/92 of 31 December 1992 (as amended)), Montepio is a credit institution, authorised to operate as a “universal bank”, in accordance with Decree Law 136/79 of 18 May 1979 (as last amended by Decree Law 188/2007 of May 2007)) and it ranks sixth in the Portuguese banking system, as far as total net assets are concerned (source: Boletim Informativo da Associação Portuguesa de Bancos).

Integrated into a financial group owned by MGAM, Caixa Económica Montepio Geral undertakes general banking operations and other financial operations such as investment, mutual, real estate and pension funds, as well as insurance business. Additionally, it offers the protection schemes of MGAM to its customer base. Montepio takes a major role in the implementation of the Group’s business strategy, as it uses its nationwide branch network, comprising 503 (five hundred and three) branches, including the former Finibanco Group network (since 4 April 2011).

Caixa Económica Montepio Geral’s commercial network is further complemented by a network of electronic channels, together with its presence near the Portuguese communities abroad. Caixa Económica Montepio Geral is also present in Angola, through Finibanco Angola (Montepio holds a 61.04 (sixty one point zero four) per cent. share interest in Finibanco Angola), which has a retail network of seven branches. Montepio is registered in the Commercial Registration Conservatory (1st Section) with the number 500 792 615 and is domiciled in Portugal, having its registered office at Rua Áurea, 219-241, Apartado 2882- 1122-806, Lisbon, Portugal.

Caixa Económica Montepio Geral 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.

As at 30 June 2011, Caixa Económica Montepio Geral's consolidated total assets, net of provisions and depreciation, were €21,680 million (€10,668 million of which were mortgage loans), its total equity was €1.148 million and its total capital adequacy ratio, calculated according to Basel II rules, was 12.90 (twelve point ninety) per cent.

The short-term unsecured, unsubordinated and unguaranteed debt obligations of Montepio are currently rated P-1 by Moody's, F2 by Fitch and R-2(low) by DBRS. The long-term unsecured, unsubordinated and unguaranteed debt obligations of Montepio are currently rated A2 by Moody's, A- by Fitch and BBB (low) by DBRS.

History

In 1840, Francisco Manuel Alvares Botelho established Montepio dos Empregados Públicos, a mutual benefit association intended to assist its members through periods of unforeseen financial hardship, caused by illness, disability or death. In 1844, its name was changed to Montepio Geral Associação Mutualista, the name it still bears today.

In 1844, MGAM created Caixa Económica de Lisboa, (which was renamed Caixa Económica Montepio Geral on 23 April 1991) with the aim of attracting small-scale savings and providing credit facilities. MGAM and its subsidiaries and affiliates (together, the “Montepio Group”) offer a wide variety of banking, insurance and fund management products from Montepio’s branches throughout Portugal. Originally, Montepio was run as a division of MGAM but, by the late 1930s, the 2 (two) organisations had become separate legal entities. In accordance with Decree Law 460/77 of 7 November 1977) as last amended by Decree Law 391/2007 of 13 December 2007), Montepio is a “collective person of public interest” which is exempt from some taxes.

In order to broaden the offer of financial services to its customer base, in 1986, MGAM decided to found Lusitania Companhia de Seguros, S.A. (“Lusitania”). Currently, over 95 (ninety five) per cent. of Lusitania’s share capital is held by the Montepio Group. Lusitania is a general insurance company whose products are sold

through Montepio branches and through its own network. Lusitania Vida, Companhia de Seguros, S.A. (“Lusitania Vida”), which offers life insurance products, was formed in 1987.

Pursuing its strategy of broadening its commercial offer and the diversification of its income sources, in 1988, MGAM established Futuro – Sociedade Gestora de Fundos de Pensões, S.A. (“Futuro”), enabling the Montepio Group to expand into the pension fund management business.

As at 31 December 2010, Montepio held 25.7 (twenty five point seven) per cent., 39.3 (thirty nine point three) per cent. and 9.8 (nine point eight) per cent. of the share capital in Lusitania, Lusitania Vida and Futuro, respectively.

In its investment management business, the Montepio Group holds Montepio Gestão de Activos, a company which specialises in the management of mutual and real estate funds, as well as in the wealth management business.

In 1995, Montepio acquired certain limited assets and liabilities from a small savings bank in the Azores, Caixa Económica Açoreana. S.A. This acquisition, allowed Montepio to establish its presence in the Azores Autonomous Region.

Additionally, in January 1997, Montepio acquired certain assets and liabilities of another small savings bank, Caixa Económica Comercial e Industrial (“CECI”), for €1.5 million. The Bank of Portugal has approved a five year amortisation plan for CECI’s insufficiencies relating to provisions and pension liabilities which was completed as at 31 December 2001.

In 2009, Lusitania Companhia de Seguros, S.A. acquired the insurance companies Real and Mutuamar, which allowed it to double its market share in the real insurance business, achieving the size which is in line with the Montepio Group’s objectives.

In 2010, MGAM acquired the whole of Finibanco-Holding, SGPS, S.A. through a friendly public takeover bid. The main goals of the transaction were the expansion of the Group’s mutualism activities and the diversification of its business activities (please refer to “Finibanco” below).

Finibanco

On 30 July 2010, MGAM launched a voluntary public takeover bid for the total share capital of Finibanco Holding, SGPS, S.A. (the “Offer”).

Finibanco Holding, SGPS, S.A., was the holding company of a Portuguese financial group “Finibanco” which comprised of a number of subsidiaries which include, among others a bank (Finibanco, S.A.), an Angolan bank (Finibanco Angola, S.A.), a credit financial institution (Finicrédito, Instituição Financeira de Crédito, S.A.) and an asset management company (Finivalor – Sociedade Gestora de Fundos Mobiliários, S.A.)

On 26 August 2010, the board of directors of Finibanco-Holding, SGPS, S.A. recommended that its shareholders should accept the Offer.

In a regulated market special session held on 29 November 2010, MGAM accomplished the voluntary public takeover bid on the share capital of Finibanco-Holding, SGPS, S.A., which was registered with the CMVM with the number 9181. In the special session, 99.23 (ninety nine point twenty three) per cent. of the share capital and voting rights were acquired, representing 173,660,518 shares in Finibanco-Holding, SGPS, S.A.

As a result of the Offer, as announced in the prospectus in relation to the Offer and in additional documentation, and in accordance to the provisions of article 194 (*aquisição potestativa*) of the Código dos Valores Mobiliários (the Portuguese Securities Code), MGAM made public, on 6 December 2010, its decision to acquire by squeeze-out (*aquisição potestativa*) 1,339,482 shares, representing 0.77 (zero point seventy seven) per cent. of the share capital and of the voting rights of Finibanco-Holding, SGPS, S.A. which were not acquired during the Offer.

On 10 December 2010, and in compliance with article 195 (*Efeitos*), no.1. of the Código dos Valores Mobiliários, MGAM registered with the CMVM, register number 9182, the squeeze-out acquisition (*aquisição potestativa*) of the remaining shares representing the share capital and the voting rights of Finibanco-Holding, SGPS, S.A.

In the terms and conditions set forth in the Offer's preliminary announcement (*anúncio preliminar*), MGAM announced its intention to, should the Offer be successful, which was the case, consolidate the activities and operations of Finibanco-Holding's Subsidiaries with those pursued by Montepio.

In order to take the necessary steps to achieve the consolidation, on 31 March 2011, Montepio acquired from MGAM, through a share purchase agreement, 100 (one hundred) per cent. of the share capital and of the voting rights of Finibanco-Holding, SGPS, S.A. and, indirectly, all of the share capital and the voting rights of Finibanco, S.A., as well as those of Finicrédito – Instituição Financeira de Crédito, S.A. and those of Finivalor – Sociedade Gestora de Fundos Mobiliários, S.A.

Under the share purchase agreement, Montepio indirectly acquired 61.04 (sixty one point zero four) per cent. of the share capital and the voting rights of the Angolan bank, Finibanco Angola, S.A. As a result of these acquisitions, Montepio's consolidated supervision perimeter now encompasses all the aforementioned companies.

Finally, on 4 April 2011, Montepio acquired all the assets and liabilities (*traspasse*) of Finibanco, S.A., with the exception of (i) the real estate repossessed by the latter in payment for overdue credit loans granted to its customers, in accordance with the provisions of Article 114 (*Aquisições em reembolso de crédito próprio*) of the Credit Institutions General Regime, as well as all the related assets and liabilities, and (ii) all financial lease contracts under which Finibanco, S.A. is the lessor, as well as all related assets and liabilities.

ORIGINATOR'S STANDARD BUSINESS PRACTICES, SERVICING AND CREDIT ASSESSMENT

The Residential Mortgage Business of Montepio

Montepio is one of Portugal's most experienced residential mortgage lenders, a business it was authorised to develop long before the market was liberalised in 1991.

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 503 (five hundred and three) 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 characteristics 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. Compulsory fire insurance and strongly recommended multi-risk insurance are both for an amount equal to or greater than the property reconstruction value and with an insurance company approved by Montepio.

Compulsory life insurance is an amount at least equal to the value of the loan, and, in case of death or permanent invalidity of the borrower, guarantees Montepio the payment of the principal outstanding. Insurance covering the risk of permanent invalidity of the borrower is strongly suggested, but not compulsory and, in the case of permanent invalidity of the borrower, would guarantee Montepio the payment of the principal outstanding.

Mortgage Products

Under the laws of the Portuguese Republic, the term of any mortgage contract may exceed 30 (thirty) 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 (three) or 6 (six) month EURIBOR, plus a spread, depending on the LTV ratio and on the amount of the loan.

Arrears Procedures

Delinquencies less than 2 (two) months old are dealt with at the branch level. During this period, the branches are responsible for co-ordinating the recovery process.

After 2 (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 credit recovery 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 6 (six) month period from the date of the first delinquency, legal proceedings will, at that point, be instigated.

DESCRIPTION OF THE ACCOUNTS BANK

Citibank, N.A. is a company incorporated with limited liability in the United States of America under the laws of the City and State of New York on 14 June 1812 and reorganised as a national banking association formed under the laws of the United States of America on 17 July 1865 with Charter number 1461 and having its principal business office at 399 Park Avenue, New York, NY 10043, USA and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with company number FC001835 and branch 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 no. 453/99 of 5 November 1999 as amended by Decree Law no. 82/2002 of 5 April 2002, Decree Law no. 303/2003 of 5 December 2003, Decree Law no. 52/2006 of 15 March 2006 and by Decree Law no. 211-A/2008 of 3 November 2008 (together the "**Securitisation Law**") has implemented a specific securitisation legal framework in Portugal, which contains a simplified process for the assignment of credits. The Securitisation Law regulates, amongst other things; (i) the establishment and activity of Portuguese Securitisation vehicles; (ii) the type of credits that may be securitised; (iii) the entities which may assign credits for Securitisation purposes; and (iv) the terms and conditions under which credits may be assigned 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 2 (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 no. 219/2001 of 4 August 2001 as amended by Law no. 109-B/2001 of 27 December 2001, Decree Law no. 303/2003 of 5 December 2003, Law no. 107-B/2003 of 31 December 2003 and by Law no. 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 (twenty five) per cent. of such non-resident entity, a 25 (twenty five) 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 Ministerial Order (*Portaria*) 150/2004 of 13 February 2004 as amended by Ministerial Order 292/2011 of 8 November.

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 and are in registered form. 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 qualified shareholdings (as defined in Decree-Law no. 298/92 of 31 December, as amended) 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 3 (three) consecutive 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 alios*, 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 written private 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, the company secretary of each party or a lawyer qualified for such purpose (when the parties have appointed such a person) under the terms of the Securitisation Law and other laws applicable in Portugal, namely Decree-Law no. 76-A/2006 of 29 March 2006. Pursuant to the Securitisation Law, such certification is required for the registration of the assignment at the mortgage asset's relevant Portuguese Real Estate Registry Office.

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 Real Estate Registry Office.

The Portuguese real estate registration provisions, allow for the registration of the assignment of any mortgage asset at any Portuguese Real Estate Registry Office, even if the said Portuguese Real Estate Registry Office is not the office where the mortgage asset is registered, both in person as well as online through the following website: <http://www.predialonline.pt>. The registration of the transfer of the mortgage loans requires the payment of a fee for each mortgage loan of approximately €200 (two hundred euros).

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 registry by or on behalf of the assignee. The Issuer is entitled under the Securitisation Law to request 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

Until 31 December 2008, mortgages were only created by means of a notarial deed, which is a contract prepared and testified by, and executed before, a public notary and in compliance with certain formalities as to its creation (in some cases banks may have special template forms, pursuant to applicable legislation).

However, as from 1 January 2009, the entering into mortgage agreements is allowed under the following terms:

- public deed or private document, respectively, executed before, or certified by, a Notary;
- private document document certified by a lawyer, bailiff (*solicitador*) or commerce associations; or
- public document executed before a Real Estate Registry Office.

The notarial deed, private document or public document for the creation of a mortgage are not sufficient for the full validity and enforceability of this type of security, and registration with the Real Estate Registry 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 2 (two) to 4 (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. Accordingly, Articles 847 to 856 of the Portuguese Civil Code are applicable.

The Securitisation Law has an impact on set-off risk to the extent that, by virtue of establishing that the assignment of credits by a credit institution, a financial company, an insurance company, pension funds and

pension fund managers is effective against the debtor on the date of assignment of such credits without notification to the debtor being required (provided that the assignor is the servicer of the assigned credit), it effectively prevents a debtor from exercising any right of set-off against an assignee if such right did not exist against the assignor prior to the date of assignment.

Set-Off on Insolvency

Under article 99 of the *Código de Insolvência e Recuperação de Empresas* (the Code for the Insolvency and Recovery of Companies), implemented by Decree Law no. 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.

Data Protection Law

Law no. 67/98 of 26 October 1998, ("**Law 67/98**", which implemented Directive 95/46/EC, of 24 October 1995, as amended) 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.

Assignment under the Securitisation Law

Assignments conducted under the Securitisation Law consist of assignment of credits and not of contractual positions. All the Issuer is acquiring pursuant to the Mortgage Backed Credits Assignment Agreement is the entitlement to receive certain cash flows and not the contractual position of the Originator. Therefore, the assignment of Mortgage Backed Credits does not impose on the Issuer an obligation to perform further disbursements to the clients of the Originator as this will remain an obligation of the Originator.

SUMMARY OF PROVISIONS RELATING TO THE NOTES CLEARED THROUGH INTERBOLSA

General

Interbolsa manages a centralised system (*sistema centralizado*) composed of interconnected securities accounts, through which such securities (and related rights) are held and transferred, and which allows Interbolsa to track at all times the amount of securities so held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal and Interbolsa, as the controlling entity, all participate in this system.

The centralised securities system of Interbolsa provides for all the procedures required for the exercise of ownership rights inherent in notes held through Interbolsa.

In relation to each issue of securities, Interbolsa's centralised system comprises, *inter alia*, (i) the issue account, opened by the relevant issuer in the centralised system, which reflects the full amount of issued securities; and (ii) the control accounts opened by each of the financial intermediaries which participate in Interbolsa's centralised system, which reflect the securities held by such participant on behalf of its customers in accordance with its individual securities accounts.

Securities held through Interbolsa will be attributed an International Securities Identification Number ("**ISIN**") and will be accepted for clearing through LCH. Clearnet, S.A. as well as through the clearing systems operated by Euroclear and Clearstream, Luxembourg and settled by Interbolsa's settlement system. Under the procedures of Interbolsa's settlement system, settlement of trades executed through the Stock Exchange takes place on the third Business Day after the trade date and is provisional until the financial settlement that takes place at the Bank of Portugal.

Form of the Notes

The Notes will be in dematerialised book-entry (*forma escritural*) and registered (*nominativas*) form and title to the Notes will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of Notes held through Interbolsa.

The Notes will be credited to the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by each Affiliate Member of Interbolsa on behalf of the holders of the Notes. Such control accounts reflect at all times the aggregate of Notes held in individual securities accounts opened by holders of the Notes with each Affiliate Member of Interbolsa. The expression "**Affiliate Member of Interbolsa**" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Each person shown in the records of an Affiliate Member of Interbolsa as having an interest in Notes shall be treated as the holder of the principal amount of the Notes recorded therein.

One or more certificates in relation to the Notes (each a "Certificate") will be delivered by the relevant Affiliated Member of Interbolsa in respect of its registered holding of Notes upon the request by the relevant Noteholder and in accordance with that Affiliated Member's procedures and pursuant to article 78 of the Portuguese Securities Code.

Any Noteholder will (except as otherwise required by law) be treated as its absolute owner for all purposes regardless of the theft or loss of the Certificate issued in respect of it and no person will be liable for so treating any relevant Noteholder.

Whilst the Notes are held through the CVM, payment of principal and interest in respect of the Notes will be (a) credited, according to the procedures and regulations of Interbolsa, by the Paying Agent (acting on behalf of the

Issuer) to the TARGET 2 System payment current-accounts held by the Affiliate Member of Interbolsa whose control accounts with Interbolsa are credited with such Notes and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current-accounts to the accounts of the owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

Payments

The Issuer must provide Interbolsa with a prior notice of all payments in relation to the Notes and all necessary information for that purpose. In particular, such notice must contain:

- (a) the identity of the Paying Agent responsible for the relevant payment; and
- (b) a statement of acceptance of such responsibility by the Paying Agent.

Interbolsa must notify the Paying Agent of the amounts to be settled, which Interbolsa calculates on the basis of the balances of the accounts of the Affiliate Members of Interbolsa.

Payment of principal and interest in respect of the Notes will be subject to Portuguese laws and regulations, notably the Portuguese Companies Code, the Portuguese Securities Code and regulations from time to time issued and applied by the Comissão do Mercado de Valores Mobiliários (the Portuguese Securities Market Commission, the “CMVM”) and Interbolsa.

The Issuer must give Interbolsa advance notice of all payments and provide all necessary information for that purpose, notably the identity of the financial intermediary registered with Interbolsa appointed by the Issuer to act as the paying agent in respect of the Notes and perform the relevant payments.

Prior to any payment the Paying Agent shall provide Interbolsa with a statement of acceptance of its role of Paying Agent. Interbolsa must notify the Paying Agent of the amounts to be settled, which will be determined by Interbolsa on the basis of the account balances of the accounts of the Affiliate Members of Interbolsa.

On the date on which any payment in respect of the Notes is to be made, the corresponding entries and counter-entries will be made by Interbolsa in the relevant current accounts held by the Paying Agent and by the Affiliate Members of Interbolsa.

Accordingly, payment of principal and interest in respect of Notes (i) in euros will be (a) credited, according to the procedures and regulations of Interbolsa, by the Paying Agent (acting on behalf of the Issuer) from the payment current account which the Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Paying Agent’s behalf for payments in respect of securities held through Interbolsa to the payment current accounts held by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with such Notes and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the owners of those Notes or through Euroclear and Clearstream to the accounts with Euroclear and Clearstream of the beneficial owners of those Notes or of custodians acting on their behalf, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, as the case may be (ii) in currencies other than euros will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the Paying Agent in the foreign currency settlement system (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of those Notes or of custodians acting on their behalf or through Euroclear and Clearstream to the accounts with Euroclear and Clearstream of the beneficial owners of those Notes or of custodians acting on their behalf, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, as the case may be.

References to Clearstream and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system.

In the case of a partial payment, the amount held in the TARGET 2 System current account of the Paying Agent must be apportioned *pro-rata* between the accounts of the Affiliate Members of Interbolsa. After a payment has been processed, Interbolsa will obtain confirmation thereof.

Transfer of Notes

Notes held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to acquire such Notes. No owner of a Note will be able to transfer such Note, except in accordance with Portuguese Law and the applicable procedures of Interbolsa.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions which will be incorporated by reference into each Note cleared by Central de Valores Mobiliários, the central securities clearing system managed by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários S.A..

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 Terms and Conditions are summaries of the Common Representative Appointment Agreement, the Co-ordination Agreement and the Paying Agency Agreement and are subject to their detailed provisions.
- 1.4 The Noteholders are bound by the terms of the Common Representative Appointment Agreement and are deemed to have notice of all the provisions of the Transaction Documents.
- 1.5 Copies of the Transaction Documents are available for inspection by the Noteholders, on reasonable notice, during normal business hours at the Specified Office of the Paying Agent, the initial Specified Offices of which are set out below.

2. Definitions

In these Terms and Conditions the defined terms have the meanings set out in Condition 22 (*Definitions*).

3. Form, Denomination and Title

3.1 Form and Denomination

The Notes are in dematerialised book-entry (*forma escritural*) and registered (*nominativas*) form in denominations of €100,000. Title to the Notes will pass by registration in the corresponding securities account.

3.2 Title

The registered holder of any Note 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.

Title to the Notes will be evidenced by book entries in accordance with the Portuguese Securities Code and the regulations issued by the CMVM, by Interbolsa or otherwise applicable thereto. Each person shown in the Book-Entry Registry of an Affiliate Member of Interbolsa as the holder of a Note shall (except as required by law) be deemed to be the holder of such Note. One or more certificates in relation to Notes (each a “Certificate”) will be delivered by the relevant Affiliate Member of Interbolsa in respect of its registered holding of Notes upon request by the relevant Noteholder in accordance with that Affiliate Member of Interbolsa’s procedures and pursuant to article 78 of the Portuguese Securities Code. Title to the Notes is subject to compliance with all rules, restrictions and requirements applicable to the activities of Interbolsa and all applicable Portuguese laws and regulations.

4. Status and Ranking

4.1 Status

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

4.2 Ranking

The Notes in each Class will at all times rank *pari passu* amongst themselves without preference or priority. For the avoidance of doubt, the Initial Class S Notes will at all times rank *pari passu*, without preference or priority with any Additional Class S Notes.

4.3 Sole Obligations

The Notes 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 Payments Prior to the Delivery of an Enforcement Notice

On any Interest Payment Date prior to the delivery of an Enforcement Notice, 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 and any amounts due under the Class D Notes; (ii) the Class B Notes will rank in priority to payments of interest due on the Class C Notes and any amounts due under the Class D Notes; (iii) the Class C Notes will rank in priority to payments of any amounts due under the Class D Notes, in each case in accordance with the Securitised Pre-Enforcement Interest Payments Priorities.

On any Interest Payment Date prior to the delivery of an Enforcement Notice, payments of principal on the Floating Rate Notes on such Interest Payment Date will be made sequentially by firstly redeeming all principal due on the Class A Notes, thereafter by redeeming all principal due on the Class B Notes, and thereafter by redeeming all principal due on the Class C Notes, in accordance with the Securitised Pre-Enforcement Principal Payments Priorities.

Prior to the delivery of an Enforcement Notice, payment of the Class S Return will be made in accordance with the Exposure Amount Pre-Enforcement Payments Priorities.

Prior to the delivery of an Enforcement Notice, there is no ranking, preference or priority of order of payments on the Securitisation Notes over payments of the Class S Return, except to the extent that, further to the occurrence of a Set-off Event, the Mortgage Backed Credits included in the Exposure Amount Mortgage Backed Credits Portfolio, and funds deriving therefrom, which would be available to the Issuer for payments of Class S Return in accordance with the Exposure Amount Pre-Enforcement Payments Priorities, will be made available to the Issuer to meet its payment obligations under the Securitisation Notes in accordance with the relevant Securitised Pre-Enforcement Payments Priorities.

4.5 Priority of Payments After the Delivery of an Enforcement Notice

After the delivery of an Enforcement Notice, any payments due under the Class A Notes will rank in priority to any payments due on the Class B Notes, which will rank in priority to any payments due under the Class S Notes, which will rank in priority to any payments due under the Class C Notes,

which will rank in priority to any payments due under the Class D 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 Securitised Available Interest Distribution Amount in accordance with the Securitised Pre-Enforcement Interest Payments Priorities, the Securitised Available Principal Distribution Amount in accordance with the Securitised Pre-Enforcement Principal Payments Priorities and the Exposure Amount Available Funds in accordance with the Exposure Amount Pre-Enforcement Payments Priorities and, thereafter, all amounts received or recovered by the Issuer and/or the Common Representative in respect of the Mortgage Backed-Credits Portfolio will be applied in accordance with the Post-Enforcement Payments Priorities.

4.7 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 enforcement measures 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.

5. Statutory Segregation of Transaction Assets and Legal Creditor's Privilege

5.1 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 11 (*Events of Default*) and subject to the provisions of Condition 12 (*Proceedings*).

5.2 Legal Creditor's Privilege of Transaction Assets

The Notes and any Issuer Obligations have the benefit of a first ranking legal creditor's privilege under the Securitisation Law.

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 (*Issuer Covenants*) 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 Agencies and the Paying Agent or to procure that the Common Representative, the Rating Agencies 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 <https://sf.citidirect.com/>.

7. Interest, Class D Distribution Amount and Class S Return

7.1 Accrual

Each Floating Rate Note bears interest on its Principal Amount Outstanding from the Closing Date. The Class D Notes bear an entitlement to receive the Class D Distribution Amount and the Class S Notes bear an entitlement to receive the Class S Return.

7.2 Cessation of Interest

Each Floating Rate 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 7 (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 7th (seventh) day (except to the extent that there is any subsequent default in payment).

7.3 Calculation Period of less than 1 (one) year

Whenever it is necessary to compute an amount of interest in respect of any Floating Rate 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 Floating Rate Note is payable in euro in arrears 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 D Distribution Amount and Class S Return Payments

Payment of any Class D Distribution Amount in relation to the Class D Notes, and the Class S Return in relation to the Class S Notes, is payable in euro in arrears on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Class D Distribution Amount or the Class S Return, respectively, calculated as at the Calculation Date immediately preceding such Interest Payment Date and notified to the Class D Noteholders and the Class S Noteholders, respectively, 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 Floating Rate Note for the related Interest Period.

7.7 Calculation of Class D Distribution Amount and Class S Return

Upon or as soon as practicable after each Calculation Date, the Issuer shall calculate (or shall cause the Transaction Manager to calculate) the Class D Distribution Amount payable on each Class D Note and the Class S Return on each Class S 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 Floating Rate Note for the related Interest Period;
- (B) the Interest Amount for each Class of Floating Rate Note 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 Paying Agent, 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 D Distribution Amount and Class S Return

As soon as practicable after each Calculation Date, the Transaction Manager will cause the Class D Distribution Amount and the Class S Return 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 Floating Rate Note 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 Floating Rate Notes, the Class D Distribution Amount for the Class D Notes and the Class S Return for the Class S 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 Floating Rate Notes in accordance with this Condition, or if the Transaction Manager does not at any time for any reason determine the Class D Distribution Amount for the Class D Notes or the Class S Return for the Class S 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 D Distribution Amount for the Class D Notes in the manner specified in this Condition,
- (D) calculate the Class S Return for the Class S 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 Floating Rate 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 Floating Rate Notes to be deferred on such following Interest Payment Date in respect of each Class of the Floating Rate 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 Floating Rate Note 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 Floating Rate 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 Sequential Mandatory Redemption in part of Mortgage Backed Notes

On each Interest Payment Date, the Issuer will cause any Securitised 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 Securitised Available Principal Distribution Amount and the Principal Amount Outstanding of the Class A Notes; and
- (B) in the case of each Class B Note, in an amount equal to the lesser of the Securitised 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;

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

8.3 Mandatory Redemption in part of the Class C Notes

On each Interest Payment Date, the Issuer will cause the Class C Notes to be redeemed in an amount which is equal to the lesser of:

- (A) the Securitised Available Interest Distribution Amount calculated as at the related Calculation Date less the aggregate of the amounts to be paid by the Issuer in respect of items (a) to (j) of the Securitised Pre-Enforcement Interest Payments Priorities on such Interest Payment Date; and
- (B) the Principal Amount Outstanding of the Class C Notes,

in each case and rounded down to the nearest Denomination and in accordance with the Securitised Pre-Enforcement Interest Payments Priorities.

8.4 Mandatory Redemption in whole of the Class D Notes and the Class S Notes

8.4.1 On the last Interest Payment Date (after redemption in full of the Class C Notes) if any Class D Distribution Amount is to be paid by the Issuer in accordance with Condition 7.5 (*Class D Distribution Amount and Class S Return Payments*), the Issuer will cause the Class D Notes to be redeemed in full in an amount which is equal to the Principal Amount Outstanding of the Class D Notes, provided that, if on such Interest Payment Date the funds available to the Issuer are not sufficient to redeem the Class D Notes at their Principal Amount Outstanding, the Class D Notes shall be redeemed in full and all the claims of the Class D Noteholders for any shortfall in the Principal Amount Outstanding of the Class D Notes shall be deemed to be extinguished.

8.4.2 On the last Interest Payment Date if any Class S Return is to be paid by the Issuer in accordance with Condition 7.5 (*Class D Distribution Amount and Class S Return Payments*), the Issuer will cause the Class S Notes to be redeemed in full in an amount which is equal to the Principal Amount Outstanding of the Class S Notes, provided that, if on such Interest Payment Date the funds available to the Issuer are not sufficient to redeem the Class S Notes at their Principal Amount Outstanding, the Class S Notes shall be redeemed in full and all the claims of the Class S Noteholders for any shortfall in the Principal Amount Outstanding of the Class S Notes shall be deemed to be extinguished.

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 thereof, save in the event of gross negligence (“*negligência grosseira*”), wilful default (“*dolo*”) or fraud (“*fraude*”) 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 Redemption in whole at the option of the Issuer or the sole Noteholder

8.8.1 Subject to compliance with article 45 of the Securitisation Law, 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 when, on the related Calculation Date, the Aggregate Principal Outstanding Balance of the Loans in the Mortgage Backed Credits Portfolio is equal to or less than 10 (ten) per cent. of the Aggregate Principal Outstanding Balance of the Loans in the Initial Mortgage Backed Credits Portfolio as at the Initial Portfolio Determination Date and any Additional Mortgage Backed Credits in any Additional Mortgage Backed Credits Portfolio as at any Additional Portfolio Determination Date:

- (i) that the Issuer has given not more than 60 (sixty) nor less than 30 (thirty) days' prior written notice to the Common Representative, the Paying Agent 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, confirming, amongst other things, 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 Securitised Pre-Enforcement Payments Priorities.

8.8.2 In the event the Notes are all held by a sole Noteholder, such Noteholder being the Originator, the sole Noteholder may require the Issuer to 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, provided that, all the following conditions will have been met:

- (i) a Resolution of the sole Noteholder will have been passed either at a duly convened and held Meeting of Noteholders or by means of a Written Resolution, approving the early redemption of the Notes; and
- (ii) the sole Noteholder will have given at least 60 (sixty) days' prior (to the intended early redemption date) written notice to the Issuer and the Paying Agent of the Resolution mentioned in (i) above; and
- (iii) the Originator accepts to acquire the Mortgage Backed Credits Portfolio on the relevant early redemption date;
- (iv) the Issuer shall have provided to the Common Representative, prior to the envisaged early redemption date, a certificate signed by 2 (two) directors of the Issuer confirming, amongst other things, should that be the case, 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 Securitised Pre-Enforcement Payments Priorities.

8.9 Optional Redemption in whole for taxation reasons

Subject to compliance with article 45 of the Securitisation Law, 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 falling:

- (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

- (B) 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
- (C) 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 (sixty) nor less than 30 (thirty) days' written notice to the Common Representative, the Paying Agent 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 2 (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 2 (two) directors of the Issuer confirming, amongst other things, 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 Securitised 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 (*Redemption in whole at the option of the Issuer or the sole Noteholder*) and Condition 8.9 (*Optional Redemption in whole for taxation reasons*) may be relied on by the Common Representative without further investigation and shall be conclusive and binding on the Noteholders and on the Transaction Creditors. All certificates required to be signed by the Issuer will be signed by the Issuer's directors without personal liability.

8.11 Notice of Calculation

The Issuer will cause the Transaction Manager to notify the Common Representative and the Agents of a Note Principal Payment and the Principal Amount Outstanding in relation to each Class of Notes 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 3 (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 3 (three) Business Days prior to such Interest Payment Date.

8.13 Notice irrevocable

Any such notice as is referred to in Condition 8.8 (*Redemption in whole at the option of the Issuer or the sole Noteholder*) 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 (*Redemption in whole at the option of the Issuer or the sole Noteholder*) 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 (*Sequential Mandatory Redemption in part of Mortgage Backed Notes*), Condition 8.3 (*Mandatory Redemption in part of Class C Notes*) and Condition 8.4 (*Mandatory Redemption in whole of Class D Notes and the Class S Notes*).

8.14 No Purchase

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

9. Payments

9.1 Principal

Payments of principal and interest in respect of the Floating Rate Notes, payments of any Class D Distribution Amount and payments of any Class S Return may only be made in euro. Payment in respect of the Floating Rate Notes of principal and interest, any Class D Distribution Amount or Class S Return will, in accordance with the applicable rules and procedures of Interbolsa, be (a) credited by the Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held by Affiliate Members of Interbolsa (whose control accounts with Interbolsa are credited with such Notes) and (b) thereafter credited by such Affiliate Members of Interbolsa from the aforementioned payment current-accounts to the accounts of the owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

9.2 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 10 (*Taxation*), no commissions or expenses shall be charged to the holder of any Note in respect of such payments.

9.3 Payments on Business Days

If the due date for payment of any amount in respect of any Notes 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.

9.4 Business Days

In this Condition 9, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of 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 2 System is open.

9.5 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 (“*negligência grosseira*”), wilful default (“*dolo*”), fraud (“*fraude*”) or manifest error (“*erro manifesto*”) - be binding on the Issuer and Transaction Creditors and - in the absence of any gross negligence (“*negligência grosseira*”), wilful default (“*dolo*”) or fraud (“*fraude*”) - no liability to the Common Representative, the Noteholders or the other Transaction Creditors 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 9 (*Payments*).

10. Taxation

10.1 Payments free of Tax

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any Taxes unless the Issuer, the Common Representative or 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.

10.2 No payment of additional amounts

Neither the Issuer, nor the Common Representative, nor the Paying Agent will be obliged to pay any additional amounts to Noteholders in respect of any Tax Deduction made in accordance with Condition 10.1 (*Taxation - Payments Free of Tax*) above.

10.3 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.

10.4 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 10.1 (*Taxation - Payments Free of Tax*) above this shall not constitute an Event of Default.

11. Events of Default

11.1 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 5 (five) days of the due date for payment of such principal or, fails to pay any amount of interest in respect of the Securitisation Notes, of the Class D Distribution Amount in respect of the Class D Notes or the Class S Return in respect of the Class S Notes within 10 (ten) days of the due date for payment of such interest, such Class D Distribution Amount or Class S Return; 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 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 (thirty) days or such longer period as the Common Representative may agree after the Common Representative has given written notice of such default to the Issuer; or

(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.

11.2 Delivery of an 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 (twenty five) 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.

11.3 Conditions to delivery of Enforcement Notice

Notwithstanding Conditions 11.1(A) (*Non-payment*) and 11.1(B) (*Breach of other obligations*) above, and Condition 11.2 (*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 11.1(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 and/or pre-funded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

11.4 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.

12. Proceedings

12.1 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 (twenty five) per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or

(B) so directed by a Resolution of the Noteholders of the Most Senior Class of outstanding Notes,

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

12.2 Directions to the Common Representative

Without prejudice to Condition 12.1 (*Proceedings*), the Common Representative may take such action as described therein, or Condition 11 (*Events of Default*), without having regard to the effect of such action on individual Noteholders 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.

12.3 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 to a Portuguese Securitisation Fund ("FTC") or to another Portuguese Securitisation Company ("STC") or to the Originator in accordance with the Securitisation Law or any replacement or equivalent laws or regulations which may be in force at the relevant time.

13. No action by Noteholders or other Transaction Party

13.1 The Noteholders may be restricted from proceeding individually against the Issuer and the Transaction Assets or to enforce or direct the Common Representative to seek to enforce the Issuer's Obligations, where such action or actions, taken on an individual basis, contravene a Resolution of the Noteholders.

13.2 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 13.2, 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 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 12.1 (*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 13.2(C) and 13.2(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 13.2(C) and 13.2(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 2 (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.

13.3 **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 and/or the Class S 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 and/or the Class S 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 and the interests of the holders of the Class D Notes and/or the Class S 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 and the interests of the holders of the Class S Notes, the Common Representative shall only have regard to the interests of the holders of the Class D Notes;

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

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

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 Ratings 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.

- 13.4 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.

14. Meetings of Noteholders

14.1 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.

14.2 Separate and combined meetings

The Common Representative Appointment Agreement provides that (subject to Condition 14.6 (*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 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 each such Class or at a single Meeting 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 each such Class.

14.3 Request from Noteholders

A Meeting of a particular Class may be convened by the Common Representative or the Issuer at any time and must be convened by the Common Representative (subject to its being indemnified and/or

secured and/or pre-funded to its satisfaction) upon the request in writing of Noteholders of a particular Class holding not less than 5 (five) per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that Class.

14.4 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 (fifty) 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.

14.5 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 (fifty) 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 (two thirds) of the votes cast at the relevant Meeting.

14.6 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 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, except in the case of a Meeting relating to a Reserved Matter, any resolution passed at a Meeting 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
- (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.

14.7 Resolutions in writing

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

15. Modification and Waiver

15.1 Modification

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

- (A) any modification to any provisions of these Conditions or any of the Transaction Documents (other than in respect of a Reserved Matter or any provision of these Conditions), 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 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 itself); or
- (B) any modification to any provision of these Conditions or to any of the Transaction Documents (other than in respect of a Reserved Matter or any provision of these Conditions), 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,

provided that:

- (i) 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; and
- (ii) no such modification will take effect until and unless regarding item (A) and (B) above the Rating Agencies have been previously notified to the making of any such modification and notice thereof has been delivered to the Noteholders, in accordance with Condition 18 (*Notices*) to the extent the Common Representative requires such notice to be given.

15.2 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 concur with the Issuer and any other relevant Transaction Party in authorising or waiving on such terms and subject to such conditions (if any) as it may decide, a proposed breach or breach by the Issuer of any of the covenants or provisions contained in the Common Representative Appointment Agreement, the Notes or the other Transaction Documents (other than in respect of a Reserved Matter or any provision of the Notes), provided that the Common Representative 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.

15.3 Restriction on power to waive and to modify

The Common Representative shall not exercise any powers conferred upon it by Condition 15.1 (*Modification*) or 15.2 (*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 (fifty) 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.

15.4 Notification

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

15.5 Binding Nature

Any consent, authorisation, waiver or modification referred to in Condition 15.1 (*Modification*) or Condition 15.2 (*Waiver*) shall be binding on the Noteholders.

16. Prescription

16.1 Principal

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

16.2 Interest

Claims for interest in respect of the Floating Rate Notes, any Class D Distribution Amount and any Class S Return, shall become void within five years of the appropriate Relevant Date.

17. Common Representative and Agents

17.1 Common Representative's right to Indemnity

Under the Transaction Documents, the Common Representative is entitled to be indemnified by the Issuer, the Seller, 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.

17.2 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 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, the Servicer and the Back-up 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 Transaction Documents.

17.3 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 Noteholders 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.

17.4 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.

17.5 Variation or termination of appointment of 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 (thirty) days notice to such Agent and the Common Representative.

17.6 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 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.

18. Notices

18.1 Valid Notices

Any notice to Noteholders shall be validly given if such notice is published on the CMVM's website (www.cmvm.pt), and in addition may be given on a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the Common Representative and as has been notified to the Noteholders in accordance with the Notices Condition (the "**Relevant Screen**"), provided that for so long as any of the Notes are listed on any stock exchange and the rules of such stock exchange so require, such notice will be published in a newspaper of daily circulation in accordance with the requirements of such stock exchange.

18.2 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.

18.3 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.

19. Governing Law and Jurisdiction

19.1 Governing law

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

19.2 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.

20. 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.

21. Issue of Additional Class S Notes

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 Euro by the creation and issue of Additional Class S Notes, up to the maximum aggregate amount of €40,200,000.

22. 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;

"Additional Class S Notes" means the Class S Exposure Amount Notes issued by the Issuer on any Additional Issue Date, which will be fungible with the Initial Class S Notes and any other Additional Class S Notes previously issued by the Issuer;

"Additional Exposure Amount Mortgage Backed Credits Portfolio" means any additional portfolio of Mortgage Backed Credits acquired by the Issuer on any Additional Purchase Date and to form part of the Exposure Amount Mortgage Backed Credits Portfolio;

"Additional Issue Date" means any Interest Payment Date on which the Issuer issues Additional Class S Notes and uses the relevant proceeds solely towards the funding of any additional expenses of

the Issuer in connection with the issue of the Additional Class S Notes and the purchase of an Additional Exposure Amount Mortgage Backed Credits Portfolio;

"**Additional Mortgage Backed Credits**" means the Mortgage Backed Credits included in any Additional Exposure Amount Mortgage Backed Credits Portfolio;

"**Additional Mortgage Backed Credits Criteria**" means the following criteria that any Additional Mortgage Backed Credits must satisfy:

- (a) each Additional Mortgage Backed Credit meets the Eligibility Criteria;
- (b) the weighted average current loan to value ratio (the "**WACLTV**") of the Exposure Amount Mortgage Backed Credit Portfolio after the inclusion of the Additional Mortgage Backed Credits is less than or equal to the WACLTV of the Securitised Mortgage Backed Credits Portfolio as at the relevant Calculation Date;
- (c) the weighted average percentage of Mortgage Backed Credits referencing 3 month EURIBOR (the "**WA 3m Reference Rate**") in the Exposure Amount Mortgage Backed Credits Portfolio after the inclusion of the Additional Mortgage Backed Credits is greater than or equal to the WA 3m Reference Rate of the Securitised Mortgage Backed Credits Portfolio as at the relevant Calculation Date;
- (d) the weighted average margin ("**WA Margin**") of the Mortgage Backed Credits in the Exposure Amount Mortgage Backed Credits Portfolio after the inclusion of the Additional Mortgage Backed Credits is greater than or equal to the WA Margin of the Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio as at the relevant Calculation Date;
- (e) the weighted average percentage of Subsidised Loans benefiting from a subsidy from the Portuguese government ("**WA Subsidised Loans**") in the Exposure Amount Mortgage Backed Credits Portfolio after the inclusion of the Additional Mortgage Backed Credits is less than or equal to the WA Subsidised Loans of the Loans in the Securitised Mortgage Backed Credits Portfolio as at the relevant Calculation Date;
- (f) the weighted average percentage of Loans that feature a constant amortisation amount ("**WA Constant Amortisation Loans**") in the Exposure Amount Mortgage Backed Credit Portfolio after the inclusion of the Additional Mortgage Backed Credits is greater than or equal to the WA Constant Amortisation Loans of the Loans in the Securitised Mortgage Backed Credits Portfolio as at the relevant Calculation date;
- (g) the weighted average percentage of Loans made to Borrowers in respect of their main private dwelling (which excluded secondary dwelling or buy-to-let properties) is greater than or equal to that of the Securitised Mortgage Credits Backed Portfolio as at the relevant Calculation Date;
- (h) the weighted average of the time since origination of the Exposure Amount Mortgage Backed Credits Portfolio after the inclusion of the Additional Mortgage Backed Credits is equal to or greater than that of the Securitised Mortgage Credits Backed Portfolio as at the relevant Calculation Date;
- (i) the sum of (x) the aggregate of the Principal Outstanding Balance(s) of the Exposure Amount Mortgage Backed Credits Portfolio after the inclusion of the Additional Mortgage Backed Credits and (y) any cash amount comprising the Exposure Amount Available Amount, is greater than or equal to the Exposure Amount Required Amount as at the relevant Calculation Date;
- (j) the Mortgage Backed Credit Warranties are true in every material respect on the relevant Additional Purchase Date in respect of the Additional Mortgage Backed Credits by reference to the facts and circumstances then subsisting; and

(k) each Additional Mortgage Backed Credit is not in arrears;

"Additional Portfolio Determination Date" means, in relation to any Additional Purchase Date, the date so specified by the Originator on any Additional Purchase Notice;

"Additional Purchase Date" means any Additional Issue Date and any Additional Sale Date;

"Additional Purchase Notice" means the notice given by the Originator to the Issuer pursuant to Clause 2.7 (*Additional Purchase Notice*) of the Mortgage Backed Credits Assignment Agreement;

"Additional Sale Date" means an Interest Payment Date on which the Issuer uses Exposure Amount Available Funds and any other amounts standing to the credit of the Payment Account and recorded on the Exposure Amount Cash Ledger to acquire an Additional Exposure Amount Mortgage Backed Credits Portfolio from the Originator, in accordance with the Exposure Amount Pre-Enforcement Payments Priorities;

"Affiliate Member of Interbolsa" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg;

"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 Agent and **"Agent"** means any 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;

"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;

"Auditor" means KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A.;

"Authorised Investments" means any euro denominated investment or any other demand or time deposits and liquidity funds in respect of which a security interest can be created and which;

- (i) is not an investment in asset-backed securities or credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives;
- (ii) complies with Article 3 of CMVM Regulation no. 12/2002;
- (iii) 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 of equal to:
 - A by S&P;
 - A and F1 by Fitch;
 - in respect of investments with a maturity of up to 30 (thirty) days, a DBRS Long-Term Rating of A and a DBRS Short-Term Rating of R-1 (low), in respect of investments with a maturity between 31 (thirty one) days and 90 (ninety) days, a DBRS Long-Term Rating of AA (low) and a DBRS Short-Term Rating of R-1 (middle), in respect of investments with a maturity between 91 (ninety one) days and 180 (one hundred and eighty) days, a DBRS Long-Term Rating of AA and a DBRS Short-Term Rating of R-1 (middle) and in respect of investments with a maturity between 181 (one hundred and eighty one) days and 365 (three hundred and sixty five) days, a DBRS Long-Term Rating of AAA and a DBRS Short-Term Rating of R-1 (high); and
- (iv) 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), or
- (v) any other obligation the investment in which would not adversely affect the Ratings,

provided that the Issuer shall not instruct the Transaction Manager to:

- (a) make any Authorised Investments in whole or in part actually or potentially in tranches of asset-backed securities, credit-linked notes, swaps or other derivatives instruments or synthetic securities or in assets which do not comply with ECB eligibility criteria; and
- (b) in the event that, prior to its maturity, any investment or (in the case of a bank account or term deposit) the institution at which or with which such investment is held or made is downgraded to below the minimum ratings specified in (iv) above, realise such investment prior to its maturity if such realisation would cause any loss due to early redemption and/or termination of such investment;

"Back-up Servicer" means Whitestar Servicing Company, S.A., with head office at Amoreiras Square, Rua Carlos Alberto da Mota Pinto, n.º 17, 7.ªA, in Lisbon, Portugal, registered with the Commercial Registry Office of Lisbon under sole commercial registration and taxpayer number 508 099 161;

"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 material breach of any duty, obligation, agreement or trust by such person;

"Business Day" means any day on which the TARGET 2 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 May 2012;

"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 Initial 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 Securitised Available Principal Distribution Amount which is to be applied by the Issuer as Securitised 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 0 (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 Securitised 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;

"Cashflow Payment Shortfall" means any Payment Shortfall that is not a Payments Interruption Payment Shortfall;

"Cash Reserve Account" means the account established with the Accounts Bank, or such other bank to which the Cash Reserve Account may be transferred, in the name of the Issuer, into which, on the Closing Date, an amount equal to the Initial Cash Reserve Account General Ledger Required Balance and the Initial Cash Reserve Account Shortfall Liquidity Required Balance and which comprises the Cash Reserve Account General Ledger and the Shortfall Liquidity Ledger;

"Cash Reserve Account General Ledger" means the ledger in the books of the Issuer so named and pertaining to the Cash Reserve Account;

"Cash Reserve Account General Ledger Floor Amount" means €30,000,000;

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

- (a) for all Interest Payment Dates falling prior to the fifth anniversary of the Closing Date, an amount equal to €60,000,000;
- (b) for an Interest Payment Date falling on or after the fifth 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 General Ledger is not less than the Cash Reserve Account General Ledger Required Balance calculated in respect of the

immediately preceding Interest Payment Date, the Cash Reserve Account General Ledger Required Balance shall be an amount equal to the greater of:

- (1) the Cash Reserve Account General Ledger Floor Amount; and
- (2) an amount which equals 7.5 (seven point five) per cent. of the Principal Amount Outstanding of the Class A Notes as at that Interest Payment Date;
- (c) for an Interest Payment Date falling on or after the fifth 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 General Ledger is less than the Cash Reserve Account General Ledger Required Balance calculated in respect of the immediately preceding Interest Payment Date, the Cash Reserve Account General Ledger Required Balance shall remain equal to the Cash Reserve Account General Ledger Required Balance in respect of such immediately preceding Interest Payment Date; and
- (d) after redemption in full of the Class A Notes, or at the Final Legal Maturity Date the Cash Reserve Account General Ledger Required Balance shall equal 0 (zero);

"Cash Reserve Account Required Balance" means the Cash Reserve Account General Ledger Required Balance plus the Shortfall Liquidity Ledger Required Balance;

"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, 0 (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) 0 (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 Class A 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 the Securitised Mortgage Backed Credits Portfolio in arrears by more than 90 (ninety) days as at the Calculation Date immediately preceding such Interest Payment Date (less the sum of all Net Provisioned Amounts) is less than 3 (three) per cent. of the Aggregate Principal Outstanding Balance of the Loans in the Securitised Mortgage Backed Credits Portfolio as at the Initial Portfolio Determination Date;
 - (iii) the balance of the Class A Principal Deficiency Ledger, subsequent to any reduction on that Interest Payment Date, is equal to 0 (zero); and

- (iv) the Aggregate Principal Outstanding Balance (as measured at such Calculation Date) of the Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio which have become Defaulted Mortgage Backed Credits since the Initial Portfolio Determination Date (less the sum of all Net Provisioned Amounts) is less than 3.5 (three point five) per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Backed Credits as at the Portfolio Determination Date;

"Certificate of Ownership" means, in relation to any Note and for the purposes of proving ownership or a Meeting, a certificate issued in accordance with Article 78 of the *Código dos Valores Mobiliários* (Portuguese Securities Code) by the financial intermediary holding an individual securities account in which the Notes are registered in which it is stated that the Notes will not be released until the earlier of: (a) (i) the conclusion of the Meeting, and (ii) the surrender of such certificate to such financial intermediary; and (b) that the holder of such certificate is the owner of the Notes to which it relates;

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

"Class A Notes" means the €750,000,000 Class A Mortgage Backed Floating Rate Securitisation Notes due 2063 issued by the Issuer on the Closing Date;

"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 B Notes" means the €250,000,000 Class B Mortgage Backed Floating Rate Securitisation Notes due 2063 issued by the Issuer on the Closing Date;

"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 C Notes" means the €1,800,000 Class C Floating Rate Securitisation Notes due 2063 issued by the Issuer on the Closing Date;

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

- (a) other than the last Interest Payment Date on which a Class D Distribution Amount is to be paid in respect of the Class D Notes, the Securitised 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 (k) of the Securitised 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 D Notes:
 - (i) the Securitised 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 (k) of the Securitised 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 (j) of the Post-Enforcement Payments Priorities, as applicable and (B) the Principal Amount Outstanding of the Class D Notes as at such Interest Payment Date (or such other date, as applicable); and
 - (ii) the Principal Amount Outstanding of the Class D Notes as at such Interest Payment Date (or such other date, as applicable);

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

"Class D Notes" means the €65,000,000 Class D Residual Interest Securitisation Notes due 2063 issued by the Issuer on the Closing Date;

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

"Class S Notes" means the Initial Class S Notes and any Additional Class S Notes;

"Class S Return" means in relation to an Interest Payment Date:

- (a) other than the last Interest Payment Date on which a Class S Return is to be paid in respect of the Class S Notes, the Exposure Amount Available Funds calculated as at the related Calculation Date less the aggregate of the amounts to be paid by the Issuer in respect of Paragraphs (a) and (b) of the Exposure Amount Pre-Enforcement 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 D Notes:
 - (i) the Exposure Amount Available Funds 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) and (b) of the Exposure Amount Pre-Enforcement 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 (g) of the Post-Enforcement Payments Priorities, as applicable and (B) the Principal Amount Outstanding of the Class S Notes as at such Interest Payment Date (or such other date, as applicable); and
 - (ii) the Principal Amount Outstanding of the Class S Notes as at such Interest Payment Date (or such other date, as applicable);

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

"Closing Date" means 5 March 2012;

"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 most recent valuation of the relevant property, provided that the CLTV as at the Closing Date or Additional Purchase Date (as the case may be) is calculated as the ratio of the Aggregate Principal Outstanding Balance of such Loans on the relevant Portfolio Determination Date to the most recent valuation of the property on which such Loans were secured;

"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 in respect of the Mortgage Backed Credits included in the Securitised Mortgage Backed Credits Portfolio, the Principal Receivables and/or the Interest Receivables, as appropriate;

"Common Representative" means Deutsche Trustee Company Limited, a limited liability company incorporated under the laws of England, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, in its capacity as initial representative for 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 1 (*Terms and Conditions of the Notes*) to 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;

"Current 3-month Euribor" means the display as quoted on the Screen for a period of 3 months;

"CVM" means the *Central de Valores Mobiliários*, the Portuguese securities registration system managed by Interbolsa;

"Day Count Fraction" means in respect of an Interest Period, the actual number of days in such period divided by 360 (three hundred and sixty);

"DBRS" means DBRS Ratings Limited or any successor in its rating business;

"DBRS Long-Term Rating" means for any financial institution, on any date, the rating determined by applying paragraphs 1), 2), 3) or 4) below:

- 1) if such financial institution is a bank holding company and an issuer senior debt rating by DBRS is publicly available for such bank holding company at such date, such issuer senior debt rating published by DBRS and available as at such date;
- 2) if such financial institution is a bank and a public senior unsecured long-term debt and deposit rating has been made publicly available by DBRS for such financial institution at such date, such senior unsecured long-term debt and deposit rating published by DBRS and available as at such date;
- 3) if no rating can be determined pursuant to paragraphs 1) or 2) above, and a private internal assessment was provided to the Servicer or the Transaction Manager by DBRS to within six months from such date, such private internal assessment; or
- 4) if no rating can be determined pursuant to paragraphs 1), 2) or 3) above, such private internal assessment as determined by DBRS and provided to the Servicer on the Transaction Manager, as at such date;

"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 (twelve) or more monthly instalments have not been paid when due and which remain outstanding, an amount equal to 50 (fifty) 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 (twenty four) or more monthly instalments have not been paid when due and which remain outstanding, an amount equal to 100 (one hundred) 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 Credits" means any Mortgage Backed Credit which is not a Written-off Mortgage Backed Credit and in respect of which 12 (twelve) 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;

"Denomination" means a denomination of €100,000;

"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 11 (*Events of Default*) which declares the Notes to be immediately due and payable;

"Enforcement Procedures" means the exercise, according to the Servicer's Operating Procedures, of rights and remedies (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 Accounts Agreement and the Master Execution Deed 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 (provided that, in relation to the Interest Determination Date for the first Interest Period, it shall be the result of the interpolation between the offered quotations for euro deposits for 3 (three) and 4 (four) months), 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, 2 (two) or 3 (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 (provided that, in relation to the Interest Determination Date for the first Interest Period, it shall be the result of the interpolation between the offered quotations for euro deposits for 3 (three) and 4 (four) months) 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, provided that, in relation to the Interest Determination Date for the first Interest Period, it shall be the result of the interpolation between the offered quotations for euro deposits for three and four months;

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

"Event of Default" means any one of the events specified in Condition 11 (*Events of Default*);

"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;

"Exposure Amount" means:

- (a) in respect of each Mortgage Backed Credit in the Initial Mortgage Backed Credits Portfolio, the lower of the Principal Outstanding Balance of such Mortgage Backed Credits and the aggregate amount of the relevant Borrower's funds placed on deposit with the Originator as at the Closing Date; and
- (b) in respect of a Substitute Mortgage Backed Credit or Additional Mortgage Backed Credit being added to the Securitised Mortgage Backed Credits Portfolio or the Exposure Amount Mortgage Backed Credits Portfolio on a Substitution Date or Additional Purchase Date (as the case may be), the lower of the Principal Outstanding Balance of such Substitute Mortgage Backed Credits or Additional Mortgage Backed Credit and aggregate amount of the relevant Borrower's funds placed on deposit with the Originator as at the relevant Substitution Date or Additional Purchase Date, respectively, and

provided that the Exposure Amount shall be reduced to the lowest historic amount of the funds on deposit with the Originator from time to time by the relevant Borrower;

"Exposure Amount Available Amount" means, in respect of any Interest Payment Date, an amount equal to the aggregate of the Principal Outstanding Balance of the Mortgage Backed Credits comprised

in the Exposure Amount Mortgage Backed Credits Portfolio other than in respect of Defaulted Mortgage Loans and the balance of the Exposure Amount Cash Ledger on such Interest Payment Date;

"Exposure Amount Available Funds" 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 as the Collections in respect of the Exposure Amount Mortgage Backed Credits Portfolio received by the Issuer during the immediately prior Calculation Period for such Calculation Date;

"Exposure Amount Cash Ledger" means the Payment Account ledger that will record all cash received by the Issuer from the Originator towards the Exposure Amount Required Amount;

"Exposure Amount Deficiency Ledger" means a ledger opened and maintained in the books of the Issuer by the Transaction Manager, under which the Issuer will record any Exposure Amounts and reductions thereof from Exposure Amount Available Funds in accordance with the Exposure Amount Pre-Enforcement Payments Priorities;

"Exposure Amount Interest Collections Ledger" means the Payment Account ledger that will record all Interest Collection Proceeds amounts received by the Issuer deriving from the Exposure Amount Mortgage Backed Credits Portfolio and paid by the Issuer in accordance with the terms of the Exposure Amount Pre-Enforcement Payments Priorities;

"Exposure Amount Mortgage Backed Credits Portfolio" means the Initial Exposure Amount Mortgage Backed Credits Portfolio and any Additional Exposure Amount Mortgage Backed Credits Portfolio;

"Exposure Amount Pre-Enforcement Payments Priorities" means the provisions relating to the order of payments priorities set out in Paragraph 28 (*Exposure Amount Pre-Enforcement Payments Priorities*) of Schedule 2 (*Services to be provided by the Transaction Manager*) to the Transaction Management Agreement;

"Exposure Amount Principal Collections Ledger" means the Payment Account ledger that will record all Principal Collection Proceeds received by the Issuer deriving from the Exposure Amount Mortgage Backed Credits Portfolio and paid by the Issuer in accordance with the terms of the Exposure Amount Pre-Enforcement Payments Priorities;

"Exposure Amount Required Amount" means such amount calculated by the Servicer with reference to the Exposure Amount in respect of all Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio at that time multiplied by 1.16 for the Mortgage Backed Credits contained in the Exposure Amount Mortgage Backed Credits Portfolio and multiplied by 1 (one) for cash amounts recorded in the Exposure Amount Cash Ledger;

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

"Final Legal Maturity Date" means the Interest Payment Date falling in December 2063;

"First Interest Payment Date" means 25 June 2012;

"Fitch" means Fitch Ratings Limited;

"Fixed Instalments Mortgage Backed Credit" means a Mortgage Backed Credit where the interest rate on the Mortgage Backed Credit is determined by reference to a floating rate reference rate but which is due to redeem pursuant to a schedule of fixed payment amounts each month such that the maturity of the Loan may increase or decrease dependent upon variations in the relevant floating rate reference rate;

"Floating Rate Notes" means the Class A Notes, the Class B Notes and the Class C Notes;

"Force Majeure Event" means an event beyond the reasonable control of the person affected including, without limitation, general strike, lock-out, labour dispute, act of God, war, riot, civil commotion, malicious damage, accident, breakdown of plant or machinery, computer software, hardware or system failure, fire, flood and/or storm and other circumstances affecting the supply of goods or services;

"Forward 3-month Euribor" means as follows:

$$\text{Forward 3-month Euribor} = [(1+Z*W)/(1+X*Y) - 1] * 1/Y$$

where:

X = The display as quoted on the Screen for a period of 3 months;

Z = The display as quoted on the Screen for a period of 6 months;

Y = The ratio of 90/360, and

W = The ratio of 180/360;

"General Ledger" means the Cash Reserve Account ledger set up and maintained in accordance with the Transaction Management Agreement in which the Cash Reserve Account Required Balance was recorded on the Closing Date;

"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 Securitised Pre-Enforcement Interest Payments Priorities, the Securitised Pre-Enforcement Principal Payments Priorities or the Post-Enforcement Payments Priorities (as the case may be);

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

"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;

"Initial Cash Reserve Account Required Balance" means the Initial Cash Reserve Account General Ledger Required Balance and the Initial Shortfall Liquidity Ledger Required Balance;

"Initial Cash Reserve Account General Ledger Required Balance" means an amount equal to €60,000,000;

"Initial Class S Notes" means the €40,200,000 Class S Exposure Amount Notes due 2063 issued by the Issuer on the Closing Date;

"Initial Exposure Amount Mortgage Backed Credits Portfolio" means the Loans and the related Mortgages, Ancillary Mortgage Rights and Receivables specified in the information records identified in Schedule 7 (*Initial Mortgage Backed Credits Portfolio*) Part B (*Exposure Amount Mortgage Backed Credits Portfolio*) 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;

"Initial Mortgage Backed Credits Portfolio" means the Securitised Mortgage Backed Credits Portfolio and the Initial Exposure Amount Mortgage Backed Credits Portfolio;

"Initial Portfolio Determination Date" means 15 February 2012;

"Initial Shortfall Liquidity Ledger Required Balance" means an amount equal to €5,000,000;

"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 unless such proceeding is contested in good faith on appropriate legal advice and the same has a reasonable prospect of discontinuing or discharging the same;
- (c) the application (unless such application is contested in good faith on appropriate legal advice and the same has a reasonable prospect of discontinuing or discharging the same) to any court for, or the making by any court of, a bankruptcy, an insolvency or an administration order against such person or entity;
- (d) the enforcement of, or any attempt to enforce (unless such attempt is contested in good faith on appropriate legal advice and the same has a reasonable prospect of discontinuing or discharging the same) 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 (unless such process, if contestable, is contested in good faith on appropriate legal advice and the same has a reasonable prospect of discontinuing or discharging the same) 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;
- (g) the making of an arrangement, composition or reorganisation with the creditors that has a material impact on the assets of such a person or entity; or
- (h) such person or entity is deemed unable to pay its debts generally within the meaning of any liquidation, insolvency, composition, reorganisation or other similar laws in the jurisdiction of its incorporation or establishment;

"Insolvency Proceedings" means:

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

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

"Instalment Due Date" means in relation to any Mortgage 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;

"Insurance Policies" means the insurance policies taken out by Borrowers in respect of Mortgage Backed Credits in the Securitised Mortgage Backed Credits Portfolio 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;

"Interbolsa" means INTERBOLSA – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., having its registered office at Avenida da Boavista, 3433, 4100-138 Porto, Portugal;

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

- (a) the amount of interest calculated on the related Interest Determination Date in respect of such Floating Rate Note for such Interest Period by multiplying the Principal Amount Outstanding of such Floating Rate 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 Floating Rate Note (other than the Class A Notes) the Deferred Interest Amount Arrears in respect of such Floating Rate 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 Floating Rate Notes for any Interest Period, the aggregate amount in paragraph (a) above, of all notes in such Class of Floating Rate 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 2 (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 25th 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 Receivables" means in respect of any Collections:

- (a) all interest collected and to be collected thereunder from and including the Initial 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 included in the Securitised Mortgage Backed Credits Portfolio 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 Agencies and the Paying Agent not less than 2 (two) Business Days prior to each Interest Payment Date;

"Issue Price" means, in respect of the Securitisation Notes and the Initial Class S Notes, an amount equal to 100 (one hundred) per cent. of the aggregate Principal Amount Outstanding of such Notes on the Closing 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 of Lisbon under the sole commercial registration and taxpayer 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 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 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 and including any standby fees payable to the Back-up Servicer;

"Issuer Fixed Transaction Revenue" means an amount equal to 0.011 (zero point zero eleven) per cent. of the Principal Outstanding Balance of the Notes as of the Interest Payment Date, payable in arrears on each Interest Payment Date;

"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;

"Ledgers" means the Principal Deficiency Ledgers, the Capitalised Interest Ledger, the Shortfall Liquidity Ledger, the Securitised Ledger, the Exposure Amount Interest Collections Ledger, the Exposure Amount Principal Collections Ledger, the General Ledger, the Exposure Amount Cash Ledger and the Exposure Amount Deficiency Ledger;

"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;

"Loans" 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 Ratings" means in respect of any entity:

- (i) a minimum DBRS Long-Term Rating of "A" not on negative credit watch; and
- (ii) such person's long-term unsecured, unsubordinated, unguaranteed debt obligations being rated "BBB+" and such person's short-term unsecured, unsubordinated, unguaranteed debt obligations being rated "F2" by Fitch and in each case such rating not being designated as Risk Watch Negative; and
- (iii) such person's long-term unsecured, unsubordinated, unguaranteed debt obligations being rated "A-" by S&P,

or such other rating or ratings as may be agreed with the relevant Rating Agency from time to time as would maintain the then current ratings of the Class A Notes;

"Mixed Instalments Mortgage Backed Credit" means a Mortgage Backed Credit which is due to be redeemed pursuant to a schedule of increasing instalments (whereby the instalment increases during the first 8 (eight) years of the Loan, and becomes constant thereafter) calculated with reference to a pre-determined formula;

"Montepio" means Caixa Económica Montepio Geral, a credit institution established as a *fundação* under the laws of the Portuguese Republic, with an institutional capital of € 1,245,000,000 and having its registered office at Rua Áurea, 219-241, in Lisbon, Portugal, taxpayer number and registration number with the Commercial Registry Office of Lisbon 500792615;

"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, as amended) by which the Mortgage was granted, the relevant Loan Agreement and all other agreements or documentation relating to that Mortgage Backed Credit;

"Mortgage Backed Credit Warranty" means any of the warranties given by the Seller in respect of the Mortgage Backed Credits Portfolio in Schedule 2 (*Seller Representations and Warranties*) of the Mortgage Backed Credits Assignment Agreement;

"Mortgage Backed Credits Portfolio" means the Initial Mortgage Backed Credits Portfolio and any Additional Mortgage Backed Credits Portfolio;

"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 and the Class B 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 S 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 (e) and (i) of the Securitised 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 (*Sequential Mandatory Redemption in part of Mortgage Backed Notes*), Condition 8.3 (*Mandatory Redemption in part of the Class C Notes*) and Condition 8.4 (*Mandatory Redemption in whole of the Class D Notes and the Class S Notes*);

"Note Proceeds" means, in respect of the issue of the Notes, the gross proceeds of such issue;

"Note Rate" means, in respect of each Class of Floating Rate 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 Securitisation Notes and the Class S Notes;

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

"Notices Condition" means Condition 18 (*Notices*);

"OLTV" means, in respect of all Loans relating to a Borrower 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 such Loan(s) were originated and rounded to the nearest first decimal figure;

"Operating Procedures" means the operating procedures applicable to the Originator and initialled for identification by the Originator and delivered on the Closing Date (as amended, varied or supplemented from time to time in accordance with the Servicing Agreement);

"Originator" means Montepio in its capacity as originator of the Loans;

"Outstanding" means, in relation to the Notes, all the Notes 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 Noteholders 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;

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Noteholders;

- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 14 (*Waiver*), Clause 15 (*Modifications*), Clause 17 (*Proceedings and Actions by the Common Representative*), Clause 24 (*Appointment of Common Representatives*) and Clause 25 (*Notice of a New Common Representative*) of the Common Representative Appointment Agreement and Condition 11 (*Events of Default*), Condition 12 (*Proceedings*) and Condition 14 (*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 Notes (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 International PLC, Sucursal em Portugal in its capacity as the paying agent in respect of the Notes or any successor or additional paying agent 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 Interruption Payment Shortfall" means a Payment Shortfall that arises as a result of an interruption in payments to or from the Issuer following a Servicer Event or an Insolvency Event in respect of the Proceeds Account Bank;

"Payments Priorities" means the Securitised Pre-Enforcement Interest Payments Priorities, the Exposure Amount 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) 0 (zero); and
- (b) the aggregate of the amounts required to pay or provide in full on such Interest Payment Date for the items falling in (a) to (d) of the Securitised Pre-Enforcement Interest Payments Priorities less the amount of the Securitised Available Interest Distribution Amount calculated in respect of such Interest Period;

"Portfolio Determination Date" means the Initial Portfolio Determination Date and any Additional Portfolio Determination Date;

"Post-Enforcement Payments Priorities" means the provisions relating to the order of payments priorities set out in Clause 20 (*Post-Enforcement Payments Priorities*) of the Common Representative Appointment Agreement;

"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;

"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 and the Class B Principal Deficiency Ledger;

"Principal Draw Amount" means in relation to any Interest Payment Date the amount (if any) of the Securitised Available Principal Distribution Amount which is to be utilised by the Issuer to reduce or eliminate any Cashflow Payment Shortfall on such Interest Payment Date being the aggregate amount determined on the related Calculation Date of the amount by which the Issuer would be unable to make payment in full of items (a) to (d) of the Securitised Pre-Enforcement Interest Priorities; 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 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 0 (zero);

"Principal Receivables" means 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 relevant 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;

"Proceeds Account" means the segregated account identified in Schedule 4 (*Account Details*) to the Servicing Agreement 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 and identified as such 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, following the occurrence of a Servicer Event or an Insolvency Event in respect of the Servicer, such other financial institution, as may be designated by the Issuer in the terms set forth in the Servicing Agreement;

"Property" means, in relation to any Loan, the property upon which the repayment of such Loan is secured by the corresponding Mortgage 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 2 (*Provisions for Meetings*) of the Common Representative Appointment Agreement;

"Quarterly Report" means the report so named relating to the Mortgage Backed Credits to be delivered by the Servicer to the Transaction Manager pursuant to Paragraph 22 (*Servicer's Report*) of Schedule 1 (*Services to be provided by the Servicer*) to the Servicing Agreement in the form set out in Schedule 5 (*Form of Quarterly Report*) thereto or as otherwise agreed from time to time between the Transaction Manager and the Servicer;

"Ratings" means the then current ratings of the Class A Notes given by each of the Rating Agencies;

"Rating Agencies" means DBRS, Fitch and S&P;

"Receivables" means the Principal Receivables and the Interest Receivables;

"Reference Bank" means the principal Euro-zone office of four major banks selected by the Agent Bank from time to time;

"Regulatory Change" means a change published on or after the Closing Date in the Basel Capital Accord promulgated by the Basel Committee on Banking Supervision (the **"Basel Accord"**) or in the international, European or Portuguese regulations, rules or instructions (including the solvency regulations and transfer of credit risk rules for securitisation transactions issued by the Bank of Portugal) (the **"Bank Regulations"**) applicable to any Originator (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basel Accord) or a change in the manner in which the Basel Accord or such Bank Regulations are interpreted or applied by the Basel Committee on Banking Supervision or by any relevant competent international, European or Portuguese body (including, but not limited to, the Bank of Portugal or any other competent regulatory or supervisory authority) which, in the reasonable opinion of the affected Originator, may adversely affect the rate of return on its capital and/or increase the cost and/or reduce or negate the benefit of the transaction contemplated by the Notes with respect to the affected Originator;

"Relevant Date" means, in respect of any Notes, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after the date on which notice is duly given to the Noteholders in accordance with the Notices Condition that, upon further presentation of the Notes being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation;

"Relevant Margin" means:

- (a) in relation to the Class A Notes, 0.3 (zero point three) per cent. per annum;
- (b) in relation to the Class B Notes, 0.5 (zero point five) per cent. per annum; and
- (c) in relation to the Class C Notes, 1.5 (one point five) per cent. per annum;

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

"Relevant Screen" means a page of the Reuters Service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the 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 Floating Rate Notes of any amount due under the Class D Notes or the Class S Notes, 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 due on any date in respect of the Notes of any Class;
- (b) to effect the exchange, conversion or substitution of the Notes, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to alter the priority of payment of interest or principal in respect of the Notes; or
- (e) to amend this definition.

"Resolution" means, in respect of matters other than a Reserved Matter, a resolution passed at a Meeting duly convened and held in accordance with the quorums of the provisions for Meetings of Noteholders by a majority of the votes cast and, in respect of matters relating to a Reserved Matter, a resolution passed at a Meeting duly convened and held in accordance with the quorums of the provisions for Meetings of Noteholders by 50 (fifty) per cent. of votes cast or by 2/3 (two thirds) of votes cast in any adjourned meeting;

"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;

"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 Reuters Screen EURIBOR01 Page; or

- (a) such other page as may replace Reuters Screen EURIBOR01 Page 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, Decree Law no. 52/2006 of 15 March 2006 and by Decree Law no. 211-A/2008 of 3 November 2008;

"Securitisation Notes" means the Floating Rate Notes and the Class D Notes;

"Securitized 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 included in the Securitised Mortgage Backed Credits Portfolio during the Calculation Period immediately preceding such Interest Payment Date and standing to the credit of the Payment Account; plus
- (b) where the proceeds or estimated proceeds of disposal or, on maturity, the maturity proceeds of any Authorised Investment received in relation to the relevant Calculation Period exceeds the original cost of such Authorised Investment, the amount of such excess together with interest thereon; plus
- (c) all amounts standing to credit of the Cash Reserve Account which are recorded in the General Ledger; plus
- (d) an amount standing to the credit of the Cash Reserve Account and recorded in the Shortfall Liquidity Ledger equal to any Shortfall Liquidity Debit to be made on such Interest Payment Date to cover any Payments Interruption Payment Shortfall in respect of such Interest Payment Date; plus
- (e) the amount of any Principal Draw Amount to be made on such Interest Payment Date to cover any Cashflow Payment Shortfall in respect of such Interest Payment Date; plus
- (f) on the Final Legal Maturity Date or the date of redemption in full of the Notes, all other amounts standing to the credit of the Cash Reserve Account and recorded in the Shortfall Liquidity Ledger; plus
- (g) interest accrued and credited to the Transaction Accounts during the relevant Calculation Period; plus
- (h) the amount of any Capitalised Interest Application Amount to be applied on such Interest Payment Date; plus
- (i) any portion of the Securitised Available Principal Distribution Amount remaining after the redemption in full of the Mortgage Backed Notes; plus
- (j) any amounts recorded on Exposure Amount Interest Collections Ledger and transferred from the Exposure Amount Cash Ledger to the Securitised Ledger in accordance with the Transaction Management Agreement; less

(k) any Withheld Amount;

"Securitized 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 in the Securitized Mortgage Backed Credits Portfolio during the Calculation Period immediately preceding such Interest Payment Date; plus
- (b) such amount of the Securitized Available Interest Distribution Amount as is credited to the Payment Account and which is applied by the Transaction Manager on such Interest Payment Date in reducing the debit balance on the Class A Principal Deficiency Ledger and the Class B; plus
- (c) any amounts recorded on the Exposure Amount Principal Collections Ledger and transferred from the Exposure Amount Cash Ledger to the Securitized Ledger in accordance with the Transaction Management Agreement; less
- (d) the amount of any Capitalised Interest Application Amount to be applied on such Interest Payment Date; less
- (e) the amount of any Principal Draw Amount to be applied on such Interest Payment Date;

"Securitized Ledger" means the Payment Account ledger that will record all amounts received by the Issuer deriving from the Securitized Mortgage Backed Credits Portfolio and the Exposure Amount Cash Ledger as so applied by the Transaction Manager and paid by the Issuer in accordance with the terms of the Securitized Pre-Enforcement Payments Priorities or the Post-Enforcement Payments Priorities;

"Securitized Mortgage Backed Credits Portfolio" means the Loans and the related Mortgages, Ancillary Mortgage Rights and Receivables specified in the information records identified in Schedule 7 (*Initial Mortgage Backed Credits Portfolio*) Part A (*Securitized Mortgage Backed Credits Portfolio*) 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;

"Securitized Pre-Enforcement Interest Payments Priorities" means the provisions relating to the order of payments priorities set out in Paragraph 26 (*Securitized Pre-Enforcement Interest Payments Priorities*) of Schedule 2 (*Services to be provided by the Transaction Manager*) to the Transaction Management Agreement;

"Securitized Pre-Enforcement Payments Priorities" means the Securitized Pre-Enforcement Interest Payments Priorities and the Securitized Pre-Enforcement Principal Payments Priorities as the case may be;

"Securitized Pre-Enforcement Principal Payments Priorities" means the provisions relating to the order of payments priorities set out in Paragraph 27 (*Securitized Pre-Enforcement Principal Payments Priorities*) of Schedule 2 (*Services to be provided by the Transaction Manager*) to the Transaction Management Agreement;

"Seller" means Montepio in its capacity as seller of the Mortgage Backed Credits under the Mortgage Backed Credits Assignment Agreement;

"Servicer" means Montepio, or any duly appointed successor, in its capacity as servicer under the Servicing Agreement (but, for the avoidance of doubt, not the Back-up Servicer, before the delivery of a Servicer Termination Notice);

"Servicing Agreement" means an agreement so named to be entered into on the Closing Date between the Servicer, the Seller, the Purchaser, the Back-up Servicer, the Proceeds Account Bank and the Issuer;

"Servicer Event" means any of the events specified in Clause 15 (*Servicer Events*) of the Servicing Agreement;

"Set-Off Event" means, in relation to any Mortgage Backed Credits included in the Mortgage Backed Credits Portfolio:

- a) the exercise by a Borrower of any alleged right of set-off in respect of any debt (present or future, actual or contingent) due or owing by the Seller to such Borrower or alleged to be so due and owing; or
- b) any other claim, counterclaim or other similar right or action by a Borrower, as a result of which any amount due or to become due by such Borrower in respect of such Mortgage Backed Credits, is or may be reduced;

"Shortfall Liquidity" means the amount standing to the credit of the Cash Reserve Account and recorded by the Transaction Manager on the Shortfall Liquidity Ledger;

"Shortfall Liquidity Debit" means a transfer made in accordance the Transaction Management Agreement by debiting the Cash Reserve Account (and recording a corresponding debit entry on the Shortfall Liquidity Ledger) and crediting the Payment Account up to the Available Liquidity Shortfall Amount to reduce or eliminate, as the case may be, a Payments Interruption Payment Shortfall upon the occurrence of a Shortfall Liquidity Event;

"Shortfall Liquidity Event" means a Payments Interruption Payment Shortfall on an Interest Payment Date when at such date an Insolvency Event with respect to the Servicer has occurred and is continuing;

"Shortfall Liquidity Ledger" means the Cash Reserve Account ledger set up and maintained in accordance with the Transaction Management Agreement to record the Shortfall Liquidity, any Shortfall Liquidity Debit and other debits and credits;

"Shortfall Liquidity Ledger Required Balance" means, in respect of an Interest Payment Date, the amount determined by the Transaction Manager as at the related Calculation Date as being equal to:

- (a) Payments under items (a) to (c) of the Securitised Pre-Enforcement Interest Payment Priorities on such Interest Payment Date; plus
- (b) The Interest Amount due on the Class A Notes on the subsequent Interest Payment Date, assuming the respective Note Rate is referencing the maximum of:
 - (i) The Current 3-month Euribor; and
 - (ii) The Forward 3-month Euribor;

provided that the Shortfall Liquidity Ledger Required Balance will be deemed to be 0 (zero) if the Interest Payment Date following the Calculation Date is the Final Legal Maturity Date or if a Successor Servicer has taken over the administration and servicing of the Mortgage Backed Credits;

"Signing Date" means 2 March 2012;

"Sole Arranger" means StormHarbour;

"Specified Offices" means in relation to any Agent:

- (a) the office specified against its name in Schedule 7 (*Notice Details*) to the Incorporated Terms Memorandum; or
- (b) such other office as such Agent may specify in accordance with Clause 11.8 (*Changes in Specified Offices*) of the Paying Agency Agreement;

"Stock Exchange" means Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.;

"Stormharbour" means StormHarbour Securities LLP, with registered offices at 10 Old Burlington Street, London, W1S 3AG, United Kingdom;

"Subscription Agreement" means an agreement so named dated on or about the Signing Date between the Issuer, the Originator and StormHarbour as Sole Arranger;

"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 no. 328-B/86 of 30 September 1986 and Decree Law no. 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;

"Successor Servicer" means an entity identified in accordance with Clause 20 (*Identification of Successor Servicer*) of the Servicing Agreement and appointed in accordance with Clause 21 (*Appointment of Successor Servicer*) of the Servicing Agreement to perform the Services;

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc.;

"TARGET Day" means any day on which the TARGET 2 System is open;

"TARGET 2 System" means the Trans-European Automated Real-time Gross Settlement Express Transfer 2 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;

"Tax or Regulatory Event" means any one of the events specified in (A) to (D) of Condition 8.9 (*Option Redemption in whole for taxation reasons*) of the Conditions;

"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 Agencies' fees);
- (f) any directors' fees or emoluments or fees payable to the auditors' of the Issuer in connection with this transaction;
- (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 Back-up Servicer;

"Transaction Documents" means the Incorporated Terms Memorandum, the Prospectus, the Mortgage Backed Credits Assignment Agreement, the Servicing Agreement, the Common Representative Appointment Agreement, the Co-ordination Agreement, the Transaction Management Agreement, the Paying Agency Agreement, the Accounts 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 on the Functioning of the 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 or to be 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 Securitised Available Interest Distribution Amount or the Securitised 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) 24 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 relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes in Portugal or in other jurisdictions and should be read in conjunction with the section entitled "Risk Factors – Withholding Taxes in respect of the Notes". Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country or countries in which they are resident for tax purposes and the tax laws of Portugal of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts in respect of the Notes. 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 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. 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. 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 are generally governed by 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 established for debt securities ("*obrigações*").

Any payments of interest made in respect of the Notes to Noteholders who are not Portuguese residents for tax purposes and do not have a permanent establishment in Portugal to which the income is attributable will be exempt from Portuguese income tax under the Securitisation Tax Law. The exemption from income tax liability does not apply to non residents if: (i) more than 25 (twenty five) 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 Ministerial Order (*Portaria*) no. 150/2004 of 13 February ("**Tax Haven**"), as amended, namely by Ministerial Order (*Portaria*) no. 292/2011 of 8 November. To qualify for the exemption, Noteholders will be required to provide the Issuer with an adequate evidence of non residence status prior to Interest Payment Date according to the requirements and procedures set forth in the Securitisation Tax Law.

If the above exemption does not apply, interest payments on the Notes made to non-resident individuals or legal persons are subject to a final withholding tax at the current rate of 25 (twenty five) per cent.

A withholding tax rate of 30 (thirty) per cent applies in case of investment income payments to individuals or legal persons resident in the countries and territories included in the Portuguese "blacklist" (countries and territories listed in Ministerial Order (*Portaria*) no. 150/2004, of 13 February 2004, amended by Ministerial Order (*Portaria*) no. 292/2011, 8 November 2011). Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 30 (thirty) per cent, unless the relevant beneficial owner(s) of the

income is/are identified, in which case, the withholding tax rates applicable to such beneficial owner(s) will apply.

Under the double taxation conventions entered into by Portugal which are in full force and effect on the date of this Prospectus, the withholding tax rate may be reduced to 15 (fifteen), 12 (twelve), 10 (ten) or 5 (five) per cent, depending on the applicable convention and provided that the relevant formalities and procedures are met. In order to benefit from such reduction, Noteholders shall comply with certain requirements established by the Portuguese Tax Authorities, aimed at verifying the non-resident status and entitlement to the respective tax treaty benefits (through submission of tax forms 21 RFI or 22 RFI, depending on whether the reduction applies at source or through refund).

Regarding capital gains obtained on the disposal of Notes by a legal person non resident in Portugal for tax purposes and without a permanent establishment located herein to which gains are attributable, they are exempt from Portuguese capital gains taxation, unless (i) the share capital of the non resident entity is more than 25 (twenty five) per cent. directly or indirectly, held by Portuguese resident entities or if (ii) is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "Tax Heaven" list approved by Ministerial Order (*Portaria*) no. 150/2004, of 13 February 2004, amended by Ministerial Order no. 292/2011 of 8 November (*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*). In such cases, capital gains are subject to taxation at a 25 (twenty five) per cent. flat rate. Under the double taxation conventions entered into by Portugal, Portugal is usually restricted on its taxation powers to tax such gains and hence those gains are not generally subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

Capital gains arising from the transfer of the Notes obtained by non-resident individuals without a permanent establishment in Portugal to which the income is attributable are exempt from personal income tax. However, the exemption from personal income tax does not apply to non-resident individuals if the country of residency is any of the jurisdictions listed as a Tax Heaven. Capital gains obtained by non-resident individuals that are not entitled to said exemption will be subject to taxation at a special rate of 25 (twenty five) per cent. Under the double taxation conventions entered into by Portugal, Portugal is usually restricted on its taxation powers to tax such gains and hence those gains are not generally subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis. Accrued interest does not qualify as capital gains for tax purposes.

Interest derived from the Notes and capital gains and losses obtained by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the interest or capital gains or losses are attributable are included in their taxable income and are subject to a 25 (twenty five) per cent. tax rate. A municipal surcharge ("*derrama municipal*") of up to 1.5 (one point five) per cent. may be due over the Noteholders taxable profits which are subject and not exempt from corporate income tax. A State surcharge ("*derrama estadual*") of 3 (three) per cent on the part of the taxable profits subject to and not exempt from corporate income tax from €1,500,000 to €10,000,000, and of 5 (five) per cent on the part of the taxable profits exceeding €10,000,000 is also applicable.

As a general rule, withholding tax at a rate of 25 (twenty five) per cent applies on interest derived from the Notes, which is deemed to be a payment on account of the final tax due. Where the interest are paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties a 30 (thirty) per cent withholding tax rate applies, unless the relevant beneficial owner(s) of the income is/are identified, in which case, the general rule shall apply. Financial institutions resident in Portugal (or branches of foreign financial institutions located herein), pension funds, retirement and/or education savings funds, share savings funds, venture capital funds incorporated under the laws of Portugal and certain exempt entities are not subject to Portuguese withholding tax.

The annual positive difference between the capital gains and capital losses deriving from the sale of Notes by an investment fund created and operating under the Portuguese legislation is not subject to taxation in the Portuguese territory except whenever such gain is obtained by mixed or closed-ended investment funds of private subscription to which the rules established in the personal income tax code for Portuguese resident individuals apply.

Interest payments on the Notes made available to Portuguese resident individuals are subject to final withholding tax for personal income tax purposes at the current rate of 25 (twenty five) per cent, unless the individual elects for aggregation to his taxable income, subject to tax at the current progressive rates of up to

46.5 (forty six point five) per cent. An additional income tax rate of 2.5 (two point five) per cent. will be due on the part of the taxable income exceeding € 153.300. In case of option for aggregation to the taxable income, the tax withheld will be creditable against the recipient's final tax liability.

Interest on the Notes paid to accounts opened in the name of one or several accountholders acting on behalf of third entities which are not disclosed is subject to withholding tax at a flat rate of 30 (thirty) per cent, except where the beneficial owners of such income are disclosed, in which case the general rule shall apply.

Capital gains obtained with the transfer of the Notes by Portuguese tax resident individuals are taxed at a special rate of 25 (twenty five) per cent., levied on the positive difference between such gains and gains on other securities and losses on securities. Capital losses do not take part in the calculation of the net capital gains when the counterpart in the operation is resident in a Tax Haven. In this respect, an exemption applies to the annual positive difference of up to €500 between gains and losses arising from the sale of shares, bonds and other debt securities. Accrued interest does not qualify as capital gains for tax purposes.

Payments of principal on Notes are not subject to Portuguese withholding tax. For these purposes, principal shall mean all payments carried out without any remuneration component.

Stamp Tax

An exemption from stamp tax will apply to the assignment for securitisation purposes of the Receivables by the Originator to the Issuer and on the commissions paid by the Issuer to the Servicer pursuant to the Securitisation Tax Law.

Value Added Tax

An exemption from VAT will apply to the servicing activities referred to in the Securitisation Tax Law.

EU Savings Directive

Portugal has implemented the EC Council Directive 2003/48/EC of 3 June 2003 on taxation savings income into the Portuguese law through Decree Law no 62/2005, of 11 March 2005, as amended by Law no 39-A/2005, of 29 July 2005, and by Law no. 37/2010, of 2 September 2010.

The forms currently applicable to comply with the reporting obligations arising from the implementation of the EU Savings Directive were approved by Ministerial Order (*Portaria*) no. 563-A/2005, of 28 June 2005, and may be available for viewing and downloading at www.portaldasfinancas.gov.pt.

SUBSCRIPTION AND SALE

General

The Notes of each Class will be purchased by the Originator or another member of the Montepio Group on the Closing Date and held by the relevant purchaser. The Issuer and the Originator have agreed to indemnify the Sole Arranger against certain liabilities in connection with the issue of the Notes.

United Kingdom

In relation to the Notes the Sole Arranger 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 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.

Portugal

The Notes are subject to a private placement addressed exclusively to qualified investors as defined, from time to time, in Article 30 of the Portuguese Securities Code (*investidores qualificados*), such private placement being considered as a private placement of securities pursuant to the Portuguese Securities Code; and private placements addressed by companies open to public investment (*sociedades abertas*) or by issuers of securities listed on a regulated market shall be notified to the CMVM for statistical purposes.

Public Offers Generally

Save for having obtained the approval of the Prospectus by the CMVM and applied for admission of the Notes to listing on 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 Sole Arranger 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 Sole Arranger 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 16 February 2012.
2. It is expected that the Class A Notes will be admitted to trading on the main market Euronext Lisbon of the Stock Exchange on or about the Closing Date.
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 2010 (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 2 (two) Business Days prior to each Interest Payment Date. The Investor Report shall be available on www.sf.citidirect.com.
7. The Notes have been accepted for clearance through the CVM. The ISIN and the CFI Codes for the Notes are as follows:

	CVM Code	CFI Code	ISIN
Class A Notes	SSCQOM	DBVSGR	PTSSCQOM0006
Class B Notes	SSCROM	DBVSGR	PTSSCROM0005
Class C Notes	SSCSOM	DBVSGR	PTSSCSOM0004
Class D Notes	SSCTOM	DBVSGR	PTSSCTOM0003
Class S Notes	SSCUOM	DBVSGR	PTSSCUOM0000

8. Effective Interest Rate

The estimated effective interest rates of the Floating Rate Notes are presented below:

	Effective Interest Rate (gross)	Effective Interest Rate (net of withholding tax)
Class A Notes	1.288%	0.965%
Class B Notes	1.490%	1.116%
Class C Notes	2.502%	1.873%
Class D Notes	N/A	N/A

These estimated effective interest rates are based on the following assumptions:

- a) 3 month-EURIBOR constant rate of 0.983 (zero point nine eight three) per cent. as of 29 February 2012;
- b) interest on the Floating Rate Notes is calculated based on an Actual/360 day count fraction;
- c) the Loans continue to be fully performing;

- d) withholding tax of 25 (twenty five) per cent.;
- e) the transaction is called when the current Outstanding Principal Balance of the Mortgage Backed Credits Portfolio is less than 10 (ten) per cent. of Initial Mortgage Backed Credits Portfolio.

Assumption (a) assumes that the Euro Reference Rate of interest on the Floating Rate Notes remains constant throughout the life of the Floating Rate Notes whereas in practice it is highly likely to change over time. Assumptions (c) and (e) relate to circumstances which are not predictable.

- 9. The *Comissão do Mercado de Valores Mobiliários*, pursuant to Article 62 of the Securitisation Law, has assigned asset identification code 201203SGRCMGS00N0058 to the Notes.
- 10. Copies of the following documents will be available for inspection by the Noteholders 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;
 - (9) Co-ordination Agreement; and
 - (10) Master Execution Deed.
- 11. The most recent publicly available financial statements for each of the last 2 (two) accounting financial periods and the most recent non-audited semi-annual financial statements of the Issuer 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.
- 12. The Notes of each class shall be freely transferable.
- 13. Any website (or the contents thereof) referred to in this Prospectus does not form part of this Prospectus as approved by the CMVM.

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