

PELICAN SME N °1

(Article 62 Asset Identification Code 201006SGRCMGSSXXN0040)

€577,500,000 Class A Asset Backed Floating Rate Securitisation Notes due 2036

€472,500,000 Class B Asset Backed Floating Rate Securitisation Notes due 2036

€117,000,000 Initial Vertical Asset Backed Variable Funding Securitisation Notes due 2036

€7,294,000 Initial Class C Variable Funding Securitisation Notes due 2036

€31,500,000 Residual Variable Funding Securitisation Notes due 2036

Issue Price: 100 (one hundred) percent

Issued by

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

(Incorporated in Portugal with limited liability under registered number 506 561 461)

This prospectus is dated 21 June 2010 and relates to the admission to trading on a regulated market of the Notes described herein.

The €577,500,000 Class A Asset Backed Floating Rate Securitisation Notes due 2036 (the “**Class A Notes**”), the €472,500,000 Class B Asset Backed Floating Rate Securitisation Notes due 2036 (the “**Class B Notes**”, together with the Class A Notes, the “**Funding Notes**”), the €117,000,000 Initial Vertical Asset Backed Variable Funding Securitisation Notes due 2036 (the “**Initial Vertical Notes**”), the €7,294,000 Initial Class C Variable Funding Securitisation Notes due 2036 (the “**Initial Class C Notes**”) and the €31,500,000 Residual Variable Funding Securitisation Notes due 2036 (the “**Residual Notes**”) of Sagres - Sociedade de Titularização de Créditos, S.A. (the “**Issuer**”) will be issued on 22 June 2010 (the “**Closing Date**”). On any Interest Payment Date comprised between the Closing Date and the Interest Payment Date falling on 15 July 2036 (an “**Additional Purchase Date**”) the Issuer may additionally issue up to €10,000,000,000 notes due 2036 (the “**Additional Vertical Notes**”) and, together with the Initial Vertical Notes, the “**Vertical Notes**”) fungible with the Initial Vertical Notes and with any other Additional Vertical Notes issued on any other previous Additional Purchase Date and may issue up to €5,000,000,000 notes due 2036 (the “**Additional Class C Notes**”) and, together with the Initial Class C Notes, the “**Class C Notes**”) fungible with the Initial Class C Notes and with any other Additional Class C Notes issued on any other previous Additional Purchase Date. The Funding Notes, the Vertical Notes, the Class C Notes and the Residual Notes are, upon the relevant issue, together referred to as “**Notes**”. The issue price of the Notes is 100 (one hundred) percent of their principal amount.

All offers and sales will be made outside the United States in offshore transactions in reliance on Regulation (“**Regulation S**”) under the United States Securities Act of 1933, as amended (the “**Securities Act**”).

Interest on the Notes (except the Residual Notes) issued on the Closing Date and the Residual Distribution Amount is payable on the 15 day of October 2010 and thereafter interest on the Notes (except the Residual Notes) and the Residual Distribution Amount shall be payable quarterly in arrears on the 15 day of January, April, July and October 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 Notes is payable in respect of each Interest Period at an annual rate equal to the sum of the European Interbank Offered Rate for 3 month euro deposits, plus, for each Interest Period a margin of 0.60 percent per annum in relation to the Class A Notes prior to the Step-Up and Call Date and a margin of 1.20 percent per annum in relation to the Class A Notes after the Step-Up and Call Date, 1.00 percent per annum in relation to the Class B Notes, 0.80 percent per annum in relation to the Vertical Notes, 1.50 percent per annum in relation to the Class C Notes, or, in the case of the first Interest Period from (and including) the Closing Date to (but excluding) the 15 day of October 2010, at a rate equal to the interpolation of the EURIBOR for three and four month euro deposits, plus a margin of 0.60 per cent. per annum in relation to the Class A Notes, 1.20 per cent. per annum in relation to the Class B Notes, 0.80 per cent. per annum in relation to the Vertical Notes and 1.50 per cent. per annum in relation to the Class C Notes. The Residual Notes will not bear interest but will be entitled to the Residual Distribution Amount to the extent of available funds.

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

The Notes will be redeemed at their Principal Amount Outstanding on the Final Legal Maturity Date to the extent not previously redeemed (see “**Principal Features of the Notes**”). Payment of interest on the Notes on each Payment Date will be made in accordance with the Payment Priorities.

During the Revolving Period, Principal Collections Proceeds will be used firstly, further to an Offer, to purchase Revolving SME Loans and, thereafter, to redeem principal due on the Vertical Notes. During the Revolving Period there will be no repayment of principal on the Funding Notes. After the end of the Revolving Period, repayment of principal on the Notes will be made sequentially by first redeeming all Funding Notes and thereafter by redeeming sequentially all Vertical Notes, all Class C Notes and all Residual Notes.

The Notes will be subject to optional redemption (in whole but not in part) at their Principal Amount Outstanding together with accrued interest at the option of the Issuer on any Interest Payment Date: (a) following the occurrence of certain tax changes concerning, *inter alia*, the Issuer, the SME Loans, the Swap Agreement, and/or the Notes; or (b) following the Calculation Date on which the Aggregate Principal Outstanding Balance of the SME Loans is equal to or less than 10 (ten) percent of the Aggregate Principal Outstanding Balance of the SME Loans as at the Initial Collateral Determination Date; (c) falling on or after the Step-Up and Call Date; or (d) during the Offering Period.

Subject to the Vertical Notes Threshold, the Vertical Notes may be subject to redemption in part on each Interest Payment Date during the Revolving Period on which the Issuer has Available Principal Distribution Amounts available for redeeming the Vertical Notes after paying the Additional Purchase Price for acquiring Additional SME Loans if the same are offered to be sold and assigned by the Originator. The Funding Notes and the Residual Notes will not be subject to redemption during the Revolving Period.

After the Revolving Period the Funding Notes will be subject to mandatory redemption in whole or in part on each Interest Payment Date on which the Issuer has available Principal Collections Proceeds available for redeeming the Funding Notes in accordance with the Payment Priorities. Payments of principal on the Class A Notes and the Class B Notes on such Interest Payment Dates 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 (see “**Principal Features of the Notes**”).

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 term loans and credit lines originated by Caixa Económica Montepio Geral (“**Montepio**” or the “**Originator**”), which correspond to the SME Loans.

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, subject to statutory segregation as provided for in the Securitisation Law (as defined in the Risk Factors). In particular, the Notes will not be obligations of and will not be guaranteed by J.P. Morgan Securities Ltd. or Montepio.

The Notes have not been and will not be registered under the Securities Act and are being offered and sold only outside the United States, in offshore transactions in compliance with Regulation S. The Notes are subject to certain restrictions on transfer as described in “Transfer Restrictions”.

Montepio has agreed to purchase the Notes issued on the Closing Date from the Issuer.

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**”). According to articles 236 and 118 of the Portuguese Securities Code, 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. Application has been made to the Irish Stock Exchange for the Class A Notes, the Class B Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes to be admitted to the Official List and trading on its regulated market.

The Class A Notes are expected to be rated by Fitch and DBRS, while the Class B Notes, the Vertical Notes, the Class C Notes and the Residual Notes will be unrated. It is a condition to the issuance of the Notes which are expected to be issued on the Closing Date that the Class A Notes receive AAA rating by Fitch and DBRS.

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

Each class of the Notes will initially be represented by a temporary global note (a “**Temporary Global Note**”) in bearer form, without coupons, receipts or talons, which is expected to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper or with a common safekeeper for Euroclear or Clearstream, Luxembourg on or about the Closing Date (in the case of the Funding Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes) or the relevant Additional Purchase Date (in the case of the Additional Vertical Notes and Additional Class C Notes). Each such Temporary Global Note will be exchangeable 40 (forty) days after the later of the Closing Date and the commencement of the offering of the Notes upon certification of non U.S. beneficial ownership for interests in a permanent global note (a “**Permanent Global Note**”) in bearer form, without coupons, receipts or talons, for the relevant class of Notes which will also be deposited with Euroclear or Clearstream, Luxembourg (each an “**ICSD**”).

Each Note will be in the form of a new global note. The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This only means that the Class A Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem, either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the European Central Bank. The Class B Notes, the Vertical Notes, the Class C Notes and the Residual Notes are not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem. See further the section entitled “*Summary of Provisions relating to Notes in Global Form*”.

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

Arranger

J.P.Morgan

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RISK FACTORS

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

Absence of a Secondary Market

There is currently no market for the Notes. 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 SME Loans, 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.

Moreover, 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.

Transaction Party and Rating Trigger Risk

The Issuer faces the possibility that a counterparty will be unable to honour its contractual obligations to it. These parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to the Issuer, executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. While certain Transaction Documents provide for rating triggers to address the insolvency risk of counterparties, such rating triggers may be ineffective in certain situations. Rating triggers may require counterparties, *inter alia*, to provide for collateral or to arrange for a new counterparty to become a party to the relevant Transaction Document upon a rating downgrade or withdrawal of the original counterparty. It may, however, occur that a counterparty having a requisite rating becomes insolvent before a rating downgrade or withdrawal occurs or that insolvency occurs immediately upon such rating downgrade or withdrawal or that the relevant counterparty does not have sufficient liquidity for implementing the measures required upon a rating downgrade or withdrawal.

Eligibility of Class A Notes for Eurosystem Monetary Policy

The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem Eligible Collateral**") either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the European Central Bank. If the Class A Notes do not

satisfy the criteria specified by the European Central Bank, there is a risk that the Class A Notes will not be Eurosystem Eligible Collateral. The Issuer gives no representation, warranty, confirmation or guarantee to any investor in the Class A Notes that the Class A Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investors in the Class A Notes should make their own determinations and seek their own advice with respect to whether or not the Class A Notes constitute Eurosystem Eligible Collateral. In particular, please note the press release from the ECB dated 20 November 2009 which stated, *inter alia*, that asset-backed securities issued as of 1 March 2010 will require two ratings.

Restrictions on Transfer

The Notes have not been, and will not be, registered under the US Securities Act 1933, as amended (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 and Transfer Restrictions*”.

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 an SME Loan and repurchases due to breaches of representations and warranties) on the SME Loans and the price paid by the Noteholders and the absence of the available funds for further purchases of Additional SME Loans or the Originator failing or being unable to offer to the Issuer Additional SME Loans on an Additional Purchase Date. Upon any early payment by the Borrowers in respect of the SME Loans after the end of the Revolving Period, and upon the anticipated end of the Revolving Period for certain reasons, 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 SME Loans. The rate of prepayment of SME Loans cannot be predicted and is influenced by a wide variety of economic and other factors, including prevailing interest rates, the availability of alternative financing and local and regional economic conditions. With effect from 6 April 2007 (following publication of Decree-law no. 51/2007 of 7 March 2007, as amended) the ability of banks in Portugal to levy prepayment charges on borrowers is limited. It is not yet possible to ascertain the effect, if any, that this will have upon the rate of prepayment of the SME Loans by the Borrowers. As a result of these factors, no assurance can be given as to the level of prepayment that the SME Loans Portfolio will experience. See “*Estimated Weighted Average Lives of the Notes and Assumptions*” herein.

Liability Under the Notes and 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 will not be obligations or responsibilities of any other entity and, therefore, the Noteholders will have a claim under the Notes against the Issuer only to the extent of the cashflows generated by the SME Loans 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. 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 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.

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 SME Loans 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 SME Loans, the Collections, its rights pursuant to the Transaction Documents and the 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 SME Loans Portfolio by the Servicer;
- (b) the Transaction Accounts arrangements;
- (c) the performance by all of the parties to the Transaction Documents (other than the Issuer) of their respective obligations under the Transaction Documents; and
- (d) the hedging arrangements entered into under the Swap Agreement.

The Issuer will not have any other funds available to it to meet its obligations under the Notes or any other payments ranking in priority to, or *pari passu* with, the Notes. There is no assurance that there will be sufficient funds to enable the Issuer to pay interest (or the Residual Distribution Amount, in respect of the Residual Notes) 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.

Issuance of further notes may affect the timing and amounts of payments to Noteholders

The Issuer expects to issue further Notes from time to time and such Notes may be issued under a new series without notice to existing Noteholders and without their consent. For a description of the conditions that must be met before the Issuer can issue Additional Vertical Notes and Additional Class C Notes, see "*Principal Features of the Notes*".

The issuance of new series of Notes could adversely affect the timing and amount of payments on outstanding Notes. Also, when new series of Notes are issued, the voting rights of your Notes will be diluted.

As Additional SME Loans are assigned to the Issuer, the characteristics of the SME Loans Portfolio may change from those existing at the Closing Date or relevant Additional Purchase Date, and those changes may adversely affect payments on the Notes.

There is no guarantee that any Additional SME Loans assigned to the Issuer will have the same characteristics as the SME Loans in the Initial SME Loans Portfolio as at the Closing Date or as any Additional SME Loans Portfolio as of an Additional Purchase Date. In particular, Additional SME Loans may have different payment characteristics from the loans in the SME Loans Portfolio as at the Closing Date or Additional Purchase Date. The ultimate effect of this could be to delay or reduce the payments received by Noteholders. Any Additional SME Loans will be required to meet the conditions described in “*Overview of certain Transaction Documents - Representations and Warranties as to the SME Loans*” below.

The Originator may change the lending criteria relating to SME Loans that are subsequently assigned to the Issuer, which could affect the characteristics of the SME Loans Portfolio and which may adversely affect payments on the Notes.

Each of the SME Loans assigned to the Issuer by the Originator was originated in accordance with the Originator’s lending criteria at the time of origination, subject only to exceptions made on a case-by-case basis as would be acceptable to a reasonable, prudent lender. The current lending criteria as at the date of this prospectus are set out in the section “*Originator’s Standard Business Practices, Servicing and Credit Assessment*” below. These lending criteria consider a variety of factors such as a potential borrower’s credit history and repayment ability, as well as the value of the assets to be used as security. In the event of the sale by the Originator of any Additional SME Loans and new related security to the Issuer, the Originator will warrant that those Additional SME Loans and new related security were originated in accordance with the Originator’s lending criteria at the time of their origination. However, the Originator retains the right to revise its lending criteria as determined from time to time, and so the lending criteria applicable to any loan at the time of its origination may not be or have been the same as those set out in the section “*Originator’s Standard Business Practices, Servicing and Credit Assessment*” below.

If new loans that have been originated under revised lending criteria are sold to the Issuer, the characteristics of the SME Loans Portfolio could change. This could lead to a delay or a reduction in the payments received on the Notes.

The inclusion of certain types of SME Loans may affect the rate of repayment and prepayment of the SME Loans.

The SME Loans Portfolio contains flexible loans corresponding to credit lines. These SME Loans under the form of credit lines provide the Borrower with a range of options that gives that Borrower greater flexibility in the timing and amount of payments made under the loan. Subject to the terms and conditions of the SME Loans (which may require in some cases notification to the Originator and in other cases the consent of the Originator), under a credit line a Borrower may (among other things) redraw amounts that have been repaid using available options set out in the relevant agreement.

To the extent that Borrowers of SME Loans under the form of credit lines exercise any of the options available to them, the timing of payments on your Notes may be adversely affected.

SME Loans subject to further advances (other than SME Loans under the form of credit lines) will be repurchased by the Originator from the Issuer, which will affect the prepayment rate of the SME Loans and this may affect the yield to maturity of the Notes.

If the Originator at its discretion decides to grant a Borrower a further advance under an SME Loan which has been sold to the Issuer (except where such SME Loan is a credit line), then the Originator will repurchase that SME Loan and its related Security from the Issuer (save for any loan in arrears) at a price

equal to the Principal Outstanding Balance of that SME Loan together with any accrued and unpaid interest and expenses of the Issuer to the date of purchase.

The yield to maturity of the Notes may be affected by the repurchase of loans subject to further advances.

Ratings are Not Recommendations

There is no obligation on the part of any of the Transaction Parties under the Notes or the Transaction Documents to maintain any rating for itself or the 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 rating initially assigned to the Class A Notes is subsequently lowered, withdrawn or qualified for any reason, no person will be obliged to provide any credit facilities or credit enhancement to the Issuer for the original rating to be restored. Any such lowering, withdrawal or qualification of a rating may have an adverse effect on the liquidity and market price of the Notes.

The Rating Agencies' rating of any Class A Note addresses the likelihood that Noteholders of such Class will receive timely payments of interest and ultimate repayment of principal. The rating of AAA is the highest rating that Fitch assigns to notes and the rating of AAA is the highest rating that DBRS assigns to notes.

The rating takes into consideration the characteristics of the SME Loans 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 holders of the Class A Notes might suffer a lower than expected yield due to prepayments.

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

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 SME Loans. There can be no assurance that the levels or timeliness of payments of Collections and recoveries received from the SME Loans 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.

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 and on the non existence of unforeseen extraordinary expenses to be borne by the Issuer which are not already accounted for by the Rating Agencies in relation to the Transaction Documents. If any of

the Parties to the Transaction Documents fails to meet its payment obligations or if the Issuer has to bear the referred unforeseen extraordinary expenses, there is no assurance that the ability of the Issuer to meet its payment obligations under the Notes will not be adversely affected or that the rating initially assigned to the Class A Notes is subsequently lowered, withdrawn or qualified.

Senior expenses in excess of certain levels could impact the rating of the Class A Notes

To the extent that Issuer Expenses and/or Third Party Expenses exceed, or are expected to exceed more than 0.30% of the Aggregate Principal Outstanding Balance of the SME Loans in any single year, the rating assigned to the Class A Notes may be put on negative watch, downgraded or withdrawn.

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 SME Loans Assignment Agreement, the Originator will warrant that, as at the Closing Date and each Additional Purchase Date, each Borrower in relation to an SME Loan Agreement comprised in the SME Loans Portfolio meets the Originator's lending criteria for new business in force at the time such Borrower entered into the relevant SME Loan Agreement. The lending criteria consider, among other things, a Borrower's credit history, 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 SME Loan to ultimately repay the principal and interest due on the Notes.

Borrowers

The SME Loans in the SME Loans Portfolio were originated in accordance with the lending 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 SME Loans. Loss of earnings 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 SME 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 and repayment ability, as well as the value of the assets to be used as security and are utilised with a view, in part, to mitigate the risks in lending to Borrowers.

Competition in the Portuguese Market

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

No Independent Investigation in relation to the SME Loans

None of the Issuer, the 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 Borrower, SME Loan or any historical information relating to the SME Loans and each will rely instead on the representations and warranties made by the Originator in relation thereto set out in the SME Loans 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 the Paying Agent will be obliged to make any additional payments to Noteholders, Couponholders or Receiptholders to compensate them for the reduction in the amounts that they will receive as a result of such withholding or deduction. If payments made by any party under the SME Loans 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.

Reliance on the Originator's Representations and Warranties

If any of the SME Loans fails to comply with any SME Loan Warranties which could have a material adverse effect on (i) any SME Loan, (ii) its related SME Loan Agreements or (iii) the Receivables in respect of such SME Loan, the Originator is obliged to hold the Issuer harmless against any losses which the Issuer may suffer as a result of such failure. The Originator may discharge this liability either by, at its option, (A) repurchasing or procuring a third party to repurchase such SME Loan from the Issuer for an amount equal to the aggregate of: (i) the Principal Outstanding Balance of the relevant SME Loan as at the date of re-assignment of such Assigned SME Loan Rights; (ii) an amount equal to all other amounts due in respect of the relevant SME Loan and its related SME Loan Agreement with the exception of Excluded Rights; 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 SME Loan in respect of which such SME Loan 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 an SME Loan Warranty is breached and the Originator is unable to repurchase or cause a third party to purchase or substitute the relevant SME Loan or indemnify the Issuer.

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

Limited Liquidity of the SME Loans

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 SME Loans) is restricted by Portuguese law in that any such disposal will be restricted to a disposal to the Originator or to another STC or FTC established under Portuguese law. In such circumstances, the Originator has no obligation to repurchase the Receivables from the Issuer under the Transaction Documents and there can be no certainty that any other purchaser could be found as there is not, at present, and the Issuer believes it is unlikely to develop, an active and liquid secondary market for receivables of this type in Portugal.

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

Authorised Investments

The Issuer has the right to make certain interim investments of money standing to the credit of the Transaction Accounts. The investments must have appropriate ratings depending on the term of the investment and the term of the investment instrument. However, it may be that, irrespective of any such rating, such investments will be irrecoverable due to bankruptcy or insolvency of the debtor under the investment or of a financial institution involved or due to the loss of an investment amount during the transfer thereof. Additionally, although Authorised Investments are required to be realised or to mature at least at par, 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.

Reliance on Performance by Servicer

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

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

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

Notice of the appointment of a substitute servicer shall be delivered by the Issuer to the Rating Agencies, the CMVM, the Bank of Portugal, the Arranger and each of the other Transaction Parties.

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. The appointment of any successor Transaction Manager shall be previously notified to the Rating Agencies.

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 under the terms of the Transaction Management Agreement.

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

“**Transaction Manager Event**” means any of the events specified in Clause 14 (*Transaction Manager Events*) of the Transaction Management Agreement;

Change of Counterparties

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

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

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

Geographical concentration of the SME Loans

The security for the Notes may be affected by, among other things a decline in real estate values or other assets securing the relevant SME Loans. No assurance can be given that the values of the Properties or of other relevant assets have remained or will remain at their levels on the dates of origination of the related SME Loans. The residential real estate market in Portugal in general, or in any particular region may, from time to time, experience a greater decline in economic conditions and housing markets than in other regions in Portugal and, consequently, may experience higher rates of loss and delinquency on SME 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 SME Loans – 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 SME Loans could increase the risk of losses on the SME Loans. A concentration of Borrowers in such areas may therefore result in a greater risk of loss than would be the case if such concentration had not been present. Such losses, if they occur, could have an adverse effect on the yield to maturity of the Notes as well as on the repayment of principal and interest due on the Notes.

Consumer Protection

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

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

- Decree-law no. 446/85 of 25 October 1985 (as amended, *inter alia*, 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 introduction of abusive clauses in contracts entered into with consumers. Pursuant to this law, a clause is deemed to be abusive if such clause has not been specifically negotiated by the parties and leads to an unbalanced situation insofar as the rights and obligations of the consumer (regarded as the weaker party) and the rights and obligations of the counterparty (regarded as the stronger party) are concerned. The introduction of clauses that are prohibited will cause such clauses to be considered null and void.
- Decree-law no. 220/94 of 23 August 1994 states the minimum level of information to be included in SME Loans, such as the annual effective rate (*taxa anual efectiva*).

The foregoing should not be viewed as an exhaustive description of the provisions which could be invoked in respect of consumer protection. Although the Originator has warranted and represented to the Issuer that the SME Loans 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.

On the same basis, Decree-law no. 240/2006 of 22 December 2006 and Decree-law no. 51/2007 of 7 March 2007 established the rounding criteria that must be applied to interest rates established for SME Loans granted by credit institutions to their clients as well as the maximum penalties that may be applied in situations of early repayment of such SME Loans.

Interest rate risk

The SME Loans in the SME Loans Portfolio are subject to interest rates calculated by reference to the Three-Month EURIBOR and the Six-Month EURIBOR, while the Issuer's liabilities under the Funding Notes are based on the Three-Month EURIBOR set on a different date. To hedge its exposure arising from this mismatch, the Issuer will enter into the Basis Swaps with the Swap Counterparty.

The Swap Agreement provides that the amounts owed by the Swap Counterparty on any payment date under the Swap Agreement (which corresponds to an Interest Payment Date) may be netted against the amounts owed by the Issuer on the same payment date. Accordingly, if the amounts owed by the Issuer to the Swap Counterparty on a payment date are greater than the amounts owed by the Swap Counterparty to the Issuer on the same payment date, then the Issuer will pay the difference to the Swap Counterparty on such payment date and if the amounts owed by the Swap Counterparty to the Issuer on a payment date are greater than the amounts owed by the Issuer to that Swap Counterparty on the same payment date, then the Swap Counterparty will pay the difference to the Issuer on such payment date; and if the amounts owed by both parties are equal on a payment date, neither party will make a payment to the other on such payment date. A failure by the Swap Counterparty to make timely payments of amounts due under the Swap Agreement will constitute a default thereunder. To the extent that the Swap Counterparty defaults in its obligations under the Swap Agreement to make payments to the Issuer, on any payment date under the Swap Agreement, the Issuer will be exposed to the possible variance between rates of interest payable on the SME Loans Portfolio and the rate of interest payable on the Funding Notes. Unless one or more

comparable replacement basis swaps are entered into, this may result in the Issuer having insufficient funds to make payments due on the Funding Notes.

The Swap Agreement is scheduled to terminate on 15 July 2036. Accordingly, if any of the Funding Notes remain outstanding after such date, the Issuer will be subject to the potential variation between the rates of interest payable in respect of SME Loans Portfolio and the rates of interest payable on the Funding Notes. Unless one or more comparable replacement base swaps are entered into, the Issuer may have insufficient funds to make payments due on the Funding Notes after that date.

The rates payable by the Issuer under the Swap Agreement are not intended to be an exact match of the interest rates that the Issuer receives in respect of the SME Loans Portfolio. As such, there may be circumstances in which the amounts payable by the Issuer under the Swap Agreement exceeds the amount that the Issuer receives in respect of the Collections under the SME Loans Portfolio.

Termination payments under the Swap Agreement

Subject to the following, the Swap Agreement will provide that, upon the occurrence of certain events, the Swap Agreement may terminate and a termination payment by either the Issuer or the Swap Counterparty may be payable depending on, among other things, the terms of the Swap Agreement and the cost of entering into a replacement transaction at the time. Any termination payment payable by the Issuer (other than (where applicable) an Excluded Swap Termination Amount) and any additional amounts required to be paid by the Issuer following termination of the Swap Agreement will rank prior to payments in respect of the Funding Notes. If any termination amount is payable, to the extent that any such termination amount is not offset by any applicable Replacement Swap Premium, payment of such termination amount may affect amounts available to pay interest and principal on the Notes.

No assurance can be given as to the ability of the Issuer to enter into one or more replacement basis swap transactions, or if one or more replacement transactions are entered into, as to the credit rating of the swap counterparty for the replacement transactions.

“**Excluded Swap Termination Amount**” means, in relation to a swap agreement with a Non-U.S. Swap Counterparty that does not contain an option for the Issuer to reduce the notional amount to zero in accordance with the terms of such Swap Agreement, any termination payment due and payable to that Swap Counterparty following the termination of the Swap Agreement as a result of a Swap Counterparty Default or Swap Counterparty Downgrade Event.

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent English and U.S. cases have focused on provisions involving the subordination of a swap counterparty’s payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty. Such provisions are similar in effect to the terms included in the Transaction Documents relating to the subordination of the Excluded Swap Termination Amounts payable in respect of the Swap Agreement.

The hearings have arisen due to the insolvency of a secured creditor (in that case a swap counterparty) and have considered whether such payment priorities breach the “anti-deprivation” principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. It was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The Court of Appeal in *Perpetual Trustee Co Ltd v BNY Corporate Trustee Services Ltd* 2009 EWCA Civ 1160), dismissed this argument and upheld the validity of similar priorities of

payment, stating that the anti-deprivation principle was not breached by such provisions. However, the insolvent party has applied for leave to appeal the decision to the Supreme Court and the question of the validity of the payment priorities may therefore be considered again.

Contrary to the determination of the English courts, the US Bankruptcy Court recently held in the recent decision of *Holdings Inc. and Lehman Brothers Special Financing Inc. v BNY Corporate Trustee Services Ltd* (the “**US Lehman Decision**”) that such a subordination provision is unenforceable under the US Bankruptcy Code and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known and certain issues remain subject to a pending status conference among the parties to the dispute. Like the recent English decision, the US decision may be subject to appeal.

If a creditor of the Issuer (such as the Swap Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside Portugal or England and Wales, and it is owed a payment by the Issuer (such as a termination payment due under a swap agreement which has been subordinated as it is being made as a result of that Swap Counterparty’s insolvency), a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the Transaction Documents governed by Portuguese law (such as a provision of the Priorities of Payment which refers to the ranking of a Swap Counterparty’s payment rights in respect of Excluded Swap Termination Amounts). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy law. More generally, there can be no assurance that such subordination provisions would be upheld under the insolvency laws of any relevant jurisdiction outside Portugal or England and Wales.

In turn, if the courts of a jurisdiction outside Portugal or England and Wales do not uphold such provisions where they are not governed by English or Portuguese law, it is unclear whether and to what extent the relevant proceedings and corresponding findings would be recognised by the English or Portuguese courts if the Swap Counterparty becomes subject to insolvency proceedings in England and Wales. While the English courts have been supportive of subordination arrangements generally thus far, there can be no assurance that this position would be unaffected in the context of co-operation between courts in a cross-border insolvency case. As such, if a subordination provision included in the Transaction Documents was successfully challenged under the laws of any relevant jurisdiction outside Portugal or England and Wales and any relevant foreign judgment or order was recognised by the Portuguese or English courts, there can be no assurance that such actions would not adversely affect the rights of the Funding Noteholders, the market value of the Funding Notes and/or the ability of the Issuer to satisfy its obligations under the Funding Notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents include terms providing for the subordination of the Excluded Swap Termination Amounts, there is a risk that the final outcome of the dispute (including any recognition action by the English or Portuguese courts) may result in negative rating pressure in respect of the Funding Notes. If any rating assigned to the Funding Notes is lowered, the market value of the Funding Notes may reduce.

Book-Entry Registration

The Notes will be represented by Global Notes delivered to a common safekeeper and will not be held by the beneficial owners or their nominees. The Global Notes will not be registered in the names of the beneficial owners or their nominees. As a result, unless and until Notes in definitive form are issued, beneficial owners will not be recognised by the Issuer or the Common Representative as Noteholders, as that term is used in the Common Representative Appointment Agreement. Until such time, beneficial

owners will only be able to exercise their rights in relation to the Notes indirectly, through Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participating organisations, and will receive notices and other information provided for under the terms and conditions of the Notes only if and to the extent provided by Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participating organisations.

Segregation of Transaction Assets and the Issuer Obligations

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

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

The Transaction Assets and all amounts deriving therefrom may not be used by any 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 Payment Priorities.

Equivalent provisions, as required by the Securitisation Law, will apply in relation to any other series of notes issued by the Issuer.

Ranking of Claims of Transaction Creditors and Noteholders

Both before and after an Event of Default or 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 Payment Priorities (see "*Overview of the Transaction*" – "*Pre-Enforcement Interest Payment Priorities*", "*Pre-Enforcement Principal Payment Priorities*" and "*Post-Enforcement Payment Priorities*").

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

Common Representative's Rights under the Transaction Documents

The Common Representative has entered into the Common Representative Appointment Agreement in order to exercise, following the occurrence of an Event of Default, certain rights on behalf of the Issuer and the Transaction Creditors (other than itself) in accordance with the terms of the Transaction Documents for the benefit of the Noteholders and the Transaction Creditors and to give certain directions and make certain requests in accordance with the terms and subject to the conditions of the Transaction Documents and the Securitisation Law.

The Common Representative will not be granted the benefit of any contractual rights or any representations, warranties or covenants by the Originator or the Servicer under the SME Loans Assignment Agreement or the SME Loans Servicing Agreement but will acquire the benefit of such rights

from the Issuer through the Co-ordination Agreement. Accordingly, although the Common Representative may give certain directions and make certain requests to the Originator and the Servicer on behalf of the Issuer under the terms of the SME Loans Assignment Agreement and the SME Loans Servicing Agreement, the exercise of any action by the Originator and the Servicer, in response to any such directions and requests, will be made, respectively, to and with the Issuer only and not with the Common Representative.

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

Enforcement of Issuer's Obligations

The terms 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 Payment Priorities*". In the event that the Issuer's obligations 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 SME Loans not affected by Originator insolvency

In the event of the Originator becoming insolvent, the SME Loans Assignment Agreement, and the sale of the SME Loans conducted pursuant to it, will not be affected and therefore will neither be terminated nor will such SME Loans 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 (i.e. with the intention of defrauding creditors). The sale of Ancillary SME Loans Rights over Portuguese real estate will only be enforceable against a third party acting in good faith upon registration of the act at the Portuguese Real Estate Office. No such registration will take place prior to a Notification Event.

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 SME Loans 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 "*SME Loans Servicing Agreement – Termination*" below will then apply.

Assignment and Borrower set-off risks

The assignment of the SME Loans 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 SME Loans 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 SME Loans 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 SME Loans to the Issuer. Such set-off rights held by the Borrower against the Originator prior to the assignment of the relevant SME Loans to the Issuer are not affected by

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

In order to mitigate any set-off risk, the Issuer is required to maintain the aggregate Principal Amount Outstanding of the Vertical Notes, less any debit balance of the Vertical Principal Deficiency Ledger, in excess of the aggregate balance of any deposit account held at the Originator by each Borrower whose SME Loan is included in the SME Loans Portfolio. This excess amount is represented by the Vertical Notes Threshold. Through this mechanism, any set-off losses arising in relation to SME Loans assigned to the Issuer should be debited to the Vertical Principal Deficiency Ledger and reduce the Principal Amount Outstanding of the Vertical Notes without affecting the Funding Notes.

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, 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.

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 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 SME Loans Portfolio or to notify them of the contents of any notice received by it in respect of the SME Loans 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 SME Loans Portfolio, except for the information provided in the quarterly investor report concerning the SME Loans 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 administration practice will not change after the date of this Prospectus or that such change will not adversely impact the structure of the transaction and the treatment of the Notes.

Potential Conflict of Interest

Each of the Transaction Parties (other than the Issuer), the Arranger and their affiliates in the course of each of their respective businesses may provide services to other Transaction Parties, to the Arranger 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, the Arranger and their affiliates or between such Transaction Parties, the Arranger and their affiliates and third parties. Each of the Transaction Parties (other than the Issuer), the Arranger 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 or Arranger in respect of the Transaction.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum specified denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be in amounts that are not integral multiples of such minimum specified denomination. If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade. Should definitive Notes be printed, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum specified denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that its holding amounts to at least the minimum specified denomination.

Changes to the Basel Capital Accord (“Basel II”)

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

were required to transpose, and the financial services industry to apply, the CRD by 1 January 2007. The more sophisticated measurement approaches for operational risk came into effect during 2008.

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).

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

RESPONSIBILITY STATEMENTS

In accordance with article 243 of the Portuguese Securities Code the following entities are responsible for the information contained in this Prospectus:

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

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

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

J.P. Morgan Securities Ltd., in its capacity as the Swap Counterparty accepts responsibility for the information in this document relating to itself in this regard in the section headed “**The Swap Counterparty**” (the “**Swap Counterparty Information**”) and such Swap Counterparty Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Swap Counterparty as to the accuracy or completeness of any information contained in this Prospectus (other than the Swap Counterparty Information).

The Issuer and the members of the Supervisory Board of the Issuer, **Mr. João Duque, Mr. André Figueiredo** and **Mr. Franquelim Alves** 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 term of office following their appointment as members of the Supervisory Board of the Issuer pursuant to the Issuer’s shareholders

resolution passed on 31 March 2010. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Mr. João Duque, Mr. André Figueiredo and Mr. Franquelim Alves 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 Instruments or their offering.

KPMG & Associados – SROC, S.A., hereby represented by **Mr. Vítor Manuel da Cunha Ribeirinho**, in its capacity as the independent auditor of the Issuer for the years 2009 and 2008 and sole auditor of the Issuer for the years ended 31 December 2009 and 2008 within the terms of the *Código das Sociedades Comerciais* is responsible for the independent 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 on 31 December 2009 and 2008, 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 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 or any other information supplied in connection with the Notes or their offering, other than the independent auditors' reports issued in connection with the audited financial statements for the years ended on 31 December 2009 and 31 December 2008 and the other financial information relating to the Issuer in the section "*Documents Incorporated by Reference*" below.

António Frutuoso de Melo e Associados, Sociedade de Advogados, RL as legal advisors to the Originator, responsible for the Portuguese legal matters included in the chapter "*Selected Aspects of Laws of the Portuguese Republic Relevant to the SME Loans and the Transfer of the SME Loans*" in which relates to the Originator.

Vieira de Almeida & Associados Sociedade de Advogados, RL as legal advisors to the Arranger and the Common Representative responsible for the Portuguese legal matters included in the chapter "*Selected Aspects of Laws of the Portuguese Republic Relevant to the SME Loans and the Transfer of the SME Loans*".

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 a) 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, the financial intermediaries in charge of assisting with the offer or any other entities that have accepted to be appointed in this Prospectus is held responsible for any information, forecast or study included in the same. Additionally, subparagraph b) of said article 150, also provides that the Issuer is strictly liable (i.e. independently of fault) if any 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 six months following the knowledge of a shortcoming in the contents of the Prospectus and ceases, in any case, 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 Transaction Manager, the Common Representative, the Accounts Bank, the Swap Counterparty, the Paying Agent, the Agent Bank (together the “**Transaction Parties**”) or the Arranger.

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 Montepio 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 and Transfer Restrictions*” 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 or the Arranger. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

No action has been taken by the Issuer, the Arranger or the Originator 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 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 securities laws, orders, rules and regulations, and the Issuer and the Originator 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 Arranger or on any person affiliated with the 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, the Originator or the 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 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

The language in this 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. Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings set out in this Prospectus and, in particular in the Conditions. An index of defined terms used in this Prospectus appears on pages 183 to 191. A reference to a “Condition” or the “Conditions” is a reference to a numbered Condition or Conditions set out in the “*Terms and Conditions of the Notes*” below.

THE 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 purpose of issuing asset-backed securities, with a share capital of €250,000, having its registered office at Rua Barata Salgueiro, No. 30, 4th floor, in Lisbon, Portugal and registered with the Commercial Registry of Lisbon with sole commercial registration and taxpayer number 506 561 461.
- Originator:** Caixa Económica Montepio Geral, a credit institution established as a *fundação* under the laws of Portugal, with an institutional capital of €760,000,000, having its registered office at Rua Áurea, No. 219-241, in Lisbon, Portugal and registered with the Commercial Registry of Lisbon with sole commercial registration and taxpayer number 500 792 615.
- Servicer:** Caixa Económica Montepio Geral, in its capacity as Servicer or any successor appointed in accordance with the SME Loans Servicing Agreement.
- Common Representative:** The Law Debenture Trust Corporation p.l.c. in its capacity as representative of the Noteholders pursuant to Article 65 of the Securitisation Law in accordance with 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 Transaction Management Agreement, acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.
- Accounts Bank:** Citibank, N.A., 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 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 BR001018.
- Collections Account Bank:** Caixa Económica Montepio Geral, in its capacity as the bank at which the Collections Account is held and acting through its registered office at Rua Áurea, No. 219-241, in Lisbon, Portugal, or any successor appointed in accordance with the provisions of the SME Loans 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 Paying Agency Agreement,

acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

Swap Counterparty: J.P. Morgan Securities Ltd., in its capacity as swap counterparty, acting through its office at 125 London Wall London EC2Y 5AJ, United Kingdom.

Swap Guarantor: JPMorgan Chase Bank, National Association, in its capacity as swap guarantor, acting through its office at 270 Park Avenue, New York, New York 10017-2070.

Paying Agent: Citibank, N.A., London Branch, in its capacity as paying agent in respect of the Notes in accordance with the terms of the Paying Agency Agreement acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

Transaction Creditors: The Common Representative, the Agents, the Transaction Manager, the Accounts Bank, the Originator and the Servicer and the Swap Counterparty.

Rating Agencies: Fitch and DBRS.

Arranger: J.P. Morgan Securities Ltd., acting through its office at 125 London Wall London EC2Y 5AJ, United Kingdom.

Common Safekeeper: Euroclear Bank S.A./N.V. (“**Euroclear**”) or Clearstream Banking Société Anonyme, Luxembourg (“**Clearstream, Luxembourg**”), in its capacity as common safekeeper for the Notes.

International Central Securities Depositories (“ICSDs”): Each of Euroclear and Clearstream, Luxembourg.

Listing Agent: A&L Listing Limited, in its capacity as listing agent acting through its office at 25/28 North Wall Quay, International Financial Services Centre, Dublin 1, Ireland.

PRINCIPAL FEATURES OF THE NOTES

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

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

€577,500,000 Class A Asset Backed Floating Rate Securitisation Notes due 2036 (the “**Class A Notes**”);

€472,500,000 Class B Asset Backed Floating Rate Securitisation Notes due 2036 (the “**Class B Notes**” and, together with the Class A Notes, the “**Funding Notes**”);

€117,000,000 Initial Vertical Asset Backed Variable Funding Securitisation Notes due 2036 (the “**Initial Vertical Notes**”);

€7,294,000 Initial Class C Variable Funding Securitisation Notes due 2036 (the “**Initial Class C Notes**”); and

€31,500,000 Residual Variable Funding Securitisation Notes due 2036 (the “**Residual Notes**”).

The Originator has agreed to purchase on the Closing Date the Funding Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes.

Additional Vertical Notes: If the Originator offers Additional SME Loans to be sold and assigned to the Issuer, the Issuer will, on the relevant Additional Purchase Date, issue Additional Vertical Notes to generate the proceeds necessary to pay the applicable Additional Purchase Price (or remaining part thereof) in accordance with the Terms and Conditions of the Notes.

Additional Vertical Notes will rank *pari passu* and will be fungible with, and will have *mutatis mutandis* the same rights and obligations as, the Initial Vertical Notes and any other Additional Vertical Notes issued on any other previous Additional Purchase Date. The issue of the Additional Vertical Notes will not require the consent of any Noteholders or the Common Representative.

In this Prospectus, unless the context otherwise requires, references to the Notes or the Vertical Notes include both the Initial Vertical Notes and the Additional Vertical Notes.

Additional Class C Notes: If the Originator offers Additional SME Loans to be sold and assigned to the Issuer, the Issuer will, on the relevant Additional Purchase Date, issue Additional Class C Notes to generate the proceeds necessary to (i) fund any additional transaction expenses of the Issuer in connection with the issue of Additional Vertical Notes and (ii) pay the cost of

funding for the Originator of the Aggregate Principal Outstanding Balance of the Additional SME Loans Portfolio from (and including) the relevant Additional Collateral Determination Date to (but excluding) the relevant Additional Purchase Date.

Additional Class C Notes will rank *pari passu* and will be fungible with, and will have *mutatis mutandis* the same rights and obligations as, the Initial Class C Notes and any other Additional Class C Notes issued on any other previous Additional Purchase Date. The issue of the Additional Class C Notes will not require the consent of any Noteholders or the Common Representative.

In this Prospectus, unless the context otherwise requires, references to the Notes or the Class C Notes include both the Initial Class C Notes and the Additional Class C Notes.

Issue Price:

The Notes of each Class will be issued at 100 (one hundred) percent of their principal amount.

Form and Denomination:

The Notes will be in bearer form and in minimum denominations of €50,000 each and in additional increments of €1,000 in excess thereof. The Notes of each Class will initially be in the form of a Temporary Global Note in bearer form of such Class without interest coupons, which will be delivered on the Closing Date (in the case of the Funding Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes) or the relevant Additional Purchase Date (in the case of the Additional Vertical Notes and the Additional Class C Notes) to an ICSD as common safekeeper.

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

Each Global Note will be in the form of a new global note. The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Status and Ranking:

The Notes will constitute direct limited recourse obligations of the Issuer and will benefit from the statutory segregation provided for in the Securitisation Law (as defined in “*Risk Factors – The Securitisation Law*”). The Notes of each class rank and will rank *pari passu* without prejudice or priority amongst themselves.

The Notes represent the right to receive interest (or, in the case of the Residual Notes, the Residual Distribution Amount) and principal payments from the Issuer in accordance with the Conditions, the Common Representative Appointment Agreement and the relevant Payment Priorities.

During the Revolving Period there will be no repayment of principal on the Funding Notes. After the end of the Revolving Period, repayment of principal on the Notes will be made sequentially by first redeeming all Class A Notes, thereafter by redeeming all Class B Notes, thereafter by redeeming all Vertical Notes and thereafter by redeeming all Class C Notes in accordance with the Payment Priorities and thereafter by redeeming all Residual Notes in accordance with the Payment Priorities.

Both during the Revolving Period and after the Revolving Period, payment of interest on the Notes (except the Residual Notes) and of the Residual Distribution Amount will be made in accordance with the Payment 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 9 (*Limited Recourse*), the Noteholders and/or the Transaction Parties will only have a claim in respect of the Transaction Assets and will not have any claim, by operation of law or otherwise, against, or recourse to, any of the Issuer's other assets or its contributed capital.

Statutory Segregation in favour of the Notes:

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 provided by the Securitisation Law.

Use of Proceeds:

On or about the Closing Date, the Issuer shall apply the gross proceeds of the Notes as follows: (A) the payment to the Originator of the component of the Initial Purchase Price relating to the Principal Outstanding Balance of the SME Loans included in the Initial SME Loans Portfolio will be made with proceeds of the issue of the Funding Notes and of the Initial Vertical Notes; (B) the payment to the Originator of the component of the Initial Purchase Price relating to (i) accrued interest not yet paid in relation to the SME Loans included in the Initial SME Loans Portfolio and (ii) the cost of funding for the Originator of the Aggregate Principal Outstanding Balance of the Initial SME Loans Portfolio from (and including) the Initial Collateral Determination Date to (but excluding) the Closing Date (the "**Initial Funding Cost**") will be made with a portion of the proceeds of the issue of Initial Class C Notes; (C) the funding of the Cash Reserve Amount will be made with proceeds of the issue of the Residual Notes and; (D) the funding of the initial up-front transaction expenses of the Issuer will be made with a portion of the proceeds of the issue of the Initial Class C Notes. Any surplus in relation to the foregoing proceeds (if any) will be deposited in the Transaction Accounts.

On any Additional Purchase Date, (A) the payment to the Originator of the component of the Additional Purchase Price relating to the Principal Outstanding Balance of the Additional SME Loans included in the Additional SME Loans Portfolio will be made with proceeds of the issue of the Additional Vertical Notes or using the available Principal Collections Proceeds in accordance with the Pre-Enforcement Principal Payment Priorities; (B) the payment to the Originator of the component of the Additional Purchase Price relating to the cost of funding for the Originator of the Aggregate Principal Outstanding Balance of the Additional SME Loans Portfolio from (and including) the relevant Additional Collateral Determination Date to (but excluding) the relevant Additional Purchase Date (the “**Additional Funding Cost**”) will be made with a portion of the proceeds of the issue of Additional Class C Notes and (C) the funding of any additional transaction expenses of the Issuer in connection with the issue of Additional Vertical Notes will be made with a portion of the proceeds of the issue of Additional Class C Notes. Any surplus in relation to the foregoing proceeds (if any) will be deposited in the Transaction Accounts.

Liquidity Reserve:

The transaction will benefit from a liquidity reserve whereby amounts will be applied in accordance with the Payment Priorities towards a deposit in the Payment Account to build the liquidity reserve up to the Liquidity Reserve Required Amount, such amounts to be credited under the Liquidity Reserve Ledger.

An amount equal to the Liquidity Reserve Drawing will be applied from the liquidity reserve as an Available Interest Distribution Amount in the Payment Priorities, such amount to be debited under the Liquidity Reserve Ledger.

“**Liquidity Reserve Required Amount**” means the amount determined on the related Calculation Date as being equal to 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:

- (a) The Current 3-month Euribor; and
- (b) The Forward 3-month Euribor

provided that the Liquidity Reserve Required Amount will be deemed to be 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 SME Loans;

“Current 3-month Euribor”: means the display as quoted on Reuters Screen EURIBOR1 Page for a period of 3 months; and

Forward 3-month Euribor”: means

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

Where:

X = The display as quoted on Reuters Screen EURIBOR1 Page for a period of 3 months

Z = The display as quoted on Reuters Screen EURIBOR1 Page for a period of 6 months

Y = The ratio of 90/360

W = The ratio of 180/360

“**Liquidity Reserve Ledger**” means the ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement which on each Calculation Date shall be:

- (a) debited by an amount equal to the Liquidity Reserve Drawing (if any); or
- (b) credited by any amounts applied under item (d) of the Pre-Enforcement Funding Notes Priorities (if any).

“**Liquidity Reserve Drawing**” means, in relation to any Interest Payment Date, the amount (if any) determined on the related Calculation Date as being equal to the greater of the following items:

- (a) 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 SME Loans, the amount standing to the credit of the Liquidity Reserve Ledger on the Calculation Date;
- (b) the amount standing to the credit of the Liquidity Reserve Ledger on the Calculation Date less the Liquidity Reserve Required Amount, provided such amount shall not be less than zero;
- (c) the sum of the amounts due and payable under items (a) to (d) of the Pre-Enforcement Interest Payment Priorities plus the Interest Amount due on the Class A Notes, less the sum of items (a), (b), (c), (d), (e), (g), (h) and (i) of the Available Interest Distribution Amount, plus the greater of (1) the sum of items (a), (b), (c), (g), (h) and (i) of the Available Interest Distribution Amount minus the sum of (A) the amounts due and payable under items (a) to (d) of the Pre-Enforcement Interest Payment Priorities and (B) the Interest Funding Amount, and (2) zero, provided such amount shall not be less than zero;

subject to the Liquidity Reserve Drawing not being greater than the

amounts credited by the Liquidity Reserve Ledger on the respective Calculation Date.

Rate of Interest:

The Notes (except the Residual Notes) will represent entitlements to payment of interest in respect of each successive Interest Period from the Closing Date or the relevant Additional Purchase Date, as applicable, at an annual rate in respect of each Class equal to EURIBOR plus the Relevant Margin.

“**Relevant Margin**” means:

- (a) in relation to the Class A Notes, 0.60 percent per annum prior to the Step-Up and Call Date, and 1.20 percent per annum after the Step-Up and Call Date;
- (b) in relation to the Class B Notes, 1.00 percent per annum;
- (c) in relation to the Vertical Notes, 0.80 percent per annum; and
- (d) in relation to the Class C Notes, 1.50 percent per annum.

Residual Distribution Amount:

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

Interest Accrual Period:

Interest on the Notes (except the Residual Notes) and the Residual Distribution Amount 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.

Interest Payment Date:

Interest on the Notes (except the Residual Notes) and the Residual Distribution Amount are payable quarterly in arrears on the 15th day of January, April, July and October in each year (other than interest which will be paid on the first Interest Payment Date for the period from Closing Date to 15th October 2010) (or, if such day is not a Business Day, the next succeeding Business Day, unless such day would fall into the next calendar month, in which case, it will be brought forward to the immediately preceding Business Day).

Business Day:

A TARGET Settlement Day or, if such TARGET Settlement Day is not a day on which banks are open for business in London and in Lisbon, the next succeeding TARGET Settlement Day on which banks are open for business in London and in Lisbon.

Lisbon Business Day:

Any TARGET Settlement Day on which banks are open for business in Lisbon.

TARGET Settlement Day:

Any day on which TARGET2 is open for the settlement of payments in euro.

“TARGET2” means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

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

Final Legal Maturity Date: The Interest Payment Date falling in July 2036.

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

Income generated by the holding (distributions) or transfer (capital gains) of the Notes is generally subject to Portuguese tax for securitisation debt notes (*obrigações*) if the holder is a Portuguese resident or has a permanent establishment in Portugal to which the income might be attributable. Pursuant to the Securitisation Tax Law, any payments of interest made in respect of the Notes to Noteholders who are not Portuguese residents and do not have a permanent establishment in Portugal to which the income might be attributable will be exempt from Portuguese income tax. The above-mentioned exemption from income tax does not apply to non-resident entities if (i) more than 25 (twenty five) percent of its share capital is held, either directly or indirectly, by Portuguese residents, or (ii) its country of residence is any of the jurisdictions listed as tax havens in Regulation no. 150/2004 of 13 February 2004, as amended.

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:

	“Fitch”	“DBRS”
Class A Notes	“AAA”	“AAA”

It is a condition to the issuance of the Notes that the Class A Notes receive the above ratings.

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.

Optional Redemption in The Issuer may redeem all (but not some only) of the Notes in each

Whole:

class at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date:

- (a) when, on the related Calculation Date, the Aggregate Principal Outstanding Balance of the SME Loans is equal to or less than 10 (ten) percent of the Aggregate Principal Outstanding Balance of the SME Loans as at the Initial Collateral Determination Date; or
- (b) after the date on which, by virtue of a change in Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would be required to make a Tax Deduction from any payment in respect of the Notes (other than by reason of the relevant Noteholder having some connection with the Portuguese Republic, other than the holding of the Notes or related Coupons); or
- (c) after the date on which, by virtue of a change in Tax law of any applicable jurisdiction (or the application or official interpretation of such Tax law), either the Issuer or the Swap Counterparty would be required to make a Tax Deduction from any payment to be made by it in respect of the Swap Agreement; or
- (d) after the date on which, by virtue of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would not be entitled to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or the Issuer would be treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive under the Transaction Documents; or
- (e) after the date of a change in the Tax law of any applicable jurisdiction (or the application or official interpretation of such Tax law) which would cause the total amount payable in respect of any Collections to cease to be receivable by the Issuer including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to any SME Loan;
- (f) falling on or after the Step-Up and Call Date; or
- (g) falling during the Offering Period,

subject to certain conditions as set out in the Conditions for the Notes.

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 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 in accordance with the terms of the Paying Agency Agreement.

The Notes have not been and will not be registered under the Securities Act and are being offered and sold only outside the United States, in offshore transactions in compliance with Regulation S.

Transfers of Notes:

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

Settlement:

The delivery of the Funding Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes is expected to be made on or about the Closing Date. If applicable, the delivery of the Additional Vertical Notes and the Additional Class C Notes is expected to be made on the relevant Additional Purchase Date.

Listing:

Application has been made to the Irish Stock Exchange for the Class A Notes, the Class B Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes to be admitted to its Official List and to trading on its regulated market.

Governing Law:

The Notes and the Transaction Documents will be governed by Portuguese law, except for the Accounts Agreement, the Transaction Management Agreement, the Paying Agency Agreement and the Swap Agreement, which will be governed by English Law. The Funding Notes Issuance Agreement will also be governed by English Law.

OVERVIEW OF THE TRANSACTION

The information in this section does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and related documents referred to herein. Prospective investors are advised to read carefully, and should rely solely on, the detailed information appearing elsewhere in this Prospectus and related documents referred to herein in making any investment decision. Capitalised terms used but not defined in this section shall have the meaning given to them elsewhere in this Prospectus.

- Purchase of SME Loans:** Under the terms of the SME Loans Assignment Agreement, the Originator will assign to the Issuer and the Issuer will, subject to satisfaction of the applicable conditions precedent, purchase from the Originator, a portfolio of SME Loans (the “**Initial SME Loans Portfolio**”) on the Closing Date and, in case the Originator and the Issuer so agree, further portfolios of Additional SME Loans (the “**Additional SME Loans Portfolio**”) on Additional Purchase Dates.
- The SME Loans:** The SME Loans to be assigned to the Issuer shall consist of Term Loans and Credit Lines originated by Montepio. The SME Loans are interest-bearing receivables payable monthly, quarterly, semi-annually, annually or upon maturity and interest is calculated on the basis of a 360 day year at a variable rate. The SME Loans are guaranteed, essentially, by Mortgages and pledges over deposits held by the Originator. The SME Loan Agreements are denominated in euro and governed by Portuguese Law. Borrowers are, essentially, small and medium enterprises incorporated in the Portuguese jurisdiction (see “*Characteristics of the SME Loans*”).
- Consideration for Purchase of the Initial SME Loans Portfolio:** As consideration for the sale and assignment to the Issuer of the Initial SME Loans Portfolio on the Closing Date, the Issuer will pay to the Originator the Initial Purchase Price.
- Consideration for Purchase of Additional SME Loans Portfolios:** As consideration for the sale and assignment to the Issuer of each Additional SME Loans Portfolio on the relevant Additional Purchase Date, the Issuer will pay to the Originator the relevant Additional Purchase Price.
- Revolving Period:** On each Revolving Purchase Date and subject to satisfaction of the Eligibility Criteria (as defined and more fully described under “*Overview of Certain Transaction Documents – SME Loans Assignment Agreement - Representations and Warranties as to the SME Loans*”), the Originator may sell Revolving SME Loans to the Issuer.
- During the Revolving Period, the purchase of Revolving SME Loans by the Issuer shall be firstly funded out of the available Principal Collections Proceeds and, to the extent that the available Principal Collections Proceeds are not sufficient for such purpose, through the proceeds resulting from the issuance of Additional Vertical Notes.

“**Revolving Period**” means the period commencing on the Closing Date and ending on the earlier of:

- (a) the Business Day immediately following the Interest Payment Date that falls immediately after the third anniversary of the Closing Date; or
- (b) the date on which a Notification Event occurs; or
- (c) the date on which the Originator informs the Issuer, the Common Representative and the Transaction Manager that it wishes to end the Revolving Period; or
- (d) the date on which a breach of the Originator Representations and Warranties has occurred, if such breach is not capable of being remedied or, if such breach is capable of being remedied and has not been so remedied on or prior to the next succeeding Interest Payment Date, from the Business Day immediately following such Interest Payment Date where the breach was not remedied; or
- (e) the date on which the Originator has been downgraded below “BBB-” by Fitch or the creditworthiness of the Originator, in the internal view of DBRS, has fallen below a level consistent with a rating of “BBB (low)” by DBRS or, if applicable, there has been a rating withdrawal by any of such rating agencies; or
- (f) the date on which a Servicer Event occurs; or
- (g) the second consecutive Calculation Date on which the Portfolio Tests fail to be met; or
- (h) the Calculation Date on which it is determined that the Cash Reserve Account is not capable of being replenished on the immediately succeeding Interest Payment Date with an amount necessary to maintain the Cash Reserve Account Required Balance; or
- (i) the second consecutive Calculation Date on which the Portfolio Delinquency Ratio is greater than 5 (five) percent; or
- (j) the date on which the Portfolio Default Ratio exceeds 7(seven) percent; or
- (k) the Business Day immediately following the Interest Payment Date on which the Class B Principal Deficiency Ledger records an amount which is greater than 3 (three) percent of the Aggregate Principal Outstanding Balance of all SME Loans; or
- (l) the Business Day immediately following the Interest Payment Date on which the sum of the amounts standing to

the credit of the Payment Account and the amounts recorded in the Principal Deposit Ledger exceed 10 (ten) percent of the Aggregate Principal Outstanding Balance of all SME Loans; or

- (m) the Business Day immediately following the Interest Payment Date on which the Vertical Notes Holder fails to fund the Additional Vertical Notes and the Additional Class C Notes so that the aggregate Principal Amount Outstanding of the Vertical Notes less any debit balance of the Vertical Principal Deficiency Ledger is in excess of the Vertical Notes Threshold; or
- (n) the Step-Up and Call Date, should the Issuer not redeem the Notes in full.

“**Revolving Purchase Date**” means an Additional Purchase Date falling within the Revolving Period.

“**Revolving SME Loan**” means an SME Loan either by way of a Term Loan or a Credit Line included in a Revolving SME Loans Portfolio.

“**Revolving SME Loans Portfolio**” means a portfolio of Revolving SME Loans sold and assigned by the Originator to the Issuer on a Revolving Purchase Date in consideration for which the relevant Additional Purchase Price will be paid by the Issuer to the Originator.

Offering Period:

On each Offering Purchase Date and subject to satisfaction of the Eligibility Criteria (as defined and more fully described under “*Overview of Certain Transaction Documents – SME Loans Assignment Agreement - Representations and Warranties as to the SME Loans*”), the Originator may sell Offering SME Loans to the Issuer.

During the Offering Period, the purchase of Offering SME Loans by the Issuer shall be exclusively funded through the proceeds resulting from the issue of Additional Vertical Notes.

Following the commencement of the Offering Period, the Originator may not sell, and the Issuer shall not purchase, any SME Loans which do not arise from Securitised SME Loan Agreements.

“**Offering Period**” means the period commencing on the Business Day immediately following the end of the Revolving Period and ending on the earlier of:

- (a) the Business Day immediately following the Interest Payment Date that falls in 15 July 2036; or
- (b) the date on which a Notification Event occurs; or
- (c) the date on which the Originator informs the Issuer, the Common Representative and the Transaction Manager that

it wishes to end the Offering Period; or

- (d) the date on which a breach of the Originator Representations and Warranties has occurred, if such breach is not capable of being remedied or, if such breach is capable of being remedied and has not been so remedied on or prior to the next succeeding Interest Payment Date, from the Business Day immediately following such Interest Payment Date where the breach was not remedied; or
- (e) the date on which the Originator has been downgraded below “BBB-“ by Fitch or the creditworthiness of the Originator, in the internal view of DBRS, has fallen below a level consistent with a rating of “BBB (low)” by DBRS or there has been a rating withdrawal thereof by any of such rating agencies and the Originator has not provided to the Issuer a certificate of non-insolvency proceedings issued by the competent Portuguese administrative or judicial authority; or
- (f) the date on which a Servicer Event occurs.

“**Offering Purchase Date**” means an Additional Purchase Date falling within the Offering Period.

“**Offering SME Loan**” means an SME Loan only by way of a drawing under a Credit Line (and not by way of a Term Loan) under a Securitised SME Loan Agreement included in an Offering SME Loans Portfolio.

“**Offering SME Loans Portfolio**” means a portfolio of Offering SME Loans sold and assigned by the Originator to the Issuer on an Offering Purchase Date in consideration for which the relevant Additional Purchase Price will be paid by the Issuer to the Originator.

“**Securitised SME Loan Agreements**” means the SME Loan Agreements under which SME Loans sold and assigned by the Originator to the Issuer on the Closing Date or on an Additional Purchase Date during the Revolving Period have been originated.

Eligibility Criteria:

The SME Loans comprised within the Initial SME Loans Portfolio shall comply with the Eligibility Criteria as at the Initial Collateral Determination Date and as at the Closing Date and the Additional SME Loans comprised within each Additional SME Loans Portfolio shall comply with the Eligibility Criteria as at the relevant Additional Collateral Determination Date and as at the relevant Additional Purchase Date (except if the period from the applicable Additional Collateral Determination Date to the applicable Additional Purchase Date is less than 10 (ten) Business Days, in which case compliance with the Eligibility Criteria will only be provided with reference to the relevant Additional Collateral Determination Date).

Portfolio Tests:

The Servicer will determine on any Calculation Date and on any Additional Collateral Determination Date if the Portfolio Tests are met.

If the Originator offers to sell and assign an Additional SME Loans Portfolio to the Issuer during the Revolving Period, the Issuer will only accept such offer if all Portfolio Tests are met as at the relevant Additional Collateral Determination Date, provided that the Servicer will determine if such Portfolio Tests are met taking into account the aggregate of both the SME Loans Portfolio(s) already sold and assigned by the Originator to the Issuer and the Additional SME Loans Portfolio offered for sale and assignment on the relevant Additional Collateral Determination Date. If such Additional SME Loans Portfolio is actually sold and assigned to the Issuer, the outcome of the Portfolio Tests will override the result of the Portfolio Tests as at the immediately preceding Calculation Date for the purpose of item (g) of the Revolving Period resolution conditions.

The following conditions are defined as the “**Portfolio Tests**”:

- (a) The Maximum Principal Outstanding Balance in respect of the largest Borrower does not exceed 1 (one) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans with the exception of 5 (five) Borrowers, whose Maximum Principal Outstanding Balance can be individually up to 1.2 (one point twenty) percent;
- (b) The Maximum Principal Outstanding Balance of the SME Loans in respect of the 10 largest Borrowers does not exceed 10 (ten) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (c) The Maximum Principal Outstanding Balance of the SME Loans in respect of the 20 largest Borrowers groups does not exceed 17 (seventeen) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (d) The Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers identified by any NACE Rev. 2 industry section (identified by letters A to U) does not exceed 46 (forty six) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (e) The Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers identified by any two NACE Rev. 2 industry sections (identified by letters A to U) does not exceed 65 (sixty five) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (f) The aggregate Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers classified in the following codes using NACE Rev.2. codes 41.1, 42, 68.1

does not exceed 20 (twenty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;

- (g) The Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers located in one single Portuguese Area does not exceed 50 (fifty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (h) The number of Borrowers in relation to SME Loans should be equal to or greater than 7,000;
- (i) The Maximum Principal Outstanding Balance of SME Loans under the form of Term Loans is equal to or greater than 40 (forty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (j) The Maximum Principal Outstanding Balance of SME Loans under the form of Term Loans which do not have a French or linear amortisation should not be greater than 30 (thirty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans under the form of Term Loans;
- (k) The sum of:
 - (i) The amounts deposited in the Payment Account and recorded under the Principal Deposit Ledger; plus
 - (ii) The Maximum Principal Outstanding Balance of SME Loans with an Eligible Loan-to-Value Ratio of less than 85 (eighty five) percent,

divided by the sum of:

- (i) The amounts deposited in the Payment Account and recorded under the Principal Deposit Ledger; plus
 - (ii) The Maximum Principal Outstanding Balance of all SME Loans,
- should be greater than 37.5 (thirty seven point five) percent;
- (l) The Maximum Principal Outstanding Balance of SME Loans supported by a Mortgage is greater than 42.5 (forty two point five) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
 - (m) The weighted average margin of the SME Loans is equal to or greater than 1.75 (one point seventy five) percent;
 - (n) The weighted average internal rating of the Borrowers in relation to the relevant SME Loans is equal to or lower than 5;

- (o) The Maximum Principal Outstanding Balance of SME Loans with an internal rating of the Borrower being equal to or lower than 4 is at least 60 (sixty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (p) The Maximum Principal Outstanding Balance of SME Loans with an internal rating of the Borrower being equal to or lower than 5 is at least 78 (seventy eight) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (q) The weighted average time to maturity of SME Loans is less than 4 (four) years;
- (r) The weighted average time to maturity of SME Loans under the form of Term Loans is less than 7 (seven) years;
- (s) The weighted average time to maturity of SME Loans in the form of revolving Credit Lines is less than 1 (one) year; and
- (t) The Maximum Principal Outstanding Balance of SME Loans in relation to which interest is calculated on the basis of a 6 (six) month or 3 (three) month EURIBOR is equal to, or greater than, 95 (ninety five) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans.

For the avoidance of doubt, the Portfolio Tests do not have to be met in respect of the Additional SME Loans allowed to be purchased during the Offering Period.

The Servicer, on behalf of the Issuer, will be able to amend the Portfolio Tests subject to (i) receiving rating agency confirmation from DBRS in respect of such amendments and (ii) providing prior written notice to Fitch.

“**Maximum Principal Outstanding Balance**” means, in relation to any SME Loan and on any date:

- (a) in the case of SME Loans under the form of Term Loans the aggregate of:
 - (i) the original principal amount advanced to the Borrower; plus
 - (ii) any other disbursement, legal expense, fee or charge capitalised; plus
 - (iii) any further advance of principal to the Borrower; less
 - (iv) any repayments of the amounts in (i), (ii) and (iii) above,

provided that, in respect of any Written-off SME Loan, the

Maximum Principal Outstanding Balance will be deemed to be zero;

- (b) in the case of SME Loans under the form of Credit Lines the maximum aggregate principal commitment amount that can be advanced to the Borrower provided that, in respect of any Written-off SME Loan, the Maximum Principal Outstanding Balance will be deemed to be zero.

“**Aggregate Maximum Principal Outstanding Balance**” means the aggregate amount of the Maximum Principal Outstanding Balance of each SME Loan from time to time.

“**Eligible Loan-to-Value Ratio**” means the *ratio* between the Maximum Principal Outstanding Balance of an SME Loan and the appraised value of Security created in relation to that SME Loan.

Servicing of the SME Loans:

Pursuant to the terms of the SME Loans Servicing Agreement, the Servicer will agree to administer and service the SME Loans sold and assigned by the Originator to the Issuer on behalf of the Issuer and, in particular, to:

- (a) collect the Receivables due in respect thereof;
- (b) set interest rates applicable to the SME Loans;
- (c) administer relationships with Borrowers; and
- (d) undertake enforcement proceedings in respect of any Borrowers which may default or which have defaulted on their obligations under the relevant SME Loans.

Servicer Reporting:

Montepio, in its capacity as the Servicer, will be required to deliver to the Transaction Manager no later than 5 (five) Lisbon Business Days after each Calculation Date, a report in a form agreed with 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 agreed with the Issuer, the Transaction Manager, the Common Representative and the Arranger, as set out in the Transaction Management Agreement, (the “**Investor Report**”) to be delivered by the Transaction Manager to, *inter alia*, the Common Representative, the Arranger, the Rating Agencies and the Paying Agent no later than 2 (two) Business Days prior to each Interest Payment Date.

Collections Account:

All Collections received by the Servicer from a Borrower pursuant to an SME Loan will be credited by the Servicer to the Collections Account. The Collections Account will be operated by the Servicer in accordance with the SME Loans Servicing Agreement.

The Servicer will on each Lisbon Business Day, transfer to the Payment Account any cleared funds standing to the credit of the Collections Accounts, except that the Servicer shall not, in respect

of the Collections Account, give any such direction if it would cause the Collections Account to become overdrawn.

Upon the Servicer being downgraded below “BBB-“ by Fitch or the creditworthiness of the Servicer, in the internal view of DBRS, has fallen below a level consistent with a rating of “BBB (low)” by DBRS, the Servicer will, pursuant to the applicable provisions of the SME Loans Servicing Agreement, be required to:

- (a) within 30 (thirty) Business Days of such downgrading, redirect all direct debits from Borrowers into accounts controlled by the Servicer in respect of the SME Loans to the Payment Account or to a designated account held with another bank having a Minimum Rating; and
- (b) within 60 (sixty) days of such downgrading, use reasonable endeavours to enter into a back-up or master servicing agreement with a third party back-up servicer with suitable experience and credentials in the servicing of assets such as the SME Loans and in such form as the Issuer and the Common Representative shall reasonably require.

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 Accounts Agreement.

A downgrade of the rating of the Accounts Bank by any of the Rating Agencies below the Minimum Rating 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 whose rating meets or exceeds the Minimum Rating.

“**Minimum Rating**” means, in respect of any entity, such entity’s short term unsecured, unsubordinated, unguaranteed debt obligations having (i) ratings of “F-1” by Fitch and “R-1 (middle)” by DBRS (or, as the case may be, the creditworthiness of such entity, in the internal view of DBRS, is consistent with a rating of “R-1 (middle)” by DBRS) and such entities long term unsecured, unguaranteed and unsubordinated debt obligations being rated “A” by Fitch and by DBRS (or, as the case may be, the creditworthiness of such entity, in the internal view of DBRS, is consistent with a rating of “R-1 (middle)” by DBRS) or (ii) such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being minimum ratings that are required to support the then rating of the Notes).

Payments from Payment Account on each Business Day:

On each Business Day, funds standing to the credit of the Payment Account will be applied by the Issuer in or towards payment of (i) an amount equal to any Incorrect Payment to the Originator due on such Business Day and (ii) other amounts, including Tax payments, Third Party Expenses and certain amounts due to the Swap

Counterparty in accordance with the Swap Agreement.

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 sets forth that the assets and liabilities (*patrimonio autónomo*) of the Issuer in respect of each transaction entered into by the Issuer are completely segregated from the other assets and liabilities of the Issuer.

In accordance with 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 (*patrimonio autónomo*), including the SME Loans, the Collections, the Transaction Accounts, the Issuer's rights in respect of the Transaction Documents and any other right and/or benefit, either contractual or statutory, relating thereto, purchased or received by the Issuer in connection with the Notes. Accordingly, the obligations of the Issuer in relation to the Notes under the Transaction Documents are limited in recourse in accordance with the Securitisation Law, to the Transaction Assets.

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

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

Cash Reserve Account:

On or before the Closing Date, the Cash Reserve Account will be established with the Accounts Bank in the name of the Issuer. An amount equal to the Cash Reserve Amount will be transferred to the Cash Reserve Account on the Closing Date.

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 Transaction Management Agreement and the Accounts Agreement.

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

Replenishment of Cash Reserve Account:

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

Excess Available Interest Distribution Amount:

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

Principal Draw Amount:

In relation to any Interest Payment Date, the Principal Draw Amount is the aggregate amount determined on the related Calculation Date as being the amount (if any) of the Available Principal Distribution Amount which is to be utilised by the Issuer to reduce or eliminate any Payment Shortfall on such Interest Payment Date, subject to the satisfaction of the Principal Draw Test as at such Interest Payment Date in respect of each relevant Class of Notes.

“**Payment Shortfall**” means, as at any Interest Payment Date, an amount equal to the greater of:

- (a) zero; and
- (b) the aggregate of the amounts required to pay or provide in full on such Interest Payment Date for the items falling in (a) to (d) of the Pre-Enforcement Interest Payment Priorities plus the Interest Amount on the Class A Notes, less the sum of items (a), (b), (c), (d), (g), (h) and (1) of the Available Interest Distribution Amount, plus the greater of (i) the sum of items (a), (b), (c), (g), (h) and (i) of the Available Interest Distribution Amount minus the sum of (A) the amounts due and payable under items (a) to (d) of the Pre-Enforcement Interest Payment Priorities and (B) the Interest Funding Amount, and (2) zero.

“**Principal Draw Test**” means the ratio between the Class B Principal Deficiency Ledger after the application of the Principal Draw Amount divided by the Principal Outstanding Balance of the Class B Notes being less than 1.

Available Interest Distribution Amount:

“**Available Interest Distribution Amount**” means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager on the Calculation Date immediately preceding such Interest Payment Date, which is equal to:

- (a) any Interest Collections Proceeds and other interest amounts received by the Issuer as interest payments under the SME Loans during the Collections Period immediately preceding such Interest Payment Date; plus
- (b) the payment (if any) to be received from the Swap Counterparty on such Interest Payment Date under the Swap Agreement (other than (i) any early termination amount received by the Issuer under the Swap Agreement which is to be applied in entering into a replacement swap, (ii) the

Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Swap Agreement, to reduce the amount that would otherwise be payable by the Swap Counterparty to the Issuer on early termination of the Swap; (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Swap Counterparty, and (iv) amounts in respect of Swap Tax Credits); plus

- (c) where the proceeds or estimated proceeds of disposal or, on maturity, the maturity proceeds of any Authorised Investment received in relation to the relevant Collections Period exceeds the original cost of such Authorised Investment, the amount of such excess together with interest thereon; plus
- (d) an amount drawn from the Cash Reserve Account equal to the Interest Deficit Cash Reserve Drawing; plus
- (e) the amount of any Principal Draw Amount to be made on such Interest Payment Date to cover any Payment Shortfall in respect of such Interest Payment Date; plus
- (f) an amount drawn from the Payment Account equal to the Liquidity Reserve Drawing; such amount to be debited from the Liquidity Reserve Ledger; plus
- (g) interest accrued and credited to the Transaction Accounts during the relevant Collections Period; plus
- (h) any portion of the Available Principal Distribution Amount remaining after the redemption in full of the Notes; less
- (i) any Withheld Amount.

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

“Interest Deficit Cash Reserve Drawing” means, in relation to any Interest Payment Date, the amount (if any) determined on the related Calculation Date as being equal to:

- (1) If the Interest Payment Date following the Calculation Date is the Final Legal Maturity Date or if the Class A Notes have been redeemed in full, the amount outstanding in the Cash Reserve Account;
- (2) In all other cases, the lesser of:
 - (a) the amount standing to the credit of the Cash Reserve Account on the Calculation Date;

(b) $x-y+z$,

where:

x is the sum of the amounts due and payable under items (a) to (d) of the Pre-Enforcement Interest Payment Priorities plus the Interest Amount due on the Class A Notes and the balance of the Class A Principal Deficiency Ledger;

y is the sum of items (a), (b), (c), (g), (h) and (i) of the Available Interest Distribution Amount; and

z is the greater of (1) the sum of items (a), (b), (c), (g), (h) and (i) of the Available Interest Distribution Amount minus the sum of (i) the amounts due and payable under items (a) to (d) of the Pre-Enforcement Interest Payment Priorities and (ii) the Interest Funding Amount, and (2) zero,

provided the Interest Deficit Cash Reserve Drawing will be no less than zero

Available Principal Distribution Amount:

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

- (a) the amount of any Principal Collections Proceeds received by the Issuer as principal payments under the SME Loans during the Collections Period immediately preceding such Interest Payment Date; plus
- (b) such amount of the Available Interest Distribution Amount as is credited to the Payment Account and which is to be applied by the Transaction Manager on such Interest Payment Date in reducing the debit balance on the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger or the Vertical Principal Deficiency Ledger; less
- (c) the amount of any Principal Draw Amount to be made on such Interest Payment Date; plus
- (d) any amounts deposited in the Payments Account and recorded under the Principal Deposit Ledger as at the Calculation Date.

Principal Deficiency Ledgers:

The Issuer will establish in its books a principal deficiency ledger comprising three sub-ledgers (the “**Class A Principal Deficiency Ledger**”, the “**Class B Principal Deficiency Ledger**” and the “**Vertical Principal Deficiency Ledger**”, together referred as the “**Principal Deficiency Ledgers**”).

On each Calculation Date the Transaction Manager will calculate:

- (a) the Funding Period Loss, being the product of:
 - (i) any Deemed Principal Losses in relation to the SME Loans that have occurred in the related Collections Period; and
 - (ii) the Weighted Average Funding Note Percentage.
- (b) the Vertical Period Loss, being the product of:
 - (i) any Deemed Principal Losses in relation to the SME Loans that have occurred in the related Collections Period; and
 - (ii) the Weighted Average Vertical Notes Percentage.

The Principal Deficiency Ledgers will be debited as follows:

- (a) The Vertical Principal Deficiency Ledger shall record the sum of:
 - (i) Any amounts standing to the debit of the Vertical Principal Deficiency Ledger as of the close of business of the Business Day preceding such Calculation Date; and
 - (ii) the Vertical Period Loss; and
 - (iii) an amount equal to the amount in respect of which the Borrower has exercised set-off rights and discharging its payment obligations under the relevant SME Loan Agreement in regard to an SME Loan.
- (b) The Class B Principal Deficiency Ledger shall record an amount equal to the lesser of:
 - (i) the Principal Amount Outstanding of the Class B Notes less any amounts standing to the debit of the Class B Principal Deficiency Ledger as of the close of business of the Business Day preceding such Calculation Date; and
 - (ii) the sum of: (1) the Principal Amount Outstanding of the Class B Principal Deficiency Ledger as of the close of business of the Business Day preceding such Calculation Date, (2) the Funding Period Loss, and (3) any Principal Draw Amounts to be made on such Interest Payment Date.
- (c) The Class A Principal Deficiency Ledger shall record an amount equal to the sum of:
 - (i) Any amounts standing to the debit of the Class A Principal Deficiency Ledger as of the close of

business of the Business Day preceding such Calculation Date; and

- (ii) any amounts pertaining to the Funding Period Loss which have not been recorded in the Class B Principal Deficiency Ledger.

“Deemed Principal Loss” means (without double-counting an SME Loan under (a) and (b) below), in relation to any SME Loan on any Calculation Date:

- (a) in respect of a Written-off SME Loan in respect of which no Liquidation Proceeds have yet been realised, an amount equal to 100 (one hundred) percent of the Principal Outstanding Balance of such SME Loan determined as at such Calculation Date;
- (b) in respect of a Written-off SME Loan in respect of which Liquidation Proceeds have been realised, the Principal Outstanding Balance (which shall not be deemed to be zero) less any Liquidation Proceeds, net of expenses incurred and accrued and unpaid interest with respect to such SME Loan;
- (c) an amount equal to 100 (one hundred) per cent. of any Principal Component which is not allocated to the relevant Collections Account when such payment is due, following the insolvency of the Originator; and
- (d) an amount equal to 100 (one hundred) per cent. of any Principal Component which is not allocated from the relevant Collections Account to the Payment Account when such payment is due, following the insolvency of the Originator or the Collections Account Bank.

“Weighted Average Funding Note Percentage” means, on any date of determination, an amount equal to the weighted average of the daily observations of:

- (a) the Funding Notes Interest; divided by
- (b) the aggregate amount of the Funding Notes Interest and the Vertical Notes Interest.

“Weighted Average Vertical Notes Percentage” means, on any date of determination, an amount equal to the weighted average of the daily observations of:

- (a) the Vertical Notes Interest; divided by
- (b) the aggregate amount of the Funding Notes Interest and the Vertical Notes Interest.

**Pre-Enforcement Interest
Payment Priorities:**

Prior to the delivery of an Enforcement Notice, the Available Interest Distribution Amount determined in respect of the Collections Period ending on the immediately preceding

Calculation Date will be applied by the Transaction Manager on a given Interest Payment Date in making the following payments or provisions in the following order of priority, but in each case only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:

- (a) *first*, in or towards payment of the Issuer's liability to tax, in relation to this transaction, if any;
- (b) *second*, in or towards payment of the Common Representative's Fees and the Common Representative's Liabilities;
- (c) *third*, in or towards payment of the Issuer Expenses, excluding the Issuer's liability to tax, paid under item (a) above;
- (d) *fourth*, in or towards payment of amounts due to the Swap Counterparty under the Swap Agreement (including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the relevant Swap Counterparty of any Replacement Swap Premium but excluding, if applicable, any related Excluded Swap Termination Amount and any Swap Withheld Amount);
- (e) *fifth*, in or towards allocation of amounts due under the Funding Notes in an amount equal to the Interest Deficit Cash Reserve Drawing plus any Principal Draw Amount plus any Swap Receipt plus any Liquidity Reserve Drawing;
- (f) *sixth*, in or towards payment *pari passu* on a *pro rata* basis of (i) the Interest Funding Amount in respect of the Funding Notes and (ii) the Interest Vertical Amount in respect of the Vertical Notes in accordance with the Pre-Enforcement Funding Notes Priorities and the Pre-Enforcement Vertical Notes Priorities (both as defined below) and considering the Weighted Percentage Average of both the Funding Notes and the Vertical Notes.

The Interest Funding Amount plus the Interest Deficit Cash Reserve Drawing plus the Liquidity Reserve Drawing plus any Swap Receipt and any Principal Draw Amount shall be used in accordance with the following order of priority (the "**Pre-Enforcement Funding Notes 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:

- (a) *first*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount due on the Class A Notes;

- (b) *second*, in or towards reduction *pari passu* on a *pro rata* basis, of the debit balance on the Class A Principal Deficiency Ledger until such balance is equal to zero;
- (c) *third*, in or towards payment to the Cash Reserve Account up to the Cash Reserve Account Required Balance;
- (d) *fourth*, in or towards a deposit in the Payment Account in an amount equal to the Liquidity Reserve Replenishment Amount, any amount so applied to be credited under the Liquidity Reserve Ledger;
- (e) *fifth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount due on the Class B Notes;
- (f) *sixth*, in or towards reduction *pari passu* on a *pro rata* basis, of the debit balance on the Class B Principal Deficiency Ledger until such balance is equal to zero;

The Interest Vertical Amount shall be used in accordance with the following order of priority (the “**Pre-Enforcement Vertical Notes 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:

- (a) *first*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount due on the Vertical Notes;
- (b) *second*, in or towards reduction *pari passu* on a *pro rata* basis, of the debit balance on the Vertical Principal Deficiency Ledger until such balance is equal to zero.
- (g) *seventh*, in or towards payment of any Excluded Swap Termination Amount (to the extent not satisfied by payment to the Swap Counterparty by the Issuer of any Replacement Swap Premium);
- (h) *eighth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount due on the Class C Notes;
- (i) *ninth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class C Notes until all the Class C Notes have been redeemed in full; and
- (j) *tenth*, in or towards payment of any Residual Distribution Amount due and payable in respect of the Residual Notes.

“**Common Representative’s Fees**” means the fees payable by the Issuer to the Common Representative in accordance with the Common Representative Appointment Agreement.

“**Common Representative’s Liabilities**” means any Liabilities due to the Common Representative in accordance with the Common Representative Appointment Agreement together with any interest payable in accordance with the Common Representative Appointment Agreement accrued due in the immediately preceding Collections Period.

“**Interest Funding Amount**” means the lesser of (a) the product of: (i) the Available Interest Distribution Amount minus items (a), (b), (c), (d) and (e) of the Pre-Enforcement Interest Payment Priorities and (ii) the Weighted Average Funding Note Percentage and (b) the amounts due under items (a) to (e) of the Pre-Enforcement Funding Notes Priorities.

“**Interest Vertical Amount**” means the lesser of (a) the product of: (i) the Available Interest Distribution Amount minus items (a), (b), (c), (d) and (e) of the Pre-Enforcement Interest Payment Priorities and (ii) the Weighted Average Vertical Note Percentage and (b) the amounts due under items (a) to (b) of the Pre-Enforcement Vertical Notes Priorities.

“**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), the Paying Agent, the Accounts Bank, the Agent Bank, the Swap Counterparty, the ICSDs and any Third Party Expenses that would be paid or provided for by the Issuer on the next Interest Payment Date.

“**Weighted Percentage Average**” means the Weighted Average Funding Note Percentage, the Weighted Average Vertical Notes Percentage and the Weighted Average Residual Note Percentage.

“**Liquidity Reserve Replenishment Amount**” means the amount determined on the related Calculation Date as being equal to the Liquidity Reserve Required Amount less the amount standing to the credit of the Liquidity Reserve Ledger on the Calculation Date; provided such amount shall not be less than zero.

**Pre-Enforcement Principal
Payment Priorities:**

Prior to the delivery of an Enforcement Notice, the Available Principal Distribution Amount determined in respect of the Collections Period ending on the immediately preceding Calculation Date will be applied by the Transaction Manager on a given 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*, during the Revolving Period only, in or towards the

purchase of Additional SME Loans Portfolios (to the extent such Additional SME Loans Portfolios are offered to be sold and assigned to the Issuer by the Originator);

- (b) *second*, during the Revolving Period only, in or towards a reduction of the Principal Amount Outstanding of the Vertical Notes, up to the Vertical Redemption Amount;
- (c) *third*, during the Revolving Period only, in depositing such amounts in the Payment Account, such deposit being recorded under the Principal Deposit Ledger;
- (d) *fourth*, after the end of the Revolving Period, in or towards reduction *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class A Notes until all the Class A Notes have been redeemed in full;
- (e) *fifth*, after the end of the Revolving Period, in or towards reduction *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class B Notes until all the Class B Notes have been redeemed in full;
- (f) *sixth*, after the end of the Revolving Period, in or towards reduction of the Principal Amount Outstanding of the Vertical Notes until all the Vertical Notes have been redeemed in full;
- (g) *seventh*, after the end of the Revolving Period and following redemption in full of the Vertical Notes, the Available Principal Distribution Amount shall be added to the Available Interest Distribution Amount and applied in accordance with the Pre-Enforcement Interest Payment Priorities.

**Redemption of Residual Notes
from Available Interest
Distribution Amount:**

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

**Post-Enforcement Payment
Priorities:**

Following the delivery of an Enforcement Notice, all amounts received or recovered by the Issuer and/or the Common Representative (other than (i) amounts representing any Excess Swap Collateral which shall be returned directly to the Swap Counterparty under the Swap Agreement; (ii) any Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the relevant Swap Agreement, to reduce the amount that would otherwise be payable by a Swap Counterparty to the Issuer on early termination of the Swap Agreement; (iii) any Swap Tax Credits which shall be returned directly to the relevant Swap Counterparty; and (iv) Replacement Swap Premium (only to the extent it is applied

directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty) which shall be paid directly to the relevant Swap Counterparty) 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 or provision of the Issuer's liability to Tax, if any;
- (b) *second*, in or towards payment *pari passu* on a *pro rata* basis of (i) any remuneration then due and payable to any receiver of the Issuer and all costs, expenses and charges incurred by such receiver, in relation to this transaction, and (ii) the Common Representative's Fees and the Common Representative's Liabilities;
- (c) *third*, in or towards payment of the Issuer Expenses;
- (d) *fourth*, to pay amounts due and payable to the Swap Counterparty in respect of the Swap Agreement (including any termination payment due and payable by the Issuer but excluding, where applicable, any related Excluded Swap Termination Amount or Swap Withheld Amount);
- (e) *fifth*, in or towards payment *pari passu* on a *pro rata* basis of accrued interest on the Class A Notes but so that current interest will be paid before interest that is past due;
- (f) *sixth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class A Notes until all the Class A Notes have been redeemed in full;
- (g) *seventh*, in or towards payment *pari passu* on a *pro rata* basis of accrued interest on the Class B Notes but so that current interest will be paid before interest that is past due;
- (h) *eighth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class B Notes until all the Class B Notes have been redeemed in full;
- (i) *ninth*, in or towards payment *pari passu* on a *pro rata* basis of accrued interest on the Vertical Notes but so that current interest will be paid before interest that is past due;
- (j) *tenth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Vertical Notes until all the Vertical Notes have been redeemed in full;
- (k) *eleventh*, to pay to the Swap Counterparty on a *pro rata* and *pari passu* basis according to the amount thereof and in accordance with the terms of the relevant Swap Agreement the Excluded Swap Termination Amount;

- (l) *twelfth*, in or towards payment *pari passu* on a *pro rata* basis of accrued interest on the Class C Notes but so that current interest will be paid before interest that is past due;
- (m) *thirteenth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class C Notes until all the Class C Notes have been redeemed in full; and
- (n) *fourteenth*, in or towards payment of any Residual Distribution Amount.

Application of Amounts in Respect of Swap Collateral, Excess Swap Collateral, Swap Tax Credits and Replacement Swap Premium:

Amounts received by the Issuer in respect of Excess Swap Collateral, Swap Collateral (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Swap Agreement, to reduce the amount that would otherwise be payable by the Swap Counterparty to the Issuer on early termination of the Swap under the Swap Agreement, such Swap Collateral is not to be applied in acquiring a replacement swap), Swap Tax Credits and Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty) shall, to the extent due and payable under the terms of the Swap Agreement, be paid directly to the Swap Counterparty without regard to the Priority of Payments.

Basis Swap Agreement:

The Issuer and the Swap Counterparty will enter into basis rate swap transactions documented pursuant to an ISDA Master Agreement (including the Schedule thereto and Credit Support Annex) (the “**Swap Agreement**”) and two confirmations (each, a “**Basis Swap**”) on the Closing Date pursuant to which the Issuer will hedge the possible variance between (i) the rates of interest it receives on the SME Loans Portfolio and (ii) the interest payable on the Funding Notes.

Under the first Basis Swap (the “**Three-Month EURIBOR Basis Swap**”), for each Interest Period falling prior to the termination date of the Swap Agreement:

- (a) the Swap Counterparty shall pay an amount equal to the product of:
 - (i) the Notional Amount of the Three-Month EURIBOR Basis Swap (the “**Notional Amount of the Three-Month EURIBOR Basis Swap**”);
 - (ii) the number of days in that Interest Period divided by 360; and
 - (iii) EUR-EURIBOR-Reuters (as defined in the ISDA 2006 Definitions) for that Interest Period with a designated maturity of three months;

- (b) the Issuer shall pay an amount equal to the product of:
- (i) the Notional Amount of the Three-Month EURIBOR Basis Swap;
 - (ii) the number of days in that Interest Period divided by 360; and
 - (iii) the weighted average Three-Month EURIBOR rate (the “**Weighted Average Three-Month EURIBOR**”) calculated according to the information provided by the Servicer in a quarterly report (the “**EURIBOR Quarterly Report**”),

where the Notional Amount of the Three-Month EURIBOR Basis Swap means, for each Interest Period, an amount equal to the lesser of:

- (A) the product of the Principal Amount Outstanding of the Funding Notes and a fraction, the numerator of which is the aggregate of the Principal Outstanding Balance of the Three-Month EURIBOR SME Loans and the denominator is the aggregate of the Principal Outstanding Balance of all Three-Month EURIBOR SME Loans and the Principal Outstanding Balance of all Six-Month EURIBOR SME Loans; and
- (B) the Performing Three-Month EURIBOR SME Loans Balance.

Under the second Basis Swap (the “**Six-Month EURIBOR Basis Swap**”), for each Interest Period falling prior to the termination date of the Swap Agreement:

- (a) the Swap Counterparty shall pay an amount equal to the product of:
 - (i) the Notional Amount of the Six-Month EURIBOR Basis Swap;
 - (ii) the number of days in that Interest Period divided by 360; and
 - (iii) EUR-EURIBOR-Reuters (as defined in the ISDA 2006 Definitions) for that Interest Period with a designated maturity of three months;
- (b) the Issuer shall pay an amount equal to the product of:
 - (i) the Notional Amount of the Six-Month EURIBOR Basis Swap (the “Notional Amount of the **Six-**

Month EURIBOR Basis Swap”);

- (ii) the number of days in that Interest Period divided by 360; and
- (iii) the weighted average Six-Month EURIBOR rate (the “**Weighted Average Six-month EURIBOR**”) calculated according to the information provided by the Servicer in a quarterly report (the “**EURIBOR Quarterly Report**”),

where the Notional Amount means, for each Interest Period, an amount equal to the lesser of:

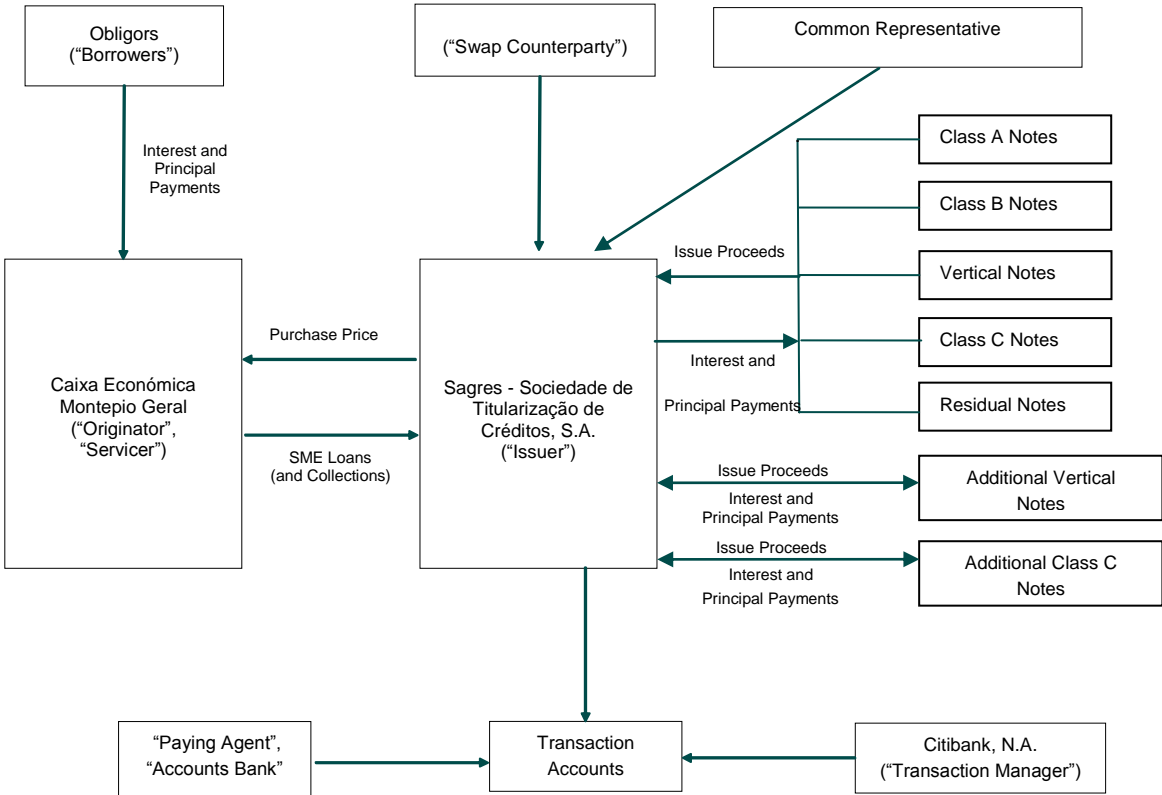
- (A) the product of the Principal Amount Outstanding of the Funding Notes and a fraction, the numerator of which is the aggregate of the Principal Outstanding Balance of the Six-month EURIBOR SME Loans and the denominator is the aggregate of the Principal Outstanding Balance of all Three-Month EURIBOR SME Loans and the Principal Outstanding Balance of all Six-Month EURIBOR SME Loans; and
- (B) the Performing Six-month EURIBOR SME Loans Balance.

Each Basis Swap will contain an option for the Issuer to reduce the notional amount of the Basis Swap to zero for any Interest Period by giving the Swap Counterparty at least 5 Business Days’ notice before the start of such Interest Period.

Swap Guarantee:

On the Closing Date, the Swap Guarantor will issue a guarantee (the “Swap Guarantee”) under which it will guarantee the timely payment of all amounts owing by the Swap Counterparty under the Swap Agreement.

STRUCTURE AND CASH FLOW DIAGRAM OF TRANSACTION



DOCUMENTS INCORPORATED BY REFERENCE

The following information has been filed with the CMVM and shall be deemed to be incorporated in and to form part of this Prospectus: the audited financial statements for the years ended 31 December 2008 and 31 December 2009 of Sagres - Sociedade de Titularização de Créditos, S.A., as well as the corresponding Auditor's Report.

OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS

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

SME Loans Assignment Agreement

Consideration for Purchase of the Initial SME Loans Portfolio

The purchase price of the Initial SME Loans (the “**Initial Purchase Price**”) will be €1,172,393,564.81, which shall be equal to (i) the Principal Outstanding Balance of the SME Loans included in the Initial SME Loans Portfolio to be sold and assigned to the Issuer on the Closing Date, as calculated at the Initial Collateral Determination Date; plus (ii) accrued interest not yet paid in relation to the SME Loans included in the Initial SME Loans Portfolio to be sold and assigned to the Issuer on the Closing Date, as at the Initial Collateral Determination Date; plus (iii) the Initial Funding Cost.

The Initial SME Loans Portfolio as at the Closing Date will be the Initial SME Loans Portfolio as at the Initial Collateral Determination Date as varied, in accordance with the SME Loans Assignment Agreement, by (a) the conversion of SME Loans which are repaid between that date and the Closing Date into their cash equivalent and (b) the substitution on the Closing Date of SME Loans which do not comply with the Originator Representations and Warranties in respect of SME Loans contained in Part C of Schedule 2 of the SME Loans Assignment Agreement (each, an “**SME Loan Warranty**” and, together, “**SME Loan Warranties**”) to be set out in the SME Loans Assignment Agreement with SME Loans which do comply with such SME Loan Warranty or their cash equivalent.

The principal component of the proceeds of repayment of SME Loans which are repaid between the Initial Collateral Determination Date and the Closing Date and the principal component of any cash received by the Issuer for SME Loans which do not comply with the SME Loan Warranties to be set out in the SME Loans Assignment Agreement on the Closing Date will form part of the Available Principal Distribution Amount on the next Interest Payment Date.

Consideration for Purchase of Additional SME Loans

On each Additional Purchase Date, the Issuer will pay to the Originator an additional purchase price (the “**Additional Purchase Price**”), to be calculated as an amount equal to (i) the Principal Outstanding Balance of the Additional SME Loans included in the relevant Additional SME Loans Portfolio sold and assigned to the Issuer on the applicable Additional Purchase Date, as calculated at the related Additional Collateral Determination Date; plus (ii) the applicable Additional Funding Cost.

Effectiveness of the Assignment

The assignment of the SME Loans 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 SME Loans and the transfer of the SME Loans*”). Paragraph 4 of Article 6 of the Securitisation Law facilitates the process of transferring receivables by introducing an amendment to the general principles, provided by Article 583 of the Portuguese Civil Code, on the effectiveness of the transfer of receivables, *inter alia*, by a credit institution (which is also acting as the servicer) whereby the assignment becomes effective at the time of execution of the relevant sale agreement, both between the parties thereto and against the Borrowers. No notice to Borrowers is required to give effect to the assignment of the SME Loans to the Issuer.

Notwithstanding the above, the assignment of the security constituted by Mortgages must be registered with the Portuguese Real Estate Registry Offices to be effective against the Borrowers (see below “**Notification Event**”).

The CMVM has, through the issue of the 20 digit code to the issue of the Notes, confirmed on 18 June, 2010 that the SME Loans comply with the requirements set forth in article 4.1 of the Securitisation Law and are thus eligible to be assigned for securitisation purposes.

Notification Event

Following the occurrence of a Notification Event, the Originator will execute and deliver to, or to the order of, the Issuer: (a) all SME Loan Agreements and all other documents in the Originator’s possession in relation to the SME Loans and which are necessary in order to register the transfer of any Ancillary SME Loans Rights in relation to the SME Loans Portfolio from the Originator to the Issuer, (b) if relevant, an official application form duly filled in to be filed in the Portuguese Real Estate Registry Office requesting registration of the assignment to the Issuer of any Ancillary SME Loans Rights over any Portuguese real estate, (c) notices addressed to the relevant Borrowers and copied to the Issuer in respect of the assignment to the Issuer of each of the SME Loans included in the SME Loans Portfolio, and (d) such other documents and provide such other assistance as is necessary in order to register the assignment of any Ancillary SME Loans Rights in relation to the SME Loans Portfolio and notify the relevant Borrowers.

The notice to Borrowers 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 SME Loan directly 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 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.

No further act, condition or thing will be required to be done in connection with the assignment of the SME Loans Portfolio to enable the Issuer to require payment of the Receivables arising under the SME Loans or to enforce any such rights in court other than the registration of any related Ancillary SME Loans Rights over Portuguese real estate assigned to the Issuer at the Portuguese Real Estate Registry Office. Such action by the Issuer will only be effected following the occurrence of a Notification Event.

“**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 SME Loans Servicing Agreement; and/ or
- (d) if the Originator is required to deliver a Notification Event Notice by the laws of the Portuguese Republic.

“**Insolvency Event**” in respect of a natural person or entity means:

- (a) the initiation of, or consent to, any Insolvency Proceedings by such person or entity;

- (b) the initiation of Insolvency Proceedings against such a person or entity and such proceeding is not contested in good faith on appropriate legal advice;
- (c) the application (and such application is not contested in good faith on appropriate legal advice) to any court for, or the making by any court of, a bankruptcy, an insolvency or an administration order against such person or entity;
- (d) the enforcement of, or any attempt to enforce (and such attempt is not contested in good faith on appropriate legal advice) any security over the whole or a material part of the assets and revenues of such a person or entity;
- (e) any distress, execution, attachment or similar process (and such process, if contestable, is not contested in good faith on appropriate legal advice) being levied or enforced or imposed upon or against any material part of the assets or revenues of such a person or entity;
- (f) the appointment by any court of a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, common representative, trustee or other similar official in respect of all (or substantially all) of the assets of such a person or entity generally; or
- (g) the making of an arrangement, composition or reorganisation with the creditors of such a person or entity; or
- (h) in relation to the Originator and the Servicer, to the extent not already covered by paragraphs (a) to (g) above, the suspension of payments, the commencing of any recovery or insolvency proceedings against the Originator or the Servicer, under Decree-Law no. 298/92 of 31 December 1992, Decree-Law no. 199/2006 of 26 October 2006 and/or the Code for the Insolvency and Recovery of Companies, introduced by Decree-Law no. 54/2004 of 18 March (each one as amended from time to time).

“**Notification Event Notice**” means a notice substantially in the form set out in Part B (*Form of Notification Event Notice*) of Schedule 4 (*Notification Events*) of the SME Loans Assignment Agreement.

Representations and Warranties as to the SME Loans

In accordance with the terms of the SME Loans Assignment Agreement, the Originator represents and warrants that, in respect of each SME Loan included in the Initial SME Loans Portfolio as at the Initial Collateral Determination Date and the Closing Date and in respect of each SME Loan included in each Additional SME Loans Portfolio as at the relevant Additional Collateral Determination Date and Additional Purchase Date (except if the period from the Additional Collateral Determination Date to the Additional Purchase Date is less than 10 (ten) Business Days, in which case the Originator represents and warrants only with reference to the relevant Additional Collateral Determination Date), the following criteria (the “**Eligibility Criteria**”) are met:

(a) *Eligible SME Loans*

An “**Eligible SME Loan**” is one that complies with all of the following:

1. corresponds to a Credit Line or a Term Loan originated by Montepio and granted to an Eligible Borrower;
2. it is governed by Portuguese law;
3. it is denominated in Euro;

4. it is an interest-bearing receivable payable monthly, quarterly, semi-annually, annually or upon maturity and interest payable is calculated on the basis of a 360 day year at a variable rate;
5. it is in existence, maintained and serviced by Montepio;
6. at least one instalment has been paid in relation thereto;
7. it is an SME Loan which is not in arrears;
8. it is not a Defaulted Receivable;
9. it is legally and beneficially owned by Montepio;
10. it is not subject to any dispute, right of set-off counterclaim, defence or claim existing or pending against Montepio;
11. if it is an SME Loan in respect of which Security has been created, all the SME Loans benefiting (in whole or in part) from the same Security have been sold and assigned to the Issuer
12. if it is an SME Loan secured by a Mortgage, the relevant Property is located in Portugal, and such Property (to the extent it is not land) must be completed and not in construction process;
13. if it is an SME Loan guaranteed by publicly sponsored entities by the Portuguese State under SME development programmes, such SME Loan together with other SME Loans guaranteed by publicly sponsored entities by the Portuguese State under SME development programmes amount to no more than 7 (seven) percent of the Aggregate Principal Outstanding Balance of the SME Loans; and
14. if it is an SME Loan arising from a Credit Line, the maturity of the relevant Credit Line is less or equal to 12 (twelve) months, provided that Credit Lines with a principal maturity of more than 12 (twelve) months and less than 36 (thirty six) months can be included in SME Loans Portfolios, subject to not being in excess of 10 (ten) percent of the Aggregate Principal Outstanding Balance of all SME Loans.

(b) *Eligible SME Loan Agreements*

An “**Eligible SME Loan Agreement**” is one that complies with all the following criteria:

1. has been entered into with Montepio in the ordinary course of the Borrower’s business, on arms’ length commercial terms;
2. has not been subject to a waiver or amendment in any material aspect of its terms; and
3. has been entered into in compliance with the laws of Portugal;

(c) *Eligible Borrowers*

An “**Eligible Borrower**” is one in respect to each SME Loan Agreement that complies with all the following criteria:

1. it is still in existence and is not insolvent or bankrupt;

2. it is an SME or an Other Entity;
3. it is not a subsidiary of Montepio;
4. if a Mortgage has been granted as security in respect of the relevant SME Loan, the Borrower has good and marketable title to the relevant Property;
5. it has full legal capacity to enter into the SME Loan Agreement under Portuguese law; and
6. at the time the relevant SME Loan was sold and assigned to the Issuer, the respective Borrower was assigned an internal rating by the Originator equal to or lower than 6 (six) within the Originator's internal rating scale from 1 to 8;

“**SME**” means a small or medium size enterprise and “**SMEs**” shall be construed accordingly.

“**Other Entity**” means an entity that, although not corresponding to an SME, is internally classified by the Originator as an eligible borrower for the concession of credit facilities of the same type as those granted to SMEs, and includes, namely, independent entrepreneurs, political, union, solidarity, public, religious or sports entities, financial entities, investment funds, in any case to whom the Originator has granted an SME Loan, and “**Other Entities**” shall be construed accordingly.

“**Defaulted Receivable**” means on any day of determination, any SME Loan which is not a Written-off SME Loan under items (b) or (c) of such definition and in respect of which 12 (twelve) or more monthly instalments, or 4 (four) or more quarterly instalments, or 2 (two) or more semi-annual instalments, or 1(one) or more annual instalments (as the case may be) have not been paid by the respective Instalment Due Dates relating thereto and which remain outstanding on such day of determination.

“**Delinquent Receivable**” means any SME Loan which is more than 90 (ninety) days in arrears.

Revolving Period and Offering Period

During the Revolving Period and the Offering Period, subject to satisfying the conditions described below and the Issuer having available funds for such purpose, the Issuer may make further purchases of SME Loans (each of these being an “**Additional Purchase**”) on each Interest Payment Date falling within the Revolving Period or the Offering Period (each such date being an “**Additional Purchase Date**”). The SME Loans which will be the subject of each Additional Purchase shall comply with the Eligibility Criteria (as set out above) and shall result from an SME Loan Agreement drafted according to one of the standard forms of SME Loan Agreements forming part of Schedule 7 (*Standard Documents*) of the SME Loans Assignment Agreement. During the Offering Period, the Originator may not sell, and the Issuer shall not purchase, any SME Loans which do not arise from Securitised SME Loan Agreements.

Where an Additional Purchase is made on an Additional Purchase Date during the Revolving Period, the following requirements (the “**Portfolio Tests**”), calculated by reference to the relevant Additional Collateral Determination Date, must be met:

- (a) The Maximum Principal Outstanding Balance in respect of the largest Borrower does not exceed 1 (one) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans with the exception of 5 (five) Borrowers, whose Maximum Principal Outstanding Balance can be individually up to 1.2 (one point twenty) percent;

- (b) The Maximum Principal Outstanding Balance of the SME Loans in respect of the 10 largest Borrowers does not exceed 10 (ten) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (c) The Maximum Principal Outstanding Balance of the SME Loans in respect of the 20 largest Borrowers groups does not exceed 17 (seventeen) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (d) The Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers identified by any NACE Rev. 2 industry section (identified by letters A to U) does not exceed 46 (forty six) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (e) The Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers identified by any two NACE Rev. 2 industry sections (identified by letters A to U) does not exceed 65 (sixty five) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (f) The aggregate Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers classified in the following codes using NACE Rev.2. codes 41.1, 42, 68.1 does not exceed 20 (twenty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (g) The Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers located in one single Portuguese Area does not exceed 50 (fifty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (h) The number of Borrowers in relation to SME Loans should be equal to or greater than 7,000;
- (i) The Maximum Principal Outstanding Balance of SME Loans under the form of Term Loans is equal to or greater than 40 (forty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (j) The Maximum Principal Outstanding Balance of SME Loans under the form of Term Loans which do not have a French or linear amortisation should not be greater than 30 (thirty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans under the form of Term Loans;
- (k) The sum of:
 - (i) The amounts deposited in the Payment Account and recorded under the Principal Deposit Ledger; plus
 - (ii) The Maximum Principal Outstanding Balance of SME Loans with an Eligible Loan-to-Value Ratio of less than 85 (eighty five) percent,
 divided by the sum of:
 - (i) The amounts deposited in the Payment Account and recorded under the Principal Deposit Ledger; plus
 - (ii) The Maximum Principal Outstanding Balance of all SME Loans,
 should be greater than 37.5 (thirty seven point five) percent;

- (l) The Maximum Principal Outstanding Balance of SME Loans supported by a Mortgage is greater than 42.5 (forty two point five) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (m) The weighted average margin of the SME Loans is equal to or greater than 1.75 (one point seventy five) percent;
- (n) The weighted average internal rating of the Borrowers in relation to the relevant SME Loans is equal to or lower than 5;
- (o) The Maximum Principal Outstanding Balance of SME Loans with an internal rating of the Borrower being equal to or lower than 4 is at least 60 (sixty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (p) The Maximum Principal Outstanding Balance of SME Loans with an internal rating of the Borrower being equal to or lower than 5 is at least 78 (seventy eight) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (q) The weighted average time to maturity of SME Loans is less than 4 (four) years;
- (r) The weighted average time to maturity of SME Loans under the form of Term Loans is less than 7 (seven) years;
- (s) The weighted average time to maturity of SME Loans in the form of revolving Credit Lines is less than 1 (one) year; and
- (t) The Maximum Principal Outstanding Balance of SME Loans in relation to which interest is calculated on the basis of a 6 (six) month or 3 (three) month EURIBOR is equal to, or greater than, 95 (ninety five) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans.

“**Eligible Loan-to-Value Ratio**” means the *ratio* between the Principal Outstanding Balance of an SME Loan and the appraised value of Security securing such SME Loan.

Breach of SME Loan Warranties and Variations other than Permitted Variations

If there is a breach of any SME Loan Warranty which shall be notified by the Servicer, as soon as practicable and upon the Servicer becoming aware of it, to the Issuer, the Common Representative and the Transaction Manager, which, in the opinion of the Common Representative (without limitation, having regard to whether a loss is likely to be incurred in respect of the SME Loan to which the breach relates) could have a material adverse effect on any SME Loan, its related SME Loan Agreements or the Receivables in respect of such SME Loan, if such breach is capable of remedy, the Originator shall remedy such breach within 30 (thirty) days after receiving written notice of such breach from the Issuer or the Common Representative.

If, in the opinion of the Common Representative, upon advice received, at the cost of the Issuer, from a reputable Portuguese counsel selected by the Common Representative and in form and substance satisfactory to it, such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 30 (thirty) day period, the Originator shall indemnify the Issuer against any losses which the Issuer may suffer as a result thereof. In addition, if, in the case of the representation made by the Originator that no rights of set-off exist or are pending against the Originator in respect of a Receivable being proved to have been breached, the Originator fails to pay to the Issuer an amount equal to the amount so set-off, the Originator shall also indemnify the Issuer against any losses which the Issuer may suffer

as a result thereof. The Originator will discharge the liability by repurchasing or causing a third party to repurchase the relevant SME Loan 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 SME Loan will be an amount equal to the aggregate of: (a) the Principal Outstanding Balance of the relevant SME Loan as at the date of re-assignment of such Assigned SME Loan Rights, (b) an amount equal to all other amounts due in respect of the relevant SME Loan and its related SME Loan Agreement with the exception of Excluded Rights, and (c) the properly incurred costs and expenses of the Issuer incurred in relation to such re-assignment. Any such Repurchase Proceeds to be included in the case of (a) above in the Principal Deposit Ledger of the Payment Account and afterwards included in the Available Principal Distribution Amount, and in the case of (b) and (c) above to be included in the Payment Account and afterwards in the Available Interest Distribution Amounts.

If an SME Loan expressed to be included in the SME Loans 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 SME Loan Warranty.

Borrower Set-Off

Pursuant to the terms of the SME Loans Assignment Agreement, the Originator will indemnify the Issuer for an amount equal to any reduction in any payment due with respect to an SME Loan sold to the Issuer as a result of the exercise of a right of set-off by any Borrower (except if the Borrower exercises such right of set-off against the Issuer after having received a Notification Event Notice), failing which the amount of the reduction resulting from the exercise of a set-off right by a Borrower will be recorded under the Vertical Principal Deficiency Ledger.

Applicable law and jurisdiction

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

SME Loans Servicing Agreement

Servicing and Collections of Receivables

Pursuant to the terms of the SME Loans Servicing Agreement, the Issuer will appoint the Servicer to provide certain services relating to the servicing of the SME Loans and the collections of the Receivables in respect of such SME Loans (the “**Services**”).

Sub-Contractor

The Servicer may appoint any of its subsidiaries or affiliates for the time being 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 SME Loans 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 SME Loans Servicing Agreement and will include, but not be limited to:

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

The Servicer has undertaken to prepare and submit to the Issuer and the Transaction Manager within 5 (five) Lisbon Business Days after each Calculation Date the Quarterly Report containing information as to the SME Loans Portfolio and Collections in respect of the preceding Collections Period.

“**Collections Payment Date**” means the Business Day following each Business Day on which the relevant Collections are credited to the Collections Account.

Collections and Transfers to the Collections Account

The Servicer covenants in the SME Loans Servicing Agreement that it shall give instructions to the Collections Account Bank to ensure that monies received by the Collections Account Bank from Borrowers in respect of the SME Loans on any particular Lisbon Business Day are on such Lisbon Business Day of receipt paid into the Collections Account if received prior to 3.00 p.m. or on the next Lisbon Business Day if received after 3.00 p.m., in accordance with the provisions of the SME Loans Servicing Agreement. The Servicer will direct the Collections Account Bank to transfer to the Payment Account on each Collections Payment Date the amount of all Collections relating to SME Loans received in the Collections Account. If the Collections 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 to ensure compliance by the Collections Account Bank with its obligations under the SME Loans Servicing Agreement and the Collections Account Mandate (to the extent applicable).

If the long-term unsecured debt obligations of the Collections Account Bank cease to be rated at least “BBB-“ by Fitch or the creditworthiness of the Collections Account Bank, in the internal view of DBRS, has fallen below a level consistent with a rating of “BBB (low)” by DBRS, a Master Back-Up Servicer will be appointed by the Issuer and the Borrowers will be notified that they should as soon as practicable, and in any case within 30 (thirty) calendar days, make their payments directly into the Payment Account held by the Issuer at the Account Bank.

“**Master Back-Up Servicer**” means the master back-up servicer to be appointed in accordance with the terms of the SME Loans Servicing Agreement.

Variations of SME Loans

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

To the extent that the Servicer agrees, under clause 9.3 of the SME Loans Servicing Agreement, to an amendment, variation or waiver to an SME Loan Agreement that is not otherwise permitted, the Originator or a third party shall be required to repurchase the relevant SME Loan by paying an amount in cash as consideration for the relevant SME Loan.

If the Servicer determines that it will accept a request by a Borrower for an amendment, variation or waiver of any Material Term of an SME Loan Agreement that is not otherwise permitted (as described in this section “*Variations of SME Loans*”), the Servicer shall notify the Originator of such a determination, and within 30 (thirty) days of such amendment, variation or waiver being made, the Originator or, if applicable, a third party purchaser shall pay an amount in cash to the Issuer to purchase the Assigned SME Loans Rights in respect of such SME Loan or SME Loans.

To the extent that an amendment, variation or waiver is made in relation to a Material Term in an SME Loan Agreement while Enforcement Procedures are being taken regarding such SME Loan Agreement, which leads to an SME Loan becoming current again, such SME Loan will be considered a Defaulted Receivable.

In any case, the Servicer may only amend, vary or waive any Material Term in an SME Loan Agreement (other than a Permitted Variation or any amendment or variation made while Enforcement Procedures are being taken against such SME Loan) if, further to the conditions set under clause 9.3 (*Conditions for Variations*) of the SME Loans Servicing Agreement, the following conditions are met:

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

“**Permitted Variation**” means any variation or amendment to the Material Terms of an SME Loan Agreement under which (a) the spread over the index used to determine the rate of interest thereunder is reduced, provided that (i) such spread is not reduced by more than 0.5 percent (for the avoidance of doubt, the index used to determine the rate of interest applicable to such SME Loan Agreement shall remain unchanged) and (ii) the weighted average margin of the SME Loans considering such variation or amendment is equal to or greater than 1.75 (one point seventy five) percent; (b) the maturity date of the SME Loan Agreement is amended, provided: (i) such amendment occurs during the Revolving Period, (ii) in the case of a Credit Line, the maturity term of such SME Loan Agreement is extended up to 1 (one) year from the Credit Line’s maturity date prior to such variation and/or amendment, (iii) in the case of a Term Loan, the maturity term of such SME Loan Agreement is extended up to 2 (two) years from the Term Loan’s maturity date prior to such variation and/or amendment, (iv) the maturity term of such SME Loan Agreement is not amended so as to fall within the last 3 (three) years prior to the Final Legal Maturity Date.

“**Material Term**” means, in respect of any SME Loan Agreement, any provision thereof on the date on which the SME Loan is assigned to the Issuer relating to (i) the maturity date of the SME Loan Agreement, (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 SME Loan, (v) the amortisation profile of such SME Loan, (vi) the currency of such SME Loan, (vii) the compliance of such SME Loan with the Eligibility Criteria and with the Portfolio Tests or (viii) the index used to determine the interest rate.

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

“**Services**” means the services to be provided by the Servicer as set out in Schedule 1 to the SME Loans Servicing Agreement.

“**Enforcement Procedures**” means the exercise, according to the Servicer’s Operating Procedures, of rights and remedies against a Borrower in respect of such Borrower’s obligations arising from any SME Loans in respect of which such Borrower is in default.

“**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 SME Loans Servicing Agreement).

Servicing Fee

The Servicer will, on each Interest Payment Date, receive a servicing fee quarterly in arrear from the Issuer calculated by reference to the Principal Outstanding Balance of the SME Loans as at the first day of the relevant Collections Period.

Representations and Warranties

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

Among other things, the Servicer will covenant in the SME Loans Servicing Agreement not to extend the term of any SME Loan assigned to the Issuer after the end of the Revolving Period, otherwise Montepio will be required to present an offer to repurchase or cause a third party to present an offer to repurchase such SME Loan from the Issuer at a price no less than the Principal Outstanding Balance of such SME Loan plus interest accrued since such SME Loan’s last interest payment date.

Servicer Event

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

The following events will be “**Servicer Events**” under the SME Loans 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 SME Loans 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 clause (a) above:
 - (i) default is made or delay occurs by the Servicer in the performance or observance of any of its other covenants and obligations under the SME Loans Servicing Agreement; or
 - (ii) any of the Servicer Representations and Warranties (as defined in the Incorporated Terms Memorandum) 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 SME Loans 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 SME Loans Servicing Agreement; or
- (d) if the Servicer is prevented or severely hindered for a period of 60 (sixty) calendar days or more from complying with its obligations under the SME Loans 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 SME Loans Servicing Agreement; and/or
- (g) the Bank of Portugal intervenes under Title VIII of Decree-law no. 298/92 of 31 December (as amended) into the regulatory affairs of the Servicer where such intervention could lead to the withdrawal by the Bank of Portugal of the Servicer's authorisation to carry on its business.

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

- (a) hold to the order of the Issuer the records relating to the SME Loans, 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 SME Loans of the Issuer;

- (c) other than as the Issuer may direct, continue to perform all of the Services (unless prevented by any Portuguese law or any applicable law) until the date specified in the Servicer Termination Notice;
- (d) take such further action, in accordance with the terms of the SME Loans Servicing Agreement, as the Issuer may reasonably direct in relation to the Servicer's obligations under the SME Loans Servicing Agreement, including, if so requested, giving notice to the Borrowers and providing such assistance as may be necessary to enable the Services to be performed by a successor servicer; and
- (e) stop taking any such action under the terms of the SME Loans Servicing Agreement as the Issuer may reasonably direct, including, the collections of the Receivables into the Collections Account, communication with Borrowers or dealing with the SME Loans.

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

- (a) all authority and power of the retiring Servicer under the SME Loans 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 SME Loans 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 31 of Schedule 1 of the SME Loans 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 SME Loans.

"Servicer Representation and Warranty" means each statement of the Servicer contained in Schedule 2 (*Servicer's Representations and Warranties*) to the SME Loans Servicing Agreement and **"Servicer Representations and Warranties"** means all of those statements.

Notice of Breach

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

- (a) any breach of any Originator Representation and Warranty;
- (b) the occurrence of a Servicer Event; or

- (c) any breach by a Sub-contractor pursuant to clause 6.3 (*Events requiring assignment of rights against Sub-contractor*) of the Servicing Agreement,

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

Termination

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

Notice of the termination of the Servicer's appointment and appointment of substitute servicer shall be delivered by the Issuer to the Rating Agencies, the CMVM, the Bank of Portugal, the Arranger and each of the other Transaction Parties.

Applicable law and jurisdiction

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

Common Representative Appointment Agreement

Appointment and services

On the Closing Date, the Issuer, the Common Representative and the Swap Counterparty will enter into an agreement setting forth the Conditions of the Notes and providing for the appointment of the Common Representative as common representative of the Noteholders for the Notes pursuant to Article 65 of the Securitisation Law and to Articles 357, 358 and 359 of Decree-Law no. 76-A/2006 of 29 March 2006, 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 and the terms of the Conditions. The Common Representative shall have among other things the power:

- (a) to exercise in the name and on behalf of the Noteholders all the rights, powers, authorities and discretions vested on the Noteholders or on it (in its capacity as the common representative of the Noteholders pursuant to article 65 of the Securitisation Law and of article 359 of the Portuguese Companies Code) at law, under the Common Representative Appointment Agreement or under any other Transaction Document;
- (b) to start any action in the name and on behalf of the Noteholders in any proceedings;
- (c) to enforce or execute in the name and on behalf of the Noteholders any Resolution passed by a Meeting of the Noteholders; and

- (d) to exercise, in its name and on its behalf, the rights of the Issuer under the Transaction Documents pursuant to the terms of the Co-ordination Agreement.

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

- (a) determining whether any proposed modification to the Notes or the Transaction Documents is materially prejudicial to the interest 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 terms and conditions of the Notes or the Transaction Documents on behalf of the holders of the Notes; and
- (d) determining certain matters specified in the Common Representative Appointment Agreement, including any questions in relation to any of the provisions therein.

In addition, the Common Representative may, at any time without the consent or sanction of the Noteholders or any other Transaction Creditor, concur with the Issuer and any other relevant Transaction Party in making (A) any modification to the Conditions or the Transaction Documents in relation to which the consent of the Common Representative is required (other than in respect of a Reserved Matter or any provisions of the Notes, the Common Representative Appointment Agreement or any Transaction Document referred into the definition of Reserved Matter) which, in the opinion of the Common Representative will not be materially prejudicial to the interests of (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, and (B) any modification, other than a modification in respect of a Reserved Matter, to any provision of the Notes, the Common Representative Appointment Agreement or any of the Transaction Documents in relation to which the consent of the Common Representative is required, if, in the opinion of the Common Representative, such modification is of a formal, minor, administrative or technical nature, or is made to correct a manifest error or an error which, in the reasonable opinion of the Common Representative, is proven or is necessary or desirable for purposes of clarity provided that such changes have always been previously notified to the Rating Agencies and notice thereof has been delivered to the Noteholders in accordance with the Notices Conditions and (C) any modification to the Transaction Documents (other than in respect of a Reserved Matter or any provisions of the Notes, the Common Representative Appointment Agreement or any Transaction Document referred into the definitions of Reserved Matter) which is incidental to the substitution of the Swap Counterparty with another entity with a Minimum Swap Counterparty Rating, provided that no such modification will take effect until and unless: (a) regarding item (A) above (i) DBRS has confirmed that such modification does not adversely affect the Rating of the Most Senior Class of Notes then outstanding; (ii) Fitch has been previously notified about the making of any such modification; and (C) notice thereof has been delivered to the Noteholders in accordance with the Notices Condition; and (b) regarding item (B) above (i) the Rating Agencies have been previously notified about the making of any such modification and (ii) notice thereof has been delivered to the Noteholders in accordance with the Notices Condition.

Modifications in respect of a Reserved Matter require the written consent of the Transaction Creditors.

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 Payment Priorities until the powers, authorities and discretions of the Common Representative are discharged.

In the event of the occurrence of an Event of Default or the Common Representative considering it expedient or necessary or being requested by the Issuer to undertake duties which the Common Representative considers 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.

The rate of remuneration in force from time to time may, upon the final redemption of the whole of the Notes in a Class, can 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 the Common Representative

The Common Representative may retire at any time upon giving not less than 1 (one) calendar month notice in writing to the Issuer without assigning any reason therefor and without being responsible for any Liabilities occasioned by such retirement. The retirement of the Common Representative shall not become effective until the appointment of a new Common Representative. In the event of the Common Representative giving notice under the Common Representative Appointment Agreement, the Issuer shall use its best endeavours to find a substitute common representative and prior to the expiry of the 1 (one) calendar month notice period the Common Representative shall convene a Meeting for appointing such person as the new common representative.

Termination of the Common Representative

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

Applicable law and jurisdiction

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

Accounts Agreement

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

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

If the short-term unsecured debt obligations of the Accounts Bank are downgraded by the Rating Agencies below the Minimum Rating 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. The appointment of any successor Accounts Bank shall be previously notified to the Rating Agencies. Failure by the successor Agent to meet the Minimum Rating may result in the Rating Agencies downgrading the Class A Notes.

“**Minimum Rating**” means, in respect of any entity, such entity’s short term unsecured, unsubordinated, unguaranteed debt obligations having (i) ratings of “F-1” by Fitch and “R-1 (middle)” by DBRS (or, as the case may be, the creditworthiness of such entity, in the internal view of DBRS, is consistent with a rating of “R-1 (middle)” by DBRS) and such entities long term unsecured, unguaranteed and unsubordinated debt obligations being rated “A” by Fitch and by DBRS (or, as the case may be, the creditworthiness of such entity, in the internal view of DBRS, is consistent with a rating of “R-1 (middle)” by DBRS) or (ii) such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being minimum ratings that are required to support the then rating of the Notes);

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

Paying Agency Agreement

Each of the Agents (the Paying Agent and the Agent Bank) may resign its appointment upon not less than 30 (thirty) days’ notice to the Issuer and the Issuer may terminate the appointment of each of the Agents by not less than 30 (thirty) days’ notice to the relevant Agent (and such appointment shall automatically terminate in case an Insolvency Event occurs in respect of the relevant Agent), provided such termination does not take effect until a successor has been duly appointed.

The appointment of any successor Agent shall be previously notified to the Rating Agencies. Any successor Agent appointed by the Issuer must be appointed prior to the termination of the appointment of the previous Agent and shall be a reputable and experienced financial institution which is rated at least the Minimum Rating. Failure by the successor Agent to meet the Minimum Rating may result in the Rating Agencies downgrading the Class A Notes.

Co-ordination Agreement

On the Closing Date, 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 SME Loans Portfolio, the Originator and its obligations under the SME Loans Assignment Agreement, the Servicer and its obligations under the SME Loans Servicing Agreement.

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

Pursuant to the terms of the Co-ordination Agreement, the Common Representative will have the direct benefit of certain representations and warranties made by the Originator and the Servicer in the SME

Loans Assignment Agreement and the SME Loans Servicing Agreement respectively. The Issuer will authorise the Common Representative to exercise the rights provided for in the Co-ordination Agreement and the Originator and the Servicer will acknowledge such authorisation therein.

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

Transaction Management Agreement

Appointment and services

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 and to carry out certain administrative tasks on behalf of the Issuer, including:

- (a) operating the Payment Account, the Cash Reserve Account and the Principal Deficiency Ledgers in such a manner as to enable the Issuer to perform its financial obligations pursuant to the Notes and the Transaction Documents;
- (b) providing the Issuer and the Common Representative with certain cash management, calculation, notification and reporting information in relation to the Payment Account, the Cash Reserve Account and the Principal Deficiency Ledgers;
- (c) taking the necessary action and giving the necessary notices to ensure that the Payment Account, the Cash Reserve Account and the Principal Deficiency Ledgers are 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 Principal Deficiency Ledgers; and
- (e) investing the funds credited to the Payment Account and the Cash Reserve Account in Authorised Investments in accordance with the Transaction Management Agreement.

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

Remuneration of the Transaction Manager

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

Termination 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. The appointment of any successor Transaction Manager shall be previously notified to the Rating Agencies and failure by such

successor Transaction Manager to meet a Minimum Rating may result in the Rating Agencies downgrading the rating of the Class A Notes.

Applicable law and jurisdiction

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

Swap Agreement

Basis Swaps

The SME Loans pay a rate of interest calculated by reference to the Three-Month EURIBOR or the Six-Month EURIBOR. However, the interest rate payable by the Issuer with respect to the Funding Notes is an amount calculated by reference to the Three-Month EURIBOR set on a different date.

To provide a hedge against the possible variance between: (i) the rates of interest received on the SME Loans Portfolio; and (ii) the rates of interest payable on the Funding Notes, the Issuer will enter into the Swap Agreement on the Closing Date. The Swap Agreement is scheduled to terminate in 15 July 2036.

The Basis Swaps will have substantially the terms set out below.

Under the Three-Month EURIBOR Basis Swap, for each Interest Period falling prior to the termination date of the Swap Agreement:

- (a) the Swap Counterparty shall pay an amount equal to the product of:
 - (i) the Notional Amount of the Three-Month EURIBOR Basis Swap;
 - (ii) the number of days in that Interest Period divided by 360; and
 - (iii) EUR-EURIBOR-Reuters (as defined in the 2006 ISDA Definitions) for that Interest Period with a designated maturity of three months;
- (b) the Issuer shall pay to the Swap Counterparty an amount equal to the sum of the product of:
 - (i) the Notional Amount of the Three-Month EURIBOR Basis Swap;
 - (ii) the number of days in that Interest Period divided by 360; and
 - (iii) the weighted average Three-Month EURIBOR rate (the “**Weighted Average Three-Month EURIBOR**”) calculated according to the information provided in the EURIBOR Quarterly Report;

where the Notional Amount of the Three-Month EURIBOR Basis Swap means, for each Interest Period, an amount equal to the lesser of:

- (A) the product of the Principal Amount Outstanding of the Funding Notes and a fraction, the numerator of which is the aggregate of the Principal Outstanding Balance of the Three-Month EURIBOR SME Loans and the denominator is the aggregate of the Principal Outstanding Balance of all Three-Month EURIBOR SME Loans and the Principal Outstanding Balance of all Six-Month EURIBOR SME Loans; and

(B) the Performing Three-Month EURIBOR SME Loans Balance.

Under the Six-Month EURIBOR Basis Swap, for each Interest Period falling prior to the termination date of the Swap Agreement:

- (a) the Swap Counterparty shall pay an amount equal to the product of:
 - (i) the Notional Amount of the Six-Month EURIBOR Basis Swap;
 - (ii) the number of days in that Interest Period divided by 360; and
 - (iii) EUR-EURIBOR-Reuters (as defined in the 2006 ISDA Definitions) for that Interest Period with a designated maturity of three months;
- (b) the Issuer shall pay to the Swap Counterparty an amount equal to the sum of the product of:
 - (i) the Notional Amount of the Six-Month EURIBOR Basis Swap;
 - (ii) the number of days in that Interest Period divided by 360; and
 - (iii) the weighted average Six-Month EURIBOR rate (the “**Weighted Average Six-Month EURIBOR**”) calculated according to the information provided in the EURIBOR Quarterly Report;

where the Notional Amount of the Six-Month EURIBOR Basis Swap means, for each Interest Period, an amount equal to the lesser of:

- (A) the product of the Principal Amount Outstanding of the Funding Notes and a fraction, the numerator of which is the aggregate of the Principal Outstanding Balance of the Six-month EURIBOR SME Loans and the denominator is the aggregate of the Principal Outstanding Balance of all Three-Month EURIBOR SME Loans and the Principal Outstanding Balance of all Six-Month EURIBOR SME Loans; and
- (B) the Performing Six-month EURIBOR SME Loans Balance.

If a payment is to be made by the Swap Counterparty, (other than the Swap Collateral, Excess Swap Collateral, Swap Tax Credit and Replacement Swap Premium) that payment will be included in the Collections Proceeds and will be applied on the relevant Interest Payment Date according to the relevant Payments Priority. If a payment (other than the Swap Collateral, Excess Swap Collateral, Tax Credit and Replacement Swap Premium) is to be made by the Issuer, it will be made according to the relevant Payments Priority of the Issuer.

Optional Reduction of the Notional Amount

Each Basis Swap will contain (and any replacement basis swap agreement may contain) an option for the Issuer to reduce the notional amount to zero for any Interest Period and for all subsequent Interest Periods by giving the Swap Counterparty at least 5 Business Days’ notice before the start of such Interest Period.

Terms of the Swap Agreement

Swap Counterparty Downgrade Event

Under the terms of the Swap Agreement, in the event that the relevant rating(s) of the Swap Counterparty assigned by a Rating Agency are below the rating specified in the Swap Agreement (in accordance with the requirements of the Rating Agencies) (the “**Minimum Swap Counterparty Rating**”), the Swap Counterparty will, in accordance with the Swap Agreement, be required to elect to take certain remedial measures within the timeframe stipulated in the Swap Agreement and at its own cost. Such measures may include providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the Minimum Swap Counterparty Ratings, procuring another entity with the Minimum Swap Counterparty Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement or taking such other action that would result in the rating of the Class A Notes being maintained at, or restored to, the level it would have been at prior to the Swap Counterparty ceasing to have the Minimum Swap Counterparty Rating.

Early Termination

Subject to the circumstances described below, unless an Early Termination Event (as defined below), occurs, the Swap Agreement will terminate on the earliest of (i) 15 of July 2036, (ii) the date on which the Funding Notes are redeemed in full and (iii) Interest Payment Date on which the Issuer notifies the Swap Counterparty that the notional amount of the Basis Swap is to be reduced to zero (as described below).

The Swap Agreement may be terminated in certain circumstances, including the following, (each as more specifically defined in the Swap Agreement) (an “**Early Termination Event**”):

- (a) if there is a failure by a party to pay amounts due under a Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to a party;
- (c) if there is a breach of a provision of a Swap Agreement by the Swap Counterparty which is not remedied within the applicable grace period;
- (d) if a change of law results in the obligations of one of the parties becoming illegal;
- (e) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Swap Agreement due to a change in law or if certain tax representations made by the Swap Counterparty prove to have been incorrect or misleading in any material respect;
- (f) if the Swap Counterparty is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement and described below;
- (g) upon the earlier to occur of (i) an acceleration in respect of the Notes and (ii) service of the Enforcement Notice on the Issuer pursuant to Condition 12.2 (*Delivery of Enforcement Notice*) of the Notes;
- (h) if there is a redemption of the Notes pursuant to Conditions 8.7 (*Optional Redemption in whole*) or Condition 8.8 (*Optional Redemption for taxation reasons*); and

- (i) if any of the Transaction Documents are amended in any material respect in a manner detrimental to the Swap Counterparty's interests (other than with the prior written consent of the Swap Counterparty).

Upon an early termination of the Swap Agreement, depending on the type of Early Termination Event and circumstances prevailing at the time of termination, the Issuer or the Swap Counterparty may be liable to make a termination payment to the other. This termination payment will be calculated and made in Euro. The amount of any termination payment will be based on the market value of the terminated swap as determined on the basis of quotations sought from leading dealers as to the costs of entering into a transaction with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination.

If the Swap Counterparty is a Non-U.S. Swap Counterparty, any termination amount payable by the Issuer following the termination of the Swap Agreement as a result of either an event of default in respect of the Swap Counterparty or the failure of the Swap Counterparty to comply with the downgrade provisions described above will be subordinated to the payment of interest and principal on the Notes. In all other cases, the termination amount will be payable by the Issuer in priority to the payment of interest and principal on the Note.

Depending on the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

The Swap Counterparty may, subject to certain conditions specified in the Swap Agreement including (without limitation) the satisfaction of certain requirements of the Rating Agencies and prior written consent of the Issuer, transfer its obligations under the Swap Agreement to another entity with the Minimum Swap Counterparty Rating.

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

Taxation

The Issuer is not obliged under the Swap Agreement to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed under the Swap Agreement.

The Swap Counterparty will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on payments made by it under the Swap Agreement. However, if the Swap Counterparty is required to gross-up a payment under the Swap Agreement due to a change in the law, the Swap Counterparty may terminate the Swap Agreement.

Collateral

In the event that the Swap Counterparty is required to post collateral, that collateral will be credited to a separate swap collateral account or the Swap Collateral Ledger maintained by the Transaction Manager. Collateral and income arising from collateral will be applied solely in returning collateral, paying income attributable to collateral to the Swap Counterparty (pursuant to a credit support annex) or paying any Excess Collateral to the Swap Counterparty and, in each case, will be paid directly to the Swap Counterparty and not in accordance with the Pre-Enforcement Interest Payment Priorities or the Post-Enforcement Payment Priorities (as applicable).

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

Swap Guarantee

On the closing date, the Swap Guarantor will issue a guarantee (the “Swap Guarantee”) under which it will guarantee the timely payment of all amounts owing by the Swap Counterparty under the Swap Agreement.

ESTIMATED WEIGHTED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

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

- (a) payment of the Principal Amount Outstanding on the Notes is made on a sequential basis;
- (b) the SME Loans are subject to a constant annual rate of principal prepayments shown in the table below;
- (c) the SME Loans continue to be fully performing;
- (d) the Issuer redeems all (but not some only) of the Notes on the Step-Up and Call Date;
- (e) no events have occurred which have lead to an early termination of the Revolving Period; and
- (f) the Closing Date is June 22, 2010.

The approximate average lives and principal payment windows of each class of the Notes (to the Step-Up and Call Date), at various assumed rates of prepayment of the SME Loans, would be as follows:

	CLASS A NOTES AND CLASS B NOTES AVERAGE LIVES				
	0%	3%	6%	9%	12%
	CPR	CPR	CPR	CPR	CPR
WAL (yrs) to Step-Up and Call Date	3.066	3.066	3.066	3.066	3.066

“CPR” means the constant pre-payment rate (percent per annum).

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

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

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

The information contained in the section entitled “**Estimated Weighted Average Lives of the Notes and Assumptions**” has not been audited by the Issuer, the Common Representative, the Arranger or any other independent entity.

USE OF PROCEEDS

The gross proceeds of the issue of the Notes will amount to €1,205,794,000.

On or about the Closing Date, the Issuer shall apply the gross proceeds of the Notes as follows: (A) the payment to the Originator of the component of the Initial Purchase Price relating to the Principal Outstanding Balance of the SME Loans included in the Initial SME Loans Portfolio will be made with proceeds of the issue of the Funding Notes and of the Initial Vertical Notes; (B) the payment to the Originator of the component of the Initial Purchase Price relating to (i) accrued interest not yet paid in relation to the SME Loans included in the Initial SME Loans Portfolio and (ii) the Initial Funding Cost will be made with a portion of the proceeds of the issue of Initial Class C Notes; (C) the funding of the Cash Reserve Amount will be made with proceeds of the issue of the Residual Notes and; (D) the funding of the initial up-front transaction expenses of the Issuer will be made with a portion of the proceeds of the issue of the Initial Class C Notes. Any surplus in relation to the foregoing proceeds (if any) will be deposited in the Transaction Accounts.

On any Additional Purchase Date, (A) the payment to the Originator of the component of the Additional Purchase Price relating to the Principal Outstanding Balance of the Additional SME Loans included in the Additional SME Loans Portfolio will be made with proceeds of the issue of the Additional Vertical Notes; (B) the payment to the Originator of the component of the Additional Purchase Price relating to the Additional Funding Cost will be made with a portion of the proceeds of the issue of Additional Class C Notes and (C) the funding of any additional transaction expenses of the Issuer in connection with the issue of Additional Vertical Notes will be made with a portion of the proceeds of the issue of Additional Class C Notes. Any surplus in relation to the foregoing proceeds (if any) will be deposited in the Transaction Accounts.

The estimated costs associated with admission to trading are approximately €5,000.

CHARACTERISTICS OF THE SME LOANS

The information set out below has been prepared on the basis of a pool of the SME Loans as at 7 June 2010.

The SME Loans

The Initial SME Loans Portfolio: The Initial SME Loans Portfolio as at the Initial Collateral Determination Date will be selected (in accordance with the criteria summarised below) from, and will substantially comprise, a pool of SME Loans owned by the Originator which has the characteristics indicated in the Tables below.

The Initial SME Loans Portfolio will be selected so that it complies with the SME Loan Warranties set out in the SME Loans Assignment Agreement.

The interest rate in respect of each SME Loan comprised in the Initial SME Loans Portfolio is a variable rate of interest indexed to EURIBOR.

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

Characteristics of the Initial SME Loans Portfolio

The Initial SME Loans Portfolio had the aggregate characteristics indicated in Tables below as at 7 June 2010.

By Product Category

By Product Category	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Credit facility	2.560	25,88%	591.027.039,60	50,65%
Term loan	7.332	74,12%	575.773.295,92	49,35%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Current Loan Balance

By Current Loan Balance	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
1 - 200,000	8.820	89,16%	318.155.496,41	27,27%
200,001 - 400,000	469	4,74%	133.497.693,66	11,44%
400,001 - 600,000	212	2,14%	104.338.785,23	8,94%
600,001 - 800,000	112	1,13%	78.500.307,55	6,73%
800,001 - 1,000,000	90	0,91%	84.617.902,64	7,25%
1,000,001 - 1,200,000	28	0,28%	31.064.402,56	2,66%
1,200,001 - 1,400,000	33	0,33%	43.320.530,65	3,71%
1,400,001 - 1,600,000	22	0,22%	33.226.854,36	2,85%
1,600,001 - 1,800,000	22	0,22%	37.263.356,42	3,19%
1,800,001 - 2,000,000	18	0,18%	35.055.384,41	3,00%
2,000,001 - 2,200,000	8	0,08%	16.884.413,70	1,45%
2,200,001 - 2,400,000	7	0,07%	16.055.645,12	1,38%
2,400,001 - 2,600,000	8	0,08%	19.952.421,16	1,71%

2,600,001 - 2,800,000	6	0,06%	16.263.393,35	1,39%
2,800,001 - 3,000,000	6	0,06%	17.967.787,38	1,54%
3,000,001 - 3,200,000	2	0,02%	6.217.000,00	0,53%
3,200,001 - 3,400,000	3	0,03%	9.890.300,92	0,85%
3,600,001 - 3,800,000	2	0,02%	7.474.394,18	0,64%
3,800,001 - 4,000,000	4	0,04%	15.794.876,38	1,35%
4,000,001 >	20	0,20%	141.259.389,44	12,11%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

Average Aggregate Principal Outstanding

Balance: 117,954

Lowest Aggregate Principal

Ousting Balance: 100

Highest Aggregate Principal Outstanding Balance:

13,538,438

By Redrawing Option (credit lines)

By Redrawing Option (Credit Lines)	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
No	989	38,63%	329.696.376,84	55,78%
Yes	1.571	61,37%	261.330.662,76	44,22%
Total:	2.560	100,00%	591.027.039,60	100,00%

By Maximum Facility (credit lines)

By Maximum Facility (credit lines)	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
1 - 200,000	1.175	74,79%	50.326.536,97	19,26%
200,001 - 400,000	164	10,44%	31.567.435,20	12,08%
400,001 - 600,000	85	5,41%	28.283.387,50	10,82%
600,001 - 800,000	43	2,74%	23.372.691,48	8,94%
800,001 - 1,000,000	43	2,74%	24.217.558,52	9,27%
1,000,001 - 1,200,000	14	0,89%	11.401.163,79	4,36%
1,200,001 - 1,400,000	9	0,57%	8.713.257,06	3,33%
1,400,001 - 1,600,000	6	0,38%	7.857.564,54	3,01%
1,600,001 - 1,800,000	6	0,38%	6.929.246,99	2,65%
1,800,001 - 2,000,000	3	0,19%	4.392.710,66	1,68%
2,000,001 - 2,200,000	3	0,19%	5.851.721,00	2,24%
2,200,001 - 2,400,000	4	0,25%	6.428.121,85	2,46%
2,400,001 - 2,600,000	5	0,32%	9.770.250,00	3,74%
2,600,001 - 2,800,000	1	0,06%	2.741.000,00	1,05%
2,800,001 - 3,000,000	3	0,19%	6.150.484,02	2,35%
3,600,001 - 3,800,000	1	0,06%	3.017.000,00	1,15%
3,800,001 - 4,000,000	1	0,06%	2312783,18	0,89%
4,000,001 >	5	0,32%	27.997.750,00	10,71%
Total:	1.571	100,00%	261.330.662,76	100,00%

**By amortisation method
(for term loan)**

By amortisation method (for term loan)	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
French amortisation	4.969	67,77%	363.692.011,34	63,17%
Linear amortisation	2.182	29,76%	105.558.816,00	18,33%
Manual amortisation schedule	107	1,46%	72.100.288,54	12,52%
Undefined amortisation	74	1,01%	34.422.180,04	5,98%
Total:	7.332	100,00%	575.773.295,92	100,00%

By Maturity year

By Maturity year	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
2010	2.832	28,63%	491.934.423,96	42,16%
2011	1.039	10,50%	172.237.868,21	14,76%
2012	2.647	26,76%	101.672.427,65	8,71%
2013	1.040	10,51%	65.621.207,67	5,62%
2014	774	7,82%	79.299.581,24	6,80%
2015	496	5,01%	43.498.049,30	3,73%
2016	259	2,62%	30.637.393,94	2,63%
2017	167	1,69%	24.823.661,78	2,13%
2018	134	1,35%	28.593.112,76	2,45%
2019	115	1,16%	23.110.435,35	1,98%
2020	94	0,95%	26.497.919,95	2,27%
2021	97	0,98%	24.291.195,30	2,08%
2022	71	0,72%	12.256.339,55	1,05%
2023	55	0,56%	11.210.287,19	0,96%
2024	36	0,36%	12.629.261,16	1,08%
2025	18	0,18%	5.533.123,30	0,47%
2026	2	0,02%	334.395,71	0,03%
2027	4	0,04%	2.991.162,69	0,26%
2028	8	0,08%	972.037,92	0,08%
2029	3	0,03%	8.226.085,66	0,71%
2030	1	0,01%	430.365,23	0,04%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

Av. MATURITY: 2012

Weight. Av. MATURITY:
2013

Lowest MATURITY: 2010

Highest MATURITY: 2030

By Principal Payment Frequency

By Principal Payment Frequency	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Other*	2.741	27,71%	697.549.508,18	59,78%
Monthly	4.808	48,60%	263.747.077,07	22,60%
Quarterly	2.307	23,32%	161.335.022,61	13,83%
Semi-annual	36	0,36%	44.168.727,66	3,79%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

* There is no pre-established frequency in respect of these receivables as reimbursement is to be made when funds are available to borrowers as these are borrowers who operate in certain industries where such funds are not obtained on a regular basis (as for example: construction). At the latest principal will be due upon maturity of the relevant loan.

By Principal Payment Frequency : Further breakdown by purpose of loan

Other

Purpose of loan	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Credit facility	2.560	25,88%	591.027.039,60	50,65%
Real Estate – Property development	74	0,75%	34.422.180,04	2,95%
Investment (Commercial)	32	0,32%	10.122.501,59	0,87%
Investment (Other services)	7	0,07%	6.547.549,15	0,56%
Investment (Industrial)	6	0,06%	11.556.499,96	0,99%
Investment (Tourism)	3	0,03%	2.311.633,44	0,20%
Investment (Other sectors)	59	0,60%	41.562.104,40	3,56%
Total:	2.741	27,71%	697.549.508,18	59,78%

Monthly

Purpose of loan	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Investment (Freelancers)	35	0,35%	886.873,78	0,08%
Investment (Commercial)	3.066	30,99%	135.648.723,12	11,63%
Investment (Other services)	296	2,99%	18.735.838,45	1,61%
Investment (Industrial)	174	1,76%	13.938.320,22	1,19%
Investment (Tourism)	33	0,33%	20.493.007,62	1,76%
Investment (Other sectors)	904	9,14%	68.124.688,93	5,84%
Treasury Facilities/Working capital facilities	300	3,03%	5.919.624,95	0,51%
Total:	4.808	48,60%	263.747.077,07	22,60%

Quarterly

Purpose of loan	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
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Investment (Freelancers)	2	0,02%	21.849,98	0,00%
Investment (Commercial)	32	0,32%	11.129.672,32	0,95%
Investment (Other services)	15	0,15%	5.519.610,21	0,47%
Investment (Industrial)	10	0,10%	2.574.247,48	0,22%
Investment (Tourism)	7	0,07%	10.652.098,70	0,91%
Investment (Other sectors)	2.224	22,48%	130.792.722,18	11,21%
Treasury Facilities/Working capital facilities	17	0,17%	644.821,74	0,06%
Total:	2.307	23,32%	161.335.022,61	13,83%

Semi-annual

Purpose of loan	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Investment (Commercial)	5	0,05%	431.376,25	0,04%
Investment (Other services)	2	0,02%	305.667,10	0,03%
Investment (Industrial)	1	0,01%	321.875,60	0,03%
Investment (Tourism)	3	0,03%	2.048.814,72	0,18%
Investment (Other sectors)	25	0,25%	41.060.993,99	3,52%
Total:	36	0,36%	44.168.727,66	3,79%

By Interest Payment Frequency

By Interest Payment Frequency	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Quarterly	4.073	41,17%	660.086.480,16	56,57%
Monthly	5.577	56,38%	343.054.093,57	29,40%
Semi-annual	242	2,45%	163.659.761,79	14,03%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Current Grace Period

By Current Grace Period	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Currently within its principal grace period	448	4,53%	114.435.522,20	9,81%
Not applicable	9.444	95,47%	1.052.364.813,32	90,19%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By End of Principal and Interest Grace Period

By End of Principal and Interest Grace Period	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
2010 2T	62	13,84%	7.625.413,36	6,66%
2010 3T	121	27,01%	11.335.020,91	9,91%
2010 4T	128	28,57%	15.564.977,30	13,60%
2011 1T	82	18,30%	32.877.313,30	28,73%
2011 2T	29	6,47%	18.182.209,08	15,89%
2011 3T	4	0,89%	3.000.000,00	2,62%
2011 4T	12	2,68%	13.913.606,84	12,16%

2012 1T	5	1,12%	2.900.000,00	2,53%
2012 2T	1	0,22%	8.694.615,71	7,60%
2012 3T	1	0,22%	145.000,00	0,13%
2012 4T	1	0,22%	90.000,00	0,08%
2013 4T	1	0,22%	15.832,97	0,01%
2015 2T	1	0,22%	91.532,73	0,08%
Total:	448	100,00%	114.435.522,20	100,00%

By Arrears

By Arrears	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Current	9.892	100,00%	1.166.800.335,52	100,00%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Origination year

By Origination year	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
1992	9	0,09%	1.591.571,38	0,14%
1993	3	0,03%	735.297,90	0,06%
1994	13	0,13%	1.720.825,55	0,15%
1995	23	0,23%	3.710.992,33	0,32%
1996	30	0,30%	11.080.307,72	0,95%
1997	31	0,31%	6.131.241,63	0,53%
1998	54	0,55%	13.293.016,99	1,14%
1999	60	0,61%	14.122.692,44	1,21%
2000	105	1,06%	23.961.866,87	2,05%
2001	156	1,58%	30.531.384,88	2,62%
2002	177	1,79%	39.174.110,26	3,36%
2003	186	1,88%	42.949.873,30	3,68%
2004	229	2,32%	58.362.364,70	5,00%
2005	476	4,81%	78.085.392,78	6,69%
2006	743	7,51%	141.182.083,62	12,10%
2007	1.160	11,73%	207.738.597,53	17,80%
2008	1.414	14,29%	197.525.336,16	16,93%
2009	3.927	39,70%	246.331.145,36	21,11%
2010	1.096	11,08%	48.572.234,12	4,16%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

Av. ORIGINATION: 2007

Weight. Av. ORIGINATION:

2006

Lowest ORIGINATION: 1992

Highest ORIGINATION: 2010

By Type of Interest

By Type of Interest	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Variable	9.892	100,00%	1.166.800.335,52	100,00%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Interest Reset Frequency

By Interest Reset Frequency	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Semi-annual	4.404	44,52%	672.185.219,65	57,61%
Quarterly	5.428	54,87%	485.723.144,81	41,63%
Monthly	50	0,51%	7.274.665,71	0,62%
Annual	8	0,08%	897.951,01	0,08%
Other	2	0,02%	719.354,34	0,06%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Reference Interest Rate

By Reference Interest Rate	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
6m Euribor	4.371	44,19%	671.468.196,70	57,55%
3m Euribor	5.469	55,29%	487.338.118,77	41,77%
1m Euribor	52	0,53%	7.994.020,05	0,69%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Current Interest Rate (%)

By Current Interest Rate (%)	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
0.50 - 0.99	2	0,02%	39.174,88	0,00%
1.00 - 1.49	38	0,38%	34.540.827,82	2,96%
1.50 - 1.99	199	2,01%	95.179.270,15	8,16%
2.00 - 2.49	380	3,84%	89.168.725,59	7,64%
2.50 - 2.99	2.669	26,98%	244.581.610,64	20,96%
3.00 - 3.49	663	6,70%	183.347.056,63	15,71%
3.50 - 3.99	922	9,32%	144.035.321,25	12,34%
4.00 - 4.49	865	8,74%	101.769.802,87	8,72%
4.50 - 4.99	761	7,69%	97.036.900,76	8,32%
5.00 - 5.49	580	5,86%	55.934.228,67	4,79%
5.50 - 5.99	885	8,95%	48.774.170,60	4,18%
6.00 - 6.49	491	4,96%	22.654.712,03	1,94%
6.50 - 6.99	550	5,56%	18.213.660,78	1,56%
7.00 - 7.49	386	3,90%	12.186.495,56	1,04%
7.50 - 7.99	217	2,19%	10.268.056,94	0,88%
8.00 - 8.49	191	1,93%	5.968.777,92	0,51%

8.50 - 8.99	77	0,78%	2.695.656,41	0,23%
9.00 - 9.49	8	0,08%	145.840,14	0,01%
9.50 - 9.99	6	0,06%	196.862,73	0,02%
10.50 - 10.99	1	0,01%	9.247,99	0,00%
11.50 >=	1	0,01%	53.935,16	0,00%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

Av. Int. Rate: 4.441

Weight. Av. Int. Rate: 3.647

Lowest Int. Rate: 0.655

Highest Int. Rate: 13.465

By Spread over the Reference Rate

By Spread over the Reference Rate	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
0.00 - 0.24	2	0,02%	2.687.049,15	0,23%
0.25 - 0.49	14	0,14%	13.589.397,10	1,16%
0.50 - 0.74	119	1,20%	40.969.501,54	3,51%
0.75 - 0.99	51	0,52%	38.381.329,68	3,29%
1.00 - 1.24	184	1,86%	66.834.303,53	5,73%
1.25 - 1.49	2.062	20,85%	83.269.490,64	7,14%
1.50 - 1.74	211	2,13%	52.989.172,12	4,54%
1.75 - 1.99	167	1,69%	51.716.999,34	4,43%
2.00 - 2.24	403	4,07%	103.808.879,52	8,90%
2.25 - 2.49	214	2,16%	68.788.270,82	5,90%
2.50 - 2.74	432	4,37%	105.711.100,51	9,06%
2.75 - 2.99	243	2,46%	57.181.390,56	4,90%
3.00 - 3.24	740	7,48%	101.020.521,62	8,66%
3.25 - 3.49	203	2,05%	31.331.559,51	2,69%
3.50 - 3.74	644	6,51%	69.367.862,13	5,95%
3.75 - 3.99	228	2,30%	39.269.674,60	3,37%
4.00 - 4.24	572	5,78%	68.617.816,63	5,88%
4.25 - 4.49	143	1,45%	18.807.135,62	1,61%
4.50 - 4.74	423	4,28%	27.960.751,28	2,40%
4.75 - 4.99	268	2,71%	20.205.091,68	1,73%
5.00 - 5.24	611	6,18%	31.870.585,32	2,73%
5.25 - 5.49	142	1,44%	7.433.554,40	0,64%
5.50 - 5.74	380	3,84%	15.577.470,14	1,34%
5.75 - 5.99	128	1,29%	5.296.110,46	0,45%
6.00 >=	1.308	13,22%	44.115.317,62	3,78%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

Av. Spread: 3.47

Weight. Av. Spread: 2.73

Lowest Spread: 0.20

Highest Spread: 12.50

Top 10 Borrowers by outstanding balance

Top 10 Borrowers by outstanding balance	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
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Debtor 1	1	0,01%	13.538.438,08	1,16%
Debtor 2	1	0,01%	12.500.000,00	1,07%
Debtor 3	2	0,02%	11.395.500,00	0,98%
Debtor 4	5	0,05%	10.792.189,73	0,92%
Debtor 5	3	0,03%	10.290.000,00	0,88%
Debtor 6	1	0,01%	8.050.000,00	0,69%
Debtor 7	1	0,01%	8.000.000,00	0,69%
Debtor 8	1	0,01%	7.642.960,15	0,66%
Debtor 9	8	0,08%	7.622.330,83	0,65%
Debtor 10	1	0,01%	7.500.000,00	0,64%
Other	9.868	99,76%	1.069.468.916,73	91,66%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

Top 10 Debtor Groups by outstanding balance

Top 10 Debtor Groups by outstanding balance	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Debtor Group 1	1	0,01%	12.500.000,00	1,07%
Debtor Group 2	4	0,04%	11.768.484,02	1,01%
Debtor Group 3	5	0,05%	10.792.189,73	0,92%
Debtor Group 4	7	0,07%	8.513.588,70	0,73%
Debtor Group 5	1	0,01%	8.050.000,00	0,69%
Debtor Group 6	8	0,08%	7.622.330,83	0,65%
Debtor Group 7	2	0,02%	7.479.501,61	0,64%
Debtor Group 8	2	0,02%	7.478.270,00	0,64%
Debtor Group 9	5	0,05%	6.783.139,37	0,58%
Debtor Group 10	9	0,09%	6.043.893,69	0,52%
Other	9.848	99,56%	1.079.768.938	92,54%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Debtor Province

By Debtor Province	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Aveiro	702	7,10%	61.524.161,57	5,27%
Beja	28	0,28%	2.887.984,27	0,25%
Braga	919	9,29%	89.130.049,94	7,64%
Bragança	73	0,74%	2.061.940,30	0,18%
Castelo Branco	218	2,20%	22.088.677,26	1,89%
Coimbra	285	2,88%	26.863.973,62	2,30%
Évora	124	1,25%	13.590.335,10	1,16%
Faro	521	5,27%	109.629.941,48	9,40%
Guarda	180	1,82%	7.291.167,46	0,62%
Madeira	182	1,84%	18.414.355,43	1,58%
São Jorge	29	0,29%	2.914.964,60	0,25%
São Miguel	133	1,34%	6.912.954,53	0,59%
Pico	89	0,90%	2.031.086,07	0,17%
Graciosa	3	0,03%	38.979,07	0,00%
Terceira	74	0,75%	3.696.804,99	0,32%
Leiria	586	5,92%	68.965.995,34	5,91%
Lisbon	2.448	24,75%	429.752.957,78	36,83%
Portalegre	82	0,83%	6.739.524,33	0,58%
Oporto	1.790	18,10%	127.562.667,95	10,93%

Santarem	429	4,34%	51.571.286,59	4,42%
Setúbal	543	5,49%	72.993.206,63	6,26%
Viana do Castelo	123	1,24%	5.973.420,39	0,51%
Vila Real	65	0,66%	6.081.073,69	0,52%
Viseu	266	2,69%	28.082.827,13	2,41%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Debtor Region

By Debtor Region	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding
Alentejo	234	2,37%	23.217.843,70	1,99%
Algarve	521	5,27%	109.629.941,48	9,40%
Autonomous Region of Azores	328	3,32%	15.594.789,26	1,34%
Autonomous Region of Madeira	182	1,84%	18.414.355,43	1,58%
Central Portugal	2.666	26,95%	266.388.088,97	22,83%
Lisbon	2.991	30,24%	502.746.164,41	43,09%
Northern Portugal	2.970	30,02%	230.809.152,27	19,78%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Purpose

By Purpose	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Import / Export	1	0,01%	1.565.466,27	0,13%
Investment	4.475	45,24%	372.213.056,41	31,90%
Mortgages	614	6,21%	88.957.984,17	7,62%
Other Loans	104	1,05%	6.755.796,57	0,58%
Real Estate/Property development	530	5,36%	305.825.793,51	26,21%
Treasury Facilities/Working capital facilities	4.168	42,14%	391.482.238,59	33,55%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Industry Concentration (NACE Groups)

By Industry Concentration (NACE Groups)	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
A. Agriculture, forestry and fishing	121	1,22%	5.301.461,42	0,45%
B. Mining and quarrying	14	0,14%	1.823.414,25	0,16%
C. Manufacturing	1.128	11,40%	110.869.408,28	9,50%
D. Electricity, gas, steam and air conditioning supply	5	0,05%	1.352.293,66	0,12%
E. Water supply; sewerage, waste management and remediation activities	12	0,12%	2.730.222,10	0,23%
F. Construction	1.605	16,23%	500.590.011,18	42,90%
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	3.407	34,44%	191.786.302,97	16,44%
H. Transportation and storage	255	2,58%	30.338.728,66	2,60%
I. Transportation and	794	8,03%	55.091.688,78	4,72%

storage				
J. Information and communication	109	1,10%	5.459.199,74	0,47%
K. Financial and insurance activities	61	0,62%	24.130.445,82	2,07%
L. Real estate activities	402	4,06%	127.513.865,83	10,93%
M. Professional, scientific and technical activities	658	6,65%	25.716.290,34	2,20%
N. Administrative and support service activities	316	3,19%	18.310.430,72	1,57%
O. Public administration and defence; compulsory social security	8	0,08%	533.732,43	0,05%
P. Education	147	1,49%	11.632.696,83	1,00%
Q. Human health and social work activities	343	3,47%	22.103.676,40	1,89%
R. Arts, entertainment and recreation	87	0,88%	9.172.894,61	0,79%
S. Other service activities	420	4,25%	22.343.571,50	1,91%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Borrower Segment

By Borrower Segment	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Financial entity	51	0,52%	24.006.320,37	2,06%
Medium Corporation	390	3,94%	222.872.807,07	19,10%
Micro Corporation	5.645	57,07%	475.038.570,71	40,71%
New corporation	128	1,29%	24.227.767,45	2,08%
Not classified	14	0,14%	903.592,16	0,08%
Other entity	87	0,88%	11.945.221,83	1,02%
Self - employed	1.524	15,41%	42.802.075,09	3,67%
Small Corporation	2.053	20,75%	365.003.980,84	31,28%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Rating of the Debtor

By Rating of the Debtor	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
1,00	13	0,13%	718.960,97	0,06%
2,00	603	6,10%	58.542.767,15	5,02%
3,00	3.683	37,23%	378.336.125,49	32,43%
4,00	3.326	33,62%	411.610.752,43	35,28%
5,00	1.741	17,60%	205.417.362,69	17,61%
6,00	526	5,32%	112.174.366,79	9,61%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By PD of the Debtor

By PD of the Debtor	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
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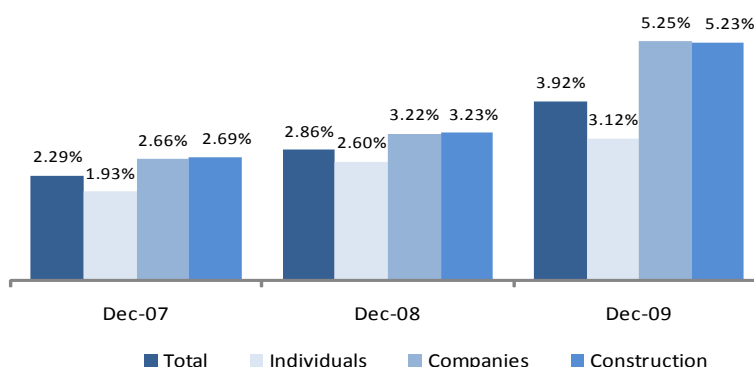
< 0.99	4.299	43,46%	437.597.853,61	37,50%
1.00 - 1.49	2.612	26,41%	158.204.834,46	13,56%
2.50 - 2.99	714	7,22%	253.405.917,97	21,72%
3.50 - 3.99	1.355	13,70%	97.720.237,73	8,38%
5.50 - 5.99	769	7,77%	149.587.371,63	12,82%
9.00 - 9.49	143	1,45%	70.284.120,12	6,02%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

By Type of Guarantee

By Type of Guarantee	Number of Receivables	% Number of Receivables	Aggregate Principal Outstanding Balance	% of Aggregate Principal Outstanding Balance
Mortgage -	1.723	17,42%	525.477.673,87	45,04%
Personal -	4.565	46,15%	322.253.283,45	27,62%
Personal - Sociedad Garantida Mutua -	2.067	20,90%	100.160.869,15	8,58%
Other assets -	345	3,49%	59.928.900,93	5,14%
Mortgage - Personal -	102	1,03%	58.598.653,66	5,02%
None	717	7,25%	47.003.306,45	4,03%
Other assets - Personal -	224	2,26%	32.489.167,44	2,78%
Mortgage - Other assets -	21	0,21%	10.345.733,33	0,89%
Sociedad Garantida Mutua -	117	1,18%	5.936.496,17	0,51%
Mortgage - Sociedad Garantida Mutua -	3	0,03%	2.862.222,22	0,25%
Mortgage - Other assets -	8	0,08%	1.744.028,85	0,15%
Total:	9.892	100,00%	1.166.800.335,52	100,00%

Asset Quality – Non Performing Loans

NPLs Ratios by Segment



Information on the SME Loans

The information on the SME Loans set out in this Prospectus is derived from information provided by the Originator. The information contained in the section entitled “**Characteristics of the SME Loans**” has not been audited by the Issuer, the Common Representative, the Arranger or any other independent entity.

ORIGINATOR'S STANDARD BUSINESS PRACTICES, SERVICING AND CREDIT ASSESSMENT

Credit to companies activities of Montepio

Being a retail-based bank, Montepio has, since its origins, been extending credit facilities, not only to private individuals, but to companies as well and, in particular, small and medium-sized enterprises.

The main purposes of these loans are either to support investment expenditures in new projects and/or equipment or to cater for the working capital needs of its corporate clients.

Montepio focuses on the quality of service provided to its customer base, along with the adoption of rigorous, ethical and transparent business practices.

The aforementioned facilities are extended to customers through Montepio's branch network, which comprises a total of 325 outlets in Portugal.

Origination

All of Montepio's credit to companies business is originated at the branch level, as a result of direct contact with borrowers, where the underwriting process actually starts.

Underwriting

The credit applications are submitted by the corporate 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 financial statements) 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. impact analysis of the financing on the company's cash-flows). 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 loans to companies is the responsibility of various levels of management, involving the branch, the Regional Department, the Commercial Manager and the Credit Committee, depending on the client's risk profile and loan characteristics. Once a decision has been made by the competent decision level, the customer is formally notified by mail.

Insurance Cover

Property insurance coverage is required in respect of any property securing a loan facility. In these cases, a fire or multi-risk insurance is compulsory for an amount equal to or greater than the property reconstruction value and with an insurance company approved by Montepio.

Corporate credit products

Typically, loans to corporate customers do not extend beyond 10 (ten) years, namely for investment purposes, and are shorter than 3 (three) years, in those cases where working capital is concerned.

The amortization can either be in regular instalments (principal and interest) or according to a predefined redemption plan.

The majority of loans to companies pay interest on a floating rate basis indexed to 3 (three) or 6 (six) month EURIBOR, plus a credit spread.

Arrears Procedures

All customers are required to have a debit account with Montepio and, on a daily basis, the IT System tries to debit these accounts, for any overdue amount.

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 legal department which, in the first instance, tries to recover the overdue loans without recourse to litigation. Normally, if a solution is not reached within a five month period from the date of the first delinquency legal proceedings will, at that point, be instigated.

Further Advances

Any further advances to be made are subject to the same conditions, rights and obligations mentioned above, without exception.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer is a limited liability company registered and incorporated in Portugal as a special purpose vehicle for the purpose of issuing asset-backed securities, on 10 July 2003 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
Paulo Gray	Rua Barata Salgueiro, No. 30, 4th floor, Lisbon, Portugal	Banker
Luis Aguiar	Rua Barata Salgueiro, No. 30, 4th floor, Lisbon, Portugal	Banker
Raquel Pacheco	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 and their respective business addresses are:

João Duque Rua do Quelhas, n.º 6, Lisbon, Portugal

André Figueiredo Rua Vítor Cordon, n.º 30, 6.º esq., Lisbon, Portugal

Franquelim Alves Rua da Cozinha Económica, Bloco C - 4º B, Lisbon, Portugal

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 €8,500,000.

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 of Issuer

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

	As at the Closing Date (in Euro)
Indebtedness	
Pelican SME No.1 Transaction	
Class A Notes	577,500,000
Class B Notes	472,500,000
Vertical Notes.....	117,000,000
Class C Notes	7,294,000
Residual Notes.....	31,500,000
Other Securitisation Transactions¹	8,696,214,696
Shareholders' equity	8,750,000
Share capital (Authorised €250,000; Issued 50,000 shares with a par value of €5 each)	250,000
Supplementary Capital Contributions	8,500,000

Total capitalisation **9,910,758,696**

¹ Outstanding principal amount as of 5 March 2010

Other Securities of the Issuer

The Issuer has not issued any convertible or exchangeable securities or notes, other than as identified above.

Admission to Trading

The Issuer has other securitisation notes listed and admitted to trading in regulated markets.

DESCRIPTION OF THE ORIGINATOR

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

Montepio’s main activity is banking intermediation, collecting retail deposits and to grant credit to individuals and companies. Montepio operates as a universal bank, integrated in the Montepio Financial Group and, together with its subsidiaries, offers a wide range of banking and financial products and services, such as mutual, real estate and pension funds, as well as insurance (life and non-life) products, catering for all its customers’ financial needs.

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

As at 31 December 2009, Montepio’s consolidated total assets, net of provisions and depreciation, were €17,245 million, its total equity was €986 million and its total capital adequacy ratio, calculated according to Bank of Portugal rules, was 13.25% (tier I 9.51%).

The short-term unsecured unsubordinated and unguaranteed debt obligations of Montepio are currently rated F 2 by Fitch. The long-term unsecured, unsubordinated and unguaranteed debt obligations of Montepio are currently rated A- by Fitch. The aforementioned ratings may be consulted at www.montepio.pt.

DESCRIPTION OF THE SWAP COUNTERPARTY

J.P. Morgan Securities Ltd. (the “**Swap Counterparty**”) is incorporated in the United Kingdom and is authorized and regulated by the Financial Services Authority. The Swap Counterparty’s immediate parent undertaking is J.P. Morgan Chase International Holdings, incorporated in Great Britain. The Swap Counterparty’s ultimate parent undertaking is JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The parent undertaking of the smallest group in which the Company’s results are consolidated is J.P. Morgan Capital Holdings Limited, incorporated in Great Britain.

The Swap Counterparty’s primary activities are underwriting Eurobonds, equities and other securities, arranging private placements of debt and convertible securities, trading in debt and equity securities, swaps and derivative marketing, providing investment banking advisory and primary brokerage and clearing services for exchange traded futures and options contracts. The Swap Counterparty has branches in Frankfurt, Paris, Milan, Zurich, Madrid and Stockholm and is a member of many futures and equity exchanges including the London Stock Exchange.

The obligations of the Swap Counterparty under the ISDA Master Agreement are guaranteed by JPMorgan Chase Bank, National Association pursuant to a guarantee dated on or about the date of this Prospectus.

The information contained in this section of the Prospectus relates to and has been obtained from the Swap Counterparty. The delivery of this section of the Prospectus shall not create any implication that there has been no change in the affairs of the Swap Counterparty since the date hereof, or that the information contained or referred to in this section of the Prospectus is correct as of any time subsequent to its date.

DESCRIPTION OF THE SWAP GUARANTOR

JPMorgan Chase Bank, National Association (“the Bank”) is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of March 31st, 2010, JPMorgan Chase Bank, National Association, had total assets of \$1,674.5 billion, total net loans of \$543.5 billion, total deposits of \$1,020.6 billion, and total stockholder’s equity of \$127.5 billion. These figures are extracted from the Bank’s unaudited Consolidated Reports of Condition and Income (the “Call Report”) as of March 31st, 2010, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2009, of JPMorgan Chase & Co., the 2009 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the “SEC”) by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Prospectus is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC’s website at www.sec.gov.

The information contained in this section of the Prospectus relates to and has been obtained from the Bank. The delivery of this section of the Prospectus shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this section of the Prospectus is correct as of any time subsequent to its date.

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 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 BR001018

SELECTED ASPECTS OF LAWS OF THE PORTUGUESE REPUBLIC RELEVANT TO THE SME LOANS AND THE TRANSFER OF THE SME LOANS

Securitisation Legal Framework

General

The Securitisation Law has implemented a specific securitisation legal framework in Portugal, which contains a simplified process for the assignment of credits for securitisation purposes. It regulates (a) the establishment and activity of Portuguese securitisation vehicles (b) the type of credits that may be securitised (c) the conditions under which credits may be assigned for securitisation purposes and (d) the entities which may assign credits for securitisation purposes.

The most important aspects of this legal framework are:

- the establishment of special rules facilitating the assignment of credits (including SME Loans) in the context of securitisation;
- the establishment of the types of originator which may assign their credits pursuant to the Securitisation Law;
- the establishment of the types of credits that may be securitised;
- the establishment of the conditions under which the credits may be securitised; and
- the creation of two different types of securitisation vehicles: (i) credit securitisation funds (*Fundos de Titularização de Créditos* – “ **FTC**”) and (ii) credit securitisation companies (*Sociedades de Titularização de Créditos* – “ **STC**”).

STC Securitisation Companies

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

Corporate Structure

STCs are commercial companies (“*sociedades anónimas*”) incorporated with limited liability, having a minimum share capital of € 250,000. The shares in STCs can be held by one or more shareholders. STCs are subject to the supervision of the CMVM and their incorporation is subject to the prior authorisation by the CMVM. STCs are subject to ownership requirements. A prospective shareholder must obtain approval from the CMVM in order to establish an STC. Such approval is granted when the prospective shareholder shows that it is capable of providing the company with a sound and prudent management.

If the shares in an STC, corresponding to a qualified stake (*participação qualificada*), 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 (fifteen) days of the purchase.

Regulatory Compliance

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

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

Corporate Object

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

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

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

Nature of credits

The Securitisation Law sets out the types of credits that may be securitised and the eligibility criteria for such credits.

Who may assign assets for securitisation purposes?

Under the Securitisation Law, originators include the Portuguese Republic and public corporate entities, credit institutions, financial companies, insurance companies, pension funds and pension fund managing companies and any other corporate entities whose accounts have been audited by an auditor registered with the CMVM for the last three consecutive years.

Assignment of credits

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

Notice to Debtors

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

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

An exception to this requirement applies when the assignment of credits is made under the Securitisation Law by, *inter alia*, credit institutions or financial companies, and such entities are the servicers of the credits. In that 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 bankruptcy 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 agreement between the parties is sufficient for a valid assignment to occur (including the assignment of loans with underlying mortgages or other guarantees subject to registration under Portuguese law). Transfer by means of a notarial deed is not required. In the case of an assignment of loans which have underlying mortgages or other guarantees subject to registration under Portuguese law, the signatures to the assignment contract must be certified by a notary public or the company secretary of each party (when the parties have appointed such a person) under the terms of the Securitisation Law.

In order to perfect an assignment of loans where ancillary rights are capable of registration at a public registry (such as a mortgage over real estate) against third parties, the assignment must be followed by the corresponding registration (as described in the paragraph below) of the transfer of such ancillary rights.

The Portuguese real estate registration provisions were recently amended and the new provisions, which are effective from 1 January 2009, allow for the registration of the assignment of any mortgage at any Portuguese Real Estate Registry Office, even if the said Portuguese Real Estate Registry Office is not the office where the mortgage is registered. The registration of the transfer of the mortgage requires the payment of a fee for each SME 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 bankruptcy of the assignor prior to registration of the assignment of credits, the credits will not form part of the bankruptcy 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 any security over real estate in Portugal is only effective against third parties acting in good faith further to registration of such assignment with the competent registry by or on behalf of the assignee. The Issuer is entitled under the Securitisation Law to provide for such registration.

Assignment and Bankruptcy

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 bankruptcy estate and any payments made to the assignor in respect of credits assigned prior to a declaration of bankruptcy will not form part of the assignor's bankruptcy estate even when the term of the credits falls after the date of declaration of bankruptcy 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 bankruptcy estate.

Risk of Set-Off by Borrowers

General

The Securitisation Law does not contain any specific provisions in respect of set-off. Accordingly, Articles 847 to 856 of the Portuguese Civil Code are applicable. The Securitisation Law has an impact on set-off risk to the extent that, by virtue of establishing that the assignment of credits by a credit institution, a financial company, an insurance company, pension funds and pension fund managers is

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

Set-Off on Bankruptcy

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, applicable to bankruptcy proceedings commenced on or after 15 September 2004, a debtor will only be able to exercise any right of set-off against a creditor after a declaration of bankruptcy of such creditor provided that, prior to the declaration of bankruptcy, (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, (the “**Data Protection Law**”), which implemented Directive 95/46/EC, of 24 October 1995, provides for the protection of individuals regarding the processing and transfer of personal data.

Pursuant to the Data Protection Law, 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 Member State does not require to be authorised by the CNPD but must be notified to the relevant data subjects.

Portuguese Securitisation Tax Law

Under the Portuguese Securitisation Tax Law, there is no withholding tax on the payments made by the Issuer to the Originator in respect of the purchase by the Issuer of the SME Loans and the Receivables arising thereunder and the related Ancillary SME Loans Rights. Furthermore, the payment of Collections made in respect of the SME Loans by the Servicer to the Issuer is not subject to withholding tax.

Other Portuguese tax issues relating to withholding tax, corporate tax, income tax, stamp duty, value added tax as regards the Notes are described in the section “Taxation”.

Mortgages charging real estate and other security 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.

A pledge entitles the pledgee, in the event of default of the relevant obligations, to be paid in preference to unsecured creditors from the proceeds of the sale of the relevant asset subject of the pledge.

Legal Form, Registry and Priority Rights

Until 31 December 2008, mortgages could only be created by means of a notarial deed, which is a document prepared and testified by, and executed before, a public notary and in compliance with certain formalities as to its creation.

However, the Portuguese real estate regime was amended by Decree-law no. 116/2008 of 4 July 2008, effective from 1 January 2009, which establishes that, besides the previously existing procedure for creation of a mortgage by means of a notarial deed, mortgages can also be validly created by a private document, provided that the authenticity of such document is ensured, which means that it shall be either executed before, or certified by, a notary public, a lawyer, a bailiff (*solicitador*) or a commerce association. The mortgage can also be created by a public document executed before a Real Estate Registry Office.

The notarial deed or written contract for the creation of a mortgage is not sufficient for the full validity and enforceability of this type of security as registration with the Real Estate Registry Office is required in order for a mortgage to be considered validly created.

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).

Pledges (including, for the avoidance of doubt, financial pledges) may also be created by private contracts, the following specifications being applicable.

The validity of the pledge over movable assets generally requires either the physical delivery of the pledged assets to the creditor (i.e. transfer of possession though not of ownership) or otherwise the delivery of documentation conferring the creditor full possession powers over the relevant assets to the absolute exclusion of any other party. The sole exception to this general principle is the case of pledges of assets in favour of banks, which do not require transfer of possession. However, this type of pledge does require compliance with specific formalities, such as the inclusion of mandatory legal provisions in the contract and certification of capacity of the parties (and of the insertion of said provisions) by a notary.

Pledges over rights will be validly transferred in accordance with the legal formality required for the creation or transmission of such right. Pledges subject to registration are only valid and effective as from the registration date.

The creation of pledges over shares must comply with the formalities applicable to the transfer of shares, which may be different according to the type of shares to be pledged but which entail, in the case of registered shares, the execution of special forms and registration of the pledge in the share ledger book of the company as a condition for its validity and enforceability. It must be noted that ranking among creditors secured by pledge over the same shares also depends on priority of registration. Pledges over participations in share capital ("*quota*"), as from 30 June 2006, may be created by means of private contracts and will be subject to registration in the relevant Commercial Registry Office.

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

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.

Enforcement of a pledge over assets or rights may be made through a court procedure, whereby the pledgee is entitled to demand the sale by a court of the relevant pledged asset or right and be paid from the proceeds of such sale (after payment to the preferential creditors, if any). If the pledge at stake is a financial pledge created over bank accounts or financial instruments, the enforcement of the pledge may be carried out by means of appropriation of the pledged assets by the pledgee in accordance with the rules set out in the relevant pledge agreement.

The pledgee may not take possession or become owner of the pledged asset or right by virtue of enforcement of the pledge, and is only entitled to be paid out of the proceeds of sale of the relevant asset or right, except in what concerns financial pledges in the terms described in the paragraph above.

Should the pledgee be willing to acquire the relevant asset or right, he may bid in the court sale along with (but with no preference) any other parties interested in the purchase of such asset or right. In case there are various creditors with mortgages over the same property or pledges over assets or rights, the proceeds of the sale of the property/ asset/ right 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 or pledges over assets or rights usually take two to four years on average for a final decision to be reached on the execution of the underlying loan. Court fees payable in relation to the enforcement process of mortgages and pledges are determined in accordance with the amounts claimed.

SUMMARY OF PROVISIONS RELATING TO NOTES IN GLOBAL FORM

Each class of Notes will initially be in the form of a Temporary Global Note which will be delivered on or around the Closing Date to a common safekeeper. Each Temporary Global Note will be exchangeable in whole or in part for interests in the related Permanent Global Note not earlier than 40 (forty) days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected until certification of non-U.S. beneficial ownership is received by the Paying Agent. Details of any exchange of a Temporary Global Note for a Permanent Global Note will be entered in the records of Euroclear and Clearstream, Luxembourg.

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

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

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Receipts, Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Paying Agent within 30 (thirty) days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Notes and the Permanent Global Notes will contain provisions which modify the Conditions of the Notes as they apply to the Temporary Global Notes and the Permanent Global Notes. The following is a summary of certain of those provisions:

Nominal Amounts

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

Payments

All payments in respect of the Temporary Global Notes and the Permanent Global Notes will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of a Temporary Global Note or (as the case may be) a Permanent Global Note at the Specified Office of the Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

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

Notices

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

Transfers

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

Meetings

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

TERMS AND CONDITIONS OF THE NOTES

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

1. **General**

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

2. **Definitions**

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

3. **Form, Denomination and Title**

3.1 **Form and Denomination**

The Notes will be in bearer form and in minimum denominations of €50,000 each and in additional increments of €1,000 in excess thereof. The Notes, if issued in definitive bearer form, will have Receipts and Coupons attached at the time of issue. Title to the Notes, the Coupons and the Receipts will pass by delivery.

3.2 **Title**

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

3.3 **Form of Notes and Exchange**

Each class of Notes will initially be represented by a temporary global note in bearer form, without coupons, receipts or talons, which is expected to be delivered to the Common Safekeeper on or about the Closing Date. Each such Temporary Global Note will be exchangeable 40 (forty) days after the later of the Closing Date and the commencement of the offering of the Notes upon certification of non-U.S. beneficial ownership for interests in a permanent global note in bearer form, without coupons, receipts or talons for the relevant Class

of Notes which will also be delivered to the Common Safekeeper. Each Global Note will be in the form of a new global note.

4. Status and Ranking

4.1 Status

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

4.2 Ranking

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

4.3 Sole Obligations

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

4.4 Priorities of Payments

Prior to the delivery of an Enforcement Notice, the Issuer shall apply the Available Interest Distribution Amount in accordance with the Pre-Enforcement Interest Payment Priorities and the Available Principal Distribution Amount in accordance with the Pre-Enforcement Principal Payment Priorities. Following the delivery of an Enforcement Notice, the Issuer will apply all available amounts in accordance with the Post-Enforcement Priority of Payments.

5. Statutory Segregation of Transaction Assets

5.1 Segregation under the Securitisation Law

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

5.2 Restrictions on Disposal of Transaction Assets

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

6. Issuer Covenants

6.1 Issuer Covenants

So long as any Note remains outstanding, the Issuer shall comply with all the covenants of the Issuer, as set out in the Transaction Documents, including but not limited to those covenants set out in Schedule 5 (*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, the Arranger and the Paying Agent, or to procure that the Common Representative, the Rating Agencies, the Arranger and the Paying Agent are provided with, the Investor Reports.

6.3 **Investor Reports available for inspection**

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

7. **Interest and Residual Distribution Amount**

7.1 **Accrual**

Each Class A Note, Class B Note, Initial Vertical Note and Initial Class C Note issued on the Closing Date bears interest on its Principal Amount Outstanding from the Closing Date. Each Additional Vertical Note and Additional Class C Note bears interest on its Principal Amount Outstanding from the Interest Payment Date on which it is issued. The Residual Notes bear no entitlement to interest and will instead bear an entitlement to receive the Residual Distribution Amount.

7.2 **Cessation of Interest**

Each Note of each class shall cease to bear interest (or, in the case of the Residual Notes, shall cease to bear an entitlement to the Residual Distribution Amount) 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 (or the Residual Distribution Amount) in accordance with this Condition (both before and after enforcement) 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 year**

Whenever it is necessary to compute an amount of interest in respect of any Note for a period of less than a full year, such interest shall be calculated on the basis of the applicable Day Count Fraction.

7.4 **Interest Payments**

Interest on each Class A Note, Class B Note, Vertical Note and Class C Note is payable in euro in arrear on each Interest Payment Date commencing on the First Interest Payment Date or on the Interest Payment Date immediately following the issue date in respect of Additional Vertical Notes and Additional Class C Notes, as applicable, 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 Residual Distribution Amount Payments

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

7.6 Calculation of Interest Amount

Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on each Note for the related Interest Period.

7.7 Calculation of Residual Distribution Amount

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

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

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

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

to be notified to the Issuer, the Transaction Manager, the Common Representative, the Swap Counterparty, the Paying Agent, each of Euroclear and Clearstream, Luxembourg (so long as the Notes are in global form) 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 Residual Distribution Amount

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

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

As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Condition 7.8 (*Notification of Note Rate, Interest Amount and Interest Payment Date*) and of the Residual Distribution Amount in accordance with Condition 7.9 (*Notification of Residual Distribution Amount*), the Issuer will cause such Note Rate, Interest Amount (except in relation to the Residual Notes), Interest Payment Date and Residual Distribution Amount (only in relation to the Residual Notes) 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 Notes (except the Residual Notes) and the Residual Distribution Amount for the Residual 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 Notes (except the Residual Notes) in accordance with this Condition, or if the Transaction Manager does not at any time for any reason determine the Residual Distribution Amount for the Residual 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 (except the Residual 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 that Class of Notes (and the Residual Distribution Amount in respect of the Residual Notes) in the manner specified in this Condition and/or;
- (C) appoint a third party to (i) determine the Note Rate for that Class of Notes (except the Residual Notes) at such rate as such party shall deem fair and reasonable in all circumstances; and (ii) calculate the Interest Amount for each Class of Notes (and the Residual Distribution Amount in respect of the Residual Notes) in the manner specified

in this Condition, provided, however, that, the rationale to arrive at the aforementioned rate must always be disclosed to the Common Representative by such third party.

7.13 Deferral of Interest Amounts in Arrears

If there are any Deferred Interest Amount Arrears in respect of any class of Interest Deferrable 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 payable 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 Interest Deferrable Notes to be deferred on such following Interest Payment Date.

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 Interest Deferrable Notes and shall be due and payable in accordance with Condition 7.4 (*Interest Payments*).

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 Interest Deferrable 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 of each class at their Principal Amount Outstanding together with all accrued interest on the Final Legal Maturity Date.

8.2 Mandatory Redemption in part

On each Interest Payment Date, the Issuer will cause any Available Principal Distribution Amount available for this purpose on such Interest Payment Date in accordance with the

Payment Priorities to be applied in the redemption in part of the Principal Amount Outstanding of each Class of Notes determined as at the related Calculation Date in the following amounts and in the following sequential order of priority, in each case the relevant amount being applied to each class divided by the number of Notes outstanding in such class:

8.2.1 During the Revolving Period, in the redemption of each Vertical Note, up to the Vertical Redemption Amount.

For the avoidance of doubt, no redemption of the Vertical Notes will take place during the Revolving Period where the result of such redemption would be the reduction of the Principal Amount Outstanding of the Vertical Notes to an amount below the Vertical Notes Threshold.

8.2.2 After the end of the Revolving Period

- (A) In the case of each Class A Note in an amount equal to the lesser of the Available Principal Distribution Amount and the aggregate of the Principal Amount Outstanding of the Class A Notes;
- (B) In the case of each Class B Note in an amount equal to the lesser of the Available Principal Distribution Amount (minus the amount to be applied in redemption of the Class A Notes (if any) on such Interest Payment Date or any other higher ranking amount in the relevant Payment Priority) and the aggregate of the Principal Amount Outstanding of the Class B Notes;
- (C) In the case of each Vertical Note, in an amount equal to the lesser of the Available Principal Distribution Amount (minus the amount to be applied in redemption of the Class A Notes and the Class B Notes (if any) on such Interest Payment Date or any other higher ranking amount in the relevant Payment Priority) and the Aggregate Principal Amount Outstanding of the Vertical Notes; and
- (D) In the case of each Class C Note, in an amount equal to the lesser of the Available Principal Distribution Amount (minus the amount to be applied in redemption of the Class A Notes, the Class B Notes and the Vertical Notes (if any) on such Interest Payment Date or any other higher ranking amount in the relevant Payment Priority) and the Aggregate Principal Amount Outstanding of the Vertical Notes; and
- (E) In the case of each Residual Note, in an amount equal to the lesser of the Available Principal Distribution Amount (minus the amount to be applied in redemption of the Class A Notes, Class B Notes, the Vertical Notes and the Class C Notes and (if any) on such Interest Payment Date or any other higher ranking amount in the relevant Payment Priority) and the aggregate of the Principal Amount Outstanding of the Residual Notes,

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

8.3 **Mandatory Redemption in whole of the Residual Notes**

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

8.4 Calculation of Note Principal Payments and Principal Amount Outstanding

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

- 8.4.1 the aggregate of any Note Principal Payments due in relation to each class on the Interest Payment Date immediately succeeding such Calculation Date;
- 8.4.2 the Principal Amount Outstanding of each Note in each class on the Interest Payment Date immediately succeeding such Calculation Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such class); and
- 8.4.3 the Residual Distribution Amount.

8.5 Calculations final and binding

Each calculation by or on behalf of the Issuer of any Note Principal Payment or the Residual Distribution Amount 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.

8.6 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) in accordance with this Condition (based on information supplied to it by the Issuer or the Transaction Manager) or by a third party duly appointed by the Common Representative for this purpose and each such calculation shall be deemed to have been made by the Issuer.

8.7 Optional Redemption in whole

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

- 8.7.1 when, on the related Calculation Date, the Aggregate Principal Outstanding Balance of the SME Loans is equal to or less than 10 (ten) percent of the Aggregate Principal Outstanding Balance of all of the SME Loans at the Initial Collateral Determination Date;
- 8.7.2 falling on or after the Step-Up and Call Date; or
- 8.7.3 falling during the Offering Period;

subject to the following:

- (i) that the Issuer has given not more than 60 (sixty) nor less than 30 (thirty) days' notice to the Common Representative, the Noteholders and the Swap Counterparty in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class;
- (ii) that prior to giving any such notice, the Issuer shall have provided to the Common Representative a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its

payment obligations of a higher priority under the Pre-Enforcement Payment Priorities;
and

- (iii) that the sale of the SME Loans Portfolio has been agreed at then current market price. For such purposes, the Issuer shall request a firm quotation from at least three reputable entities acting in this type of business which are (A) authorised to purchase the SME Loans Portfolio and (B) capable of providing firm quotations for the SME Loans Portfolio at market prices. The Issuer shall obtain all valuation reports as it considers necessary in order to establish the market value of the SME Loans Portfolio.

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

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

- 8.8.1 after the date on which, by virtue of a change in Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would be required to make a Tax Deduction from any payment in respect of the Notes (other than by reason of the relevant Noteholder having some connection with the Portuguese Republic, other than the holding of the Notes or related Coupons); or
- 8.8.2 after the date on which, by virtue of a change in Tax law of any applicable jurisdiction (or the application or official interpretation of such Tax law), either the Issuer or the Swap Counterparty would be required to make a Tax Deduction from any payment to be made by it in respect of the Swap Agreement; or
- 8.8.3 after the date on which, by virtue of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would not be entitled to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or the Issuer would be treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive, under the Transaction Documents; or
- 8.8.4 after the date of a change in the Tax law of any applicable jurisdiction (or the application or official interpretation of such Tax law) which would cause the total amount payable in respect of any Collections to cease to be receivable by the Issuer including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to any SME Loan,

subject to the following:

- (i) that the Issuer has given not more than 60 (sixty) nor less than 30 (thirty) days' notice to the Common Representative, the Noteholders and the Swap Counterparty in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and
- (ii) that, prior to giving any such notice, 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) in respect of 8.8.1, 8.8.2 and 8.8.3 above, a certificate signed by two directors of the Issuer to the effect that the obligation to make a Tax Deduction cannot be avoided; and
- (c) a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Payment Priorities.

8.9 Conclusiveness of certificates and legal opinions

Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 8.7 (*Optional Redemption in whole*) and Condition 8.8 (*Optional Redemption in whole for taxation reasons*) may be relied upon 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.

8.10 Notice of Calculation

The Issuer will cause the Transaction Manager to notify the Common Representative, the Swap Counterparty and the Agents of a Note Principal Payment and the Principal Amount Outstanding in relation to each class of Notes to be notified immediately after calculation.

8.11 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.

8.12 Notice irrevocable

Any such notice as is referred to in Condition 8.7 (*Optional Redemption in whole*) or Condition 8.8 (*Optional Redemption in whole for taxation reasons*) or Condition 8.10 (*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 8.7 (*Optional Redemption in whole*) or Condition 8.8 (*Optional Redemption in whole for taxation reasons*) and in an amount equal to the Note Principal Payment calculated as at the related Calculation Date if effected pursuant to Condition 8.2 (*Mandatory Redemption in part*).

8.13 No Purchase

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

9. Limited Recourse

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

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

10. **Payments**

10.1 **Principal**

Payments of principal shall be made only against:

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

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

10.2 **Interest on Coupons**

Payments of interest or any Residual Distribution Amount shall, subject to Condition 10.6 (*Payments on Business Days*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the specified office of the Paying Agent outside the United States in the manner described in Condition 10.1 (*Principal*).

10.3 **Payments subject to fiscal laws**

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

10.4 **Unmatured Receipts Void**

On the due date for final redemption of any Note pursuant to Condition 8.1 (*Final Redemption*) or early redemption of such Note pursuant to Condition 8.2 (*Mandatory Redemption in part*), Condition 8.7 (*Optional Redemption in whole*), Condition 8.8 (*Optional Redemption in whole for taxation reasons*) or Condition 12. (*Events of Default*), all unmaturing Receipts relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

10.5 **Unmatured Coupons Void**

On the due date for final redemption of any Note pursuant to Condition 8.2 (*Mandatory Redemption in part*), Condition 8.7 (*Optional Redemption in whole*), Condition 8.8 (*Optional Redemption in whole for taxation reasons*) or Condition 12. (*Events of Default*), all unmaturing Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

10.6 **Payments on Business Days**

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

10.7 **Business Days**

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

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

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

10.9 **Endorsement of payments**

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

10.10 **Exchange of Talons**

On or after the Interest Payment Date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Notes (each, a “**Coupon Sheet**”), the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Paying Agent for a further Coupon Sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 17. (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

10.11 **Notifications to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10. (*Payments*), whether by the Reference Banks (or any of them), the Paying Agent, the Agent Bank or the Common Representative shall (in the absence of any gross negligence, wilful default, fraud or manifest error) be binding on the Issuer and all Noteholders and Couponholders and Transaction Creditors and (in the absence of any gross negligence, wilful default or fraud) no liability to the Common Representative, the Noteholders or the Couponholders shall attach to the Reference Banks, the Agents, or the Common Representative in connection with the exercise or non exercise by them or any of them of their powers, duties and discretions under this Condition 10. (*Payments*).

11. **Taxation**

11.1 **Payments free of Tax**

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

11.2 **No payment of additional amounts**

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

11.3 **Taxing Jurisdiction**

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

11.4 **Tax Deduction not Event of Default**

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

12. **Events of Default**

12.1 **Events of Default**

Subject to the other provisions of this Condition 12. (*Events of Default*), 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 of the Most Senior Class of Notes (other than the Residual Notes) or the Residual Distribution Amount within 10 (ten) days of the due date for payment of such interest or Residual Distribution Amount; or
- (B) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Common Representative Appointment Agreement 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.

12.2 **Delivery of Enforcement Notice**

If an Event of Default occurs and is continuing, the Common Representative may at its discretion and shall, if so requested in writing by the holders of at least 25 (twenty five) percent of the Principal Amount Outstanding of the Notes or if so directed by a Resolution passed by the Noteholders, deliver an Enforcement Notice to the Issuer and to the Swap Counterparty.

12.3 **Conditions to delivery of Enforcement Notice**

Notwithstanding Condition 12.2 (*Delivery of Enforcement Notice*) the Common Representative shall not be obliged to deliver an Enforcement Notice unless:

- (A) in the case of the occurrence of any of the events mentioned in Condition 12.1 (B) (*Breach of other obligations*), the Common Representative shall have certified in writing that the occurrence of such event is in its opinion materially prejudicial to the interests of the Noteholders and the Common Representative may obtain such directions from Noteholders and/or expert advice as it considers appropriate and rely thereon, without any responsibility for delay occasioned by doing so; and
- (B) in any case it shall have been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

12.4 **Consequences of delivery of Enforcement Notice**

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

13. **Enforcement**

13.1 **Proceedings**

After the occurrence of an Event of Default, the Common Representative may at its discretion, and without further notice, institute such proceedings as it thinks fit to enforce its rights under the Notes and the Common Representative Appointment Agreement in respect of the Notes of each Class and under the other Transaction Documents, in any case acting to serve the best interests of the Noteholders as a class, but it shall not be bound to do so unless:

- (A) so requested in writing by the holders of at least 25 (twenty five) percent of the Principal Amount Outstanding of the Notes; or
- (B) so directed by a Resolution of the Noteholders;

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

13.2 **Directions to the Common Representative**

Without prejudice to Condition 13.1 (*Proceedings*), the Common Representative shall not be bound to take any action described in Condition 13.1 (*Proceedings*) and may take such action without having regard to the effect of such action on individual Noteholders, Receipholders or Couponholders or any other Transaction Creditor. The Common Representative shall have regard to the Noteholders of each Class as a Class and, for the purposes of exercising its rights, powers, duties or discretions, the Common Representative shall have regard only to the Most Senior Class of Notes then outstanding, provided that so long as any of the then 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: (i) 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 (ii) (if the Common Representative is not of that opinion) such action of each Class is sanctioned by a Resolution of the Noteholders of the Class or Classes of the Notes ranking senior to such other Class.

13.3 **Restrictions on disposal of Transaction Assets**

If an Enforcement Notice has been delivered by the Common Representative, the Common Representative will only be entitled to dispose of the SME Loans Portfolio to a Portuguese securitisation fund (FTC) or to another Portuguese securitisation company (STC) or to the Originator in accordance with the Securitisation Law.

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

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

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

- (A) none of the Transaction Creditors other than the Common Representative (nor any person on their behalf) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Common Representative to take any proceedings against the Issuer or take any proceedings against the Issuer unless the Common Representative, having become bound to serve an Enforcement Notice or having been requested in writing or directed by a Resolution of the Noteholders in accordance with Condition 13.1 (*Proceedings*) to take any other action to enforce its rights under the Notes and the Common Representative Appointment Agreement or other Transaction Document (each, a “**Common Representative Action**”), fails to do so within 30 (thirty) days of becoming so bound or of having been so requested or directed and that failure is continuing (in which case each of the Noteholders and the Transaction Creditors shall (subject to Conditions 14.2 (*No action by Noteholders, Couponholders or any other Transaction Party*)) (C) and (D)) be entitled to take any such steps and proceedings as it shall deem necessary in respect of the Issuer);
- (B) none of the Transaction Creditors other than the Common Representative (nor any person on their behalf) shall have the right to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to any of such Transaction Parties unless the Common Representative, having become bound to take a Common Representative Action, fails to do so within 30 (thirty) days of becoming so bound and that failure is continuing (in which case each of the Noteholders and the Transaction Creditors shall (subject to Conditions 14.2 (*No action by Noteholders, Couponholders or any other Transaction Party*)) (C) and (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 Transaction Creditors nor any person on their behalf (including the Common Representative) shall initiate or join any person in initiating any Insolvency Event or the appointment of any insolvency official in relation to the Issuer; and
- (D) none of the Transaction Creditors shall be entitled to take or join in the taking of any steps or proceedings which would result in the Payment Priorities not being observed.

15. Meetings of Noteholders

15.1 Convening

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

15.2 Separate and combined meetings

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

- (A) a Resolution which in the opinion of the Common Representative affects the Notes of only one Class shall be transacted at a separate meeting of the Noteholders of that Class;

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

15.3 Request from Noteholders

A meeting of Noteholders of a particular Class or Classes 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) percent of the aggregate Principal Amount Outstanding of the outstanding Notes of that Class or Classes.

15.4 Quorum

The quorum at any Meeting convened to vote on:

- (A) a Resolution not regarding a Reserved Matter, relating to a meeting of a particular Class or Classes of the Notes, will be any person or persons holding or representing such Class or Classes of Notes whatever the Principal Amount Outstanding of the Notes then outstanding held or represented at the Meeting; and
- (B) a Resolution regarding a Reserved Matter, relating to a Meeting of a particular Class or Classes of the Notes, will be any person or persons holding or representing at least 50 (fifty) percent of the Principal Amount Outstanding of the Notes then outstanding so held or represented in such Class or Classes or, at any adjourned Meeting, any person holding or representing such Class or Classes whatever the Principal Amount Outstanding of the Notes then outstanding so held or represented.

15.5 Majorities

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

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

15.6 Relationship between Classes

In relation to each Class of Notes:

- 15.6.1 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);
- 15.6.2 no Resolution or other resolution (as applicable) to approve any matter other than a Reserved Matter of any Class of Notes shall be effective unless it is sanctioned by a Resolution or other resolution (as applicable) of the holders of each of the other classes of Notes then outstanding ranking senior to such Class (to the extent that there are outstanding Notes ranking senior to such Class) unless the Common Representative considers that none of the holders of each of the other Classes of Notes ranking senior to such Class would be materially prejudiced by the absence of such sanction; and
- 15.6.3 any Resolution passed at a Meeting of Noteholders of one or more Classes of Notes duly convened and held in accordance with the Common Representative Appointment Agreement shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting and whether or not voting and upon all Couponholders of such Class or Classes and Receiptholders of such Class or Classes and, except in the case of a meeting relating to a Reserved Matter, any Resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other Classes of Notes and the holders of the Coupons and Receipts relating thereto.
- 15.6.4 a resolution involving the appointment or removal of the Common Representative must be approved by the holders of each Class of Notes then outstanding.

15.7 Resolutions in writing

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

16. Modification and Waiver

16.1 Modification

The Common Representative may at any time and from time to time, without the consent or sanction of the Noteholders or any other Transaction Creditor (other than those which are party to the relevant Transaction Document), concur with the Issuer and any other relevant Transaction Creditor in making:

- (A) any modification to these Conditions, to the Notes or any of the other Transaction Documents in relation to which the consent of the Common Representative is required (other than in respect of a Reserved Matter or any provision of the Notes, these Conditions or any of the Transaction Documents referred to in the definition of a Reserved Matter), which, in the opinion of the Common Representative will not be materially prejudicial to the interests of (i) the holders of the Most Senior Class of Notes then outstanding 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; or
- (B) any modification, other than a modification in respect of a Reserved Matter, to these Conditions or any of the Transaction Documents in relation to which the consent of the Common Representative is required, if, in the opinion of the Common Representative, such modification is of a formal, minor, administrative or technical nature, or is made to

correct a manifest error or an error which, in the reasonable opinion of the Common Representative, is proven, or is necessary or desirable for purposes of clarity; or

- (C) any modification to the Transaction Documents (other than in respect of a Reserved Matter or any provision of the Notes, these Conditions or any of the Transaction Documents referred to in the definition of a Reserved Matter), which is incidental to the substitution of the Swap Counterparty with another entity with a Minimum Swap Counterparty Rating pursuant to these Conditions,

provided that no such modification will take effect until and unless (a) regarding item (i) above (A) DBRS has confirmed that such modification does not adversely affect the Rating of the Most Senior Class of Notes then outstanding; (B) Fitch has been previously notified about the making of any such modification; and (C) notice thereof has been delivered to the Noteholders in accordance with the Notices Condition; and (b) regarding item (ii) above (A) the Rating Agencies have been previously notified about the making of any such modification and (B) notice thereof has been delivered to the Noteholders in accordance with the Notices Condition.

Modifications in respect of a Reserved Matter require the written consent of the Transaction Creditors.

16.2 **Waiver**

In addition, the Common Representative may, at any time and from time to time, without prejudice to its rights in respect of any subsequent breach, condition, event or act, without the consent or sanction of the Noteholders or the Transaction Creditors, concur with the Issuer and any other relevant Transaction Creditor in authorising or waiving on such terms and subject to such conditions (if any) as it may decide, a proposed breach or breach by the Issuer of any of the covenants or provisions contained in the Common Representative Appointment Agreement, the Notes or the other Transaction Documents (other than in respect of a Reserved Matter or any provision of the Notes, the Common Representative Appointment Agreement or such other Transaction Document referred to in the definition of a Reserved Matter) which, in the opinion of the Common Representative will not be materially prejudicial to the interests of (i) the holders of the Most Senior Class of Notes then outstanding (which will be the case if any such authorisation or waiver does not result in an adverse effect on the Ratings of such Class of Notes) and (ii) any of the Transaction Creditors, unless such Transaction Creditors have given their prior written consent to any such authorisation or waiver, (provided that it may not and only the Noteholders may by Resolution determine that any Event of Default shall not be treated as such for the purposes of the Common Representative Appointment Agreement, the Notes or any of the other Transaction Documents).

16.3 **Restriction on power to waive**

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

16.4 **Notification**

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

16.5 **Binding Nature**

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

17. **Prescription**

17.1 **Principal**

Claims for principal in respect of the Notes shall become void unless the relevant Notes are presented for payment within 20 (twenty) years of the appropriate Relevant Date.

17.2 **Interest and Residual Distribution Amount**

Claims for interest in respect of the Notes (except the Residual Notes) and for the Residual Distribution Amount in respect of the Residual Notes, shall become void unless the relevant Coupons are presented for payment within 5 (five) years of the appropriate Relevant Date.

18. **Replacement of Notes and Coupons**

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

19. **Common Representative and Agents**

19.1 **Common Representative's right to Indemnity**

Under the Transaction Documents, the Common Representative is entitled to be indemnified by the Issuer and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders and the other Transaction Creditors. The Common Representative shall not be required to do anything which would require it to risk or expend its own funds. In addition, the Common Representative is entitled to enter into business transactions with the Issuer and/or any other person who is a party to the Transaction Documents and/or any of their subsidiary or associated companies and to act as common representative for the holders of any other securities issued by or relating to the Issuer without accounting for any profit and to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such role. For the avoidance of doubt, the Common Representative will not be obliged to enforce the provisions of the Common Representative Appointment Agreement unless it is directed to do so by the Noteholders and unless it is indemnified and/or secured and/or pre-funded to its satisfaction.

19.2 Common Representative not responsible for loss or for monitoring

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

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

The Common Representative will not be responsible for any loss, expense or liability which may be suffered as a result of any assets or any deeds or documents of title thereto, being uninsured or inadequately insured.

19.3 Regard to classes of Noteholders

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

19.4 Agents solely agents of Issuer

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

19.5 Initial Agents

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

19.6 Maintenance of Agents

The Issuer shall at all times maintain a paying agent in accordance with any requirements of any stock exchanges on which the Notes are or may from time to time be listed, 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 the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with the Notices Condition.

20. Notices

20.1 **Valid Notices**

Any notice to Noteholders shall be validly given if such notice is published on the CMVM's website and 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's jurisdiction so require, such notice will additionally be published in accordance with the requirements applicable in such jurisdiction. It may additionally be published on a page of the Reuters service or of the Bloomberg service or on any other medium for the electronic display of data as may be previously approved in writing by the Common Representative at the request of the Issuer.

20.2 **Date of publication**

Any notices so published shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which the publication was made.

20.3 **Other Methods**

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

20.4 **Couponholders and Receiptholders deemed to have notice**

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

21. **Governing Law and Jurisdiction**

21.1 **Governing law**

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

21.2 **Jurisdiction**

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

22. **Further Issues**

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 and in accordance with the Common Representative Appointment Agreement, to create and issue Additional Vertical Notes and Additional Class C Notes having, *mutatis mutandis*, the same terms and conditions as the other issued Vertical Notes and Class C Notes, respectively.

23. **Definitions**

“**Accounts Agreement**” means the agreement so named to be entered into on or about the Closing Date 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;

“**Additional Class C Notes**” means the notes issued by the Issuer on any Additional Purchase Date fungible with the Initial Class C Notes and with any other Additional Class C Notes issued on any other previous Additional Purchase Date;

“**Additional Collateral Determination Date**” means any day that falls within 10 Business Days prior to an Interest Payment Date;

“**Additional Funding Cost**” means the cost of funding for the Originator of the Aggregate Principal Outstanding Balance of each Additional SME Loans Portfolio from (and including) the relevant Additional Collateral Determination Date to (but excluding) the relevant Additional Purchase Date;

“**Additional Purchase Date**” means each Interest Payment Date falling within the Revolving Period or within the Offering Period on which the Issuer purchases Additional SME Loans;

“**Additional Purchase Price**” means, in respect of an Additional SME Loans Portfolio specified in an Offer made by the Originator in accordance with the provisions of the SME Loans Assignment Agreement, the amount of the consideration paid or to be paid by the Issuer to the Originator for the purchase of the Additional SME Loans comprised within such Additional SME Loans Portfolio, such amount being equal to (i) the Principal Outstanding Balance of the Additional SME Loans included in the relevant Additional SME Loans Portfolio to be sold and assigned to the Issuer on the applicable Additional Purchase Date, as calculated at the related Additional Collateral Determination Date; plus (ii) the applicable Additional Funding Cost;

“**Additional SME Loan**” means an Offering SME Loan or a Revolving SME Loan;

“**Additional SME Loans Portfolio**” means a portfolio of Additional SME Loans which are to be sold and assigned by the Originator to the Issuer on an Additional Purchase Date in consideration for which the Additional Purchase Price will be paid by the Issuer to the Originator;

“**Additional Vertical Notes**” means the notes issued by the Issuer on any Additional Purchase Date fungible with the Initial Vertical Notes and with any other Additional Vertical Notes issued on any other previous Additional Purchase Date;

“**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;

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

“**Aggregate Maximum Principal Outstanding Balance**” means the aggregate amount of the Maximum Principal Outstanding Balance of each SME Loan from time to time.

“**Aggregate Principal Outstanding Balance**” means the aggregate amount of the Principal Outstanding Balance of each SME Loan from time to time;

“Ancillary SME Loans Rights” means, in respect of each SME Loan:

- (a) to the extent such rights are transferable, any documents legally required to transfer or enforce such SME Loan;
- (b) all monies and proceeds payable or to become payable under, in respect of or pursuant to such SME Loan;
- (c) all Security created in relation to such SME Loan and all Insurance Policies contracted in connection with such SME Loan;
- (d) all ownership interests, liens, security interests, charges, mortgages or encumbrances, or other rights or claims of the Originator on, over or in relation to any property from time to time, if any, purporting to secure payment of the Receivables due under such SME Loan, whether pursuant to the relevant SME Loan Agreement or otherwise, together with all rights in relation to any document or agreement creating or evidencing any collateral Security created in relation to payment of the Receivables due under such SME Loan;
- (e) all SME Loan Records in relation to such SME Loan;
- (f) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of the Originator contained in or relating to such SME Loan including, without limitation, those contained in the relevant SME Loan Agreement; and
- (g) all causes and rights of action (present and future) against any person relating to such SME Loan and the Receivables due under such SME Loan including, without limitation, such causes and rights of action arising under the relevant SME Loan 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 SME Loan and the Receivables due under such SME Loan.

but so that Ancillary SME Loan Rights shall not include any Excluded Rights.

“Arranger” means J.P. Morgan Securities Ltd., in its capacity as arranger of the Transaction;

“Assigned SME Loans Rights” means all SME Loans included in the SME Loans Portfolio, the SME Loan Agreements, the Ancillary SME Loans Rights and the Receivables sold and assigned to the Issuer by the Originator on the Closing Date or on the Additional Purchase Dates in accordance with the terms of the SME Loans Assignment Agreement;

“Authorised Investments” means (i) any euro denominated investment or other deposit which has a rating of, or (in the case of a bank account or term deposit) is held at or made with an institution having a minimum rating equal to “AA-“ or “F1” by Fitch or “AA (low)” and “R-1 (middle)” by DBRS and (ii) which matures or otherwise may be disposed of, or (in the case of a bank account) from which amounts deposited may be withdrawn, at least at par, at any time without penalty, before the next Interest Payment Date;

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

- (a) any Interest Collections Proceeds and other interest amounts received by the Issuer as interest payments under the SME Loans during the Collections Period immediately preceding such Interest Payment Date; plus

- (b) the payment (if any) to be received from the Swap Counterparty on such Interest Payment Date under the Swap Agreement (other than (i) any early termination amount received by the Issuer under the Swap Agreement which is to be applied in entering into a replacement swap, (ii) the Excess Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Swap Agreement, to reduce the amount that would otherwise be payable by the Swap Counterparty to the Issuer on early termination of the Swap; (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Swap Counterparty, and (iv) amounts in respect of Swap Tax Credits); plus
- (c) where the proceeds or estimated proceeds of disposal or, on maturity, the maturity proceeds of any Authorised Investment received in relation to the relevant Collections Period exceeds the original cost of such Authorised Investment, the amount of such excess together with interest thereon; plus
- (d) an amount drawn from the Cash Reserve Account equal to the Interest Deficit Cash Reserve Drawing; plus
- (e) the amount of any Principal Draw Amount to be made on such Interest Payment Date to cover any Payment Shortfall in respect of such Interest Payment Date; plus
- (f) an amount drawn from the Payment Account equal to the Liquidity Reserve Drawings, such amount to be debited from the Liquidity Reserve Ledger; plus
- (g) interest accrued and credited to the Transaction Accounts during the relevant Collections Period; plus
- (h) any portion of the Available Principal Distribution Amount remaining after the redemption in full of the Notes; less
- (i) any Withheld Amount;

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

- (a) the amount of any portion of Principal Collections Proceeds received by the Issuer as principal payments under the SME Loans during the Collections Period immediately preceding such Interest Payment Date; plus
- (b) such amount of the Available Interest Distribution Amount as is credited to the Payment Account and which is to be applied by the Transaction Manager on such Interest Payment Date in reducing the debit balance on the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger or the Vertical Principal Deficiency Ledger; less
- (c) the amount of any Principal Draw Amount to be made on such Interest Payment Date; plus
- (d) any amounts deposited in the Payments Account and recorded under the Principal Deposit Ledger as at the Calculation Date;

“**Benefit**” in respect of any Interest held, assigned, conveyed, transferred, charged, sold or disposed of by any person shall be construed so as to include:

- (a) all right, title, interest and benefit, present and future, actual and contingent (and interests arising in respect thereof) of such person in, to, under and in respect of such Interest and all Ancillary SME Loans Rights in respect of such Interest;
- (b) all monies and proceeds payable or to become payable under, in respect of, or pursuant to such Interest or its Ancillary SME Loans Rights and the right to receive payment of such monies and proceeds and all payments made including, in respect of any bank account, all sums of money which may at any time be credited to such bank account together with all interest accruing from time to time on such money and the debts represented by such bank account;
- (c) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of such person contained in or relating to such Interest or its Ancillary SME Loans Rights;
- (d) the benefit of all powers of and remedies for enforcing or protecting such person's right, title, interest and benefit in, to, under and in respect of such Interest or its Ancillary SME Loans Rights, including the right to demand, sue for, recover, receive and give receipts for proceeds of and amounts due under or in respect of or relating to such Interest or its Ancillary SME Loans Rights; and
- (e) all items expressed to be held on trust for such person under or comprised in any such Interest or its Ancillary SME Loans Rights, all rights to deliver notices and/or take such steps as are required to cause payment to become due and payable in respect of such Interest and its Ancillary SME Loans Rights, all rights of action in respect of any breach of or in connection with any such Interest and its Ancillary SME Loans Rights and all rights to receive damages or obtain other relief in respect of such breach;

“Block Voting Instruction” means, in relation to any Meeting, a document in the English language issued by a Paying Agent:

- (a) certifying that certain specified Notes have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender to such Paying Agent, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the deposited or blocked Notes and notification thereof by such Paying Agent to the Issuer and the Common Representative;
- (b) certifying that the depositor of such specified Note or a duly authorised person on its behalf has instructed the relevant Paying Agent that the votes attributable to such specified Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;
- (c) listing the total number and (if Definitive Notes have been issued) the certificate numbers of such specified Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and

- (d) authorising a named individual or individuals to vote in respect of the Deposited Notes in accordance with such instructions;

“Borrower” means, in respect of any SME Loan, the related borrower or borrowers or other person or persons who is or are under any obligation to repay that SME 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 agreement or trust by such person;

“Business Day” means a TARGET Settlement Day or, if such TARGET Settlement Day is not a day on which banks are open for business in London and Lisbon, the next succeeding TARGET Settlement Day on which banks are open for business in London and Lisbon;

“Calculation Date” means the last Lisbon Business Day of March, June, September and December in each year, the first Calculation Date being the last Lisbon Business Day of September 2010;

“Cash Reserve Account” means the account opened in the name of the Issuer with the Accounts Bank (or such other bank to which the Cash Reserve Account may be transferred) into which an amount equal to the Cash Reserve Amount will be credited on the Closing Date;

“Cash Reserve Account Required Balance” means:

- (i) in respect of any Interest Payment Date €31,500,000, until the repayment in full of the Class A Notes;
- (ii) in respect of any of the Interest Payment Dates falling after the repayment in full of the Class A Notes, zero.

“Cash Reserve Amount” means an amount equal to €31,500,000 to be paid on the Closing Date into the Cash Reserve Account;

“Class” or **“class”** means the Class A Notes, the Class B Notes, the Vertical Notes, the Class C and the Residual Notes, as the context may require, and **“Classes”** or **“classes”** shall be construed accordingly;

“Class A Coupons” means the interest coupons related to the Class A Definitive Notes in or substantially in the form set out in Part 2 of Schedule 3 to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

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

“Class A Notes” means the € 577,500,000 Class A Asset Backed Floating Rate Securitisation Notes due 2036 issued by the Issuer on the Closing Date;

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

“Class A Permanent Global Note” means any permanent global note representing any Class A Notes in, or substantially in, the form set out in Schedule 2 to the Common Representative Appointment Agreement;

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

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

“**Class A Temporary Global Note**” means any temporary global note representing any Class A Notes in, or substantially in, the form set out in Schedule 1 to the Common Representative Appointment Agreement;

“**Class B Coupons**” means the interest coupons related to the Class B Definitive Notes in or substantially in the form set out in Part 2 of Schedule 3 to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

“**Class B Definitive Notes**” means any Class B Notes issued in definitive bearer form;

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

“**Class B Notes**” means the €472,500,000 Class B Asset Backed Floating Rate Securitisation Notes due 2036 issued by the Issuer on the Closing Date;

“**Class B Permanent Global Note**” means any permanent global note representing any Class B Notes in, or substantially in, the form set out in Schedule 2 to the Common Representative Appointment Agreement;

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

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

“**Class B Temporary Global Note**” means any temporary global note representing any Class B Notes in, or substantially in, the form set out in Schedule 1 to the Common Representative Appointment Agreement;

“**Class C Coupons**” means the interest coupons related to the Class C Definitive Notes in or substantially in the form set out in Part 2 of Schedule 3 to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

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

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

“**Class C Notes**” means the €7,294,000 Initial Class C Variable Funding Securitisation Notes due 2036 issued by the Issuer on the Closing Date and any Additional Class C Notes;

“**Class C Permanent Global Note**” means any permanent global note representing any Class C Notes in, or substantially in, the form set out in Schedule 2 to the Common Representative Appointment Agreement;

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

“**Class C Temporary Global Note**” means any temporary global note representing any Class C Notes in, or substantially in, the form set out in Schedule 1 to the Common Representative Appointment Agreement;

“**Clearstream, Luxembourg**” means Clearstream Banking Société Anonyme, Luxembourg;

“**Closing Date**” means 22 of June 2010;

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

“**Collateral Determination Dates**” means the Initial Collateral Determination Date and each Additional Collateral Determination Date and “**Collateral Determination Date**” shall mean any of them, as applicable;

“**Collections Account**” means the account opened in the name of the Originator with the Collections Account Bank, utilised for the time being by the Originator and/or the Servicer in relation to Collections on the SME Loans 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 Collections Account;

“**Collections Account Bank**” means Montepio in its capacity as the bank at which the Collections Accounts are opened 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;

“**Collections Period**” means the period commencing on (and including) a Calculation Date and ending (and excluding) on the next succeeding Calculation Date, and, in the case of the first Collections Period, commencing on (and including) the Collateral Determination Date and ending on (and excluding) the next Calculation Date;

“**Collections Proceeds**” means the Interest Collections Proceeds and the Principal Collections Proceeds;

“**Collections**” means, in relation to any SME Loan, all cash collections, and other cash proceeds thereof including any and all (a) principal, interest, late payment, early payment or similar charges which the Originator, or where the Originator is no longer the Servicer, the Servicer applies in the ordinary course of its business to amounts owed in respect of such SME Loan, (b) Liquidation Proceeds and (c) Repurchase Proceeds;

“**Common Representative**” means The Law Debenture Trust Corporation p.l.c. in its capacity as initial representative of the Noteholders pursuant to Article 65 of the Securitisation Law and in accordance with the terms and conditions of the Notes and the terms of the Common Representative Appointment Agreement and any replacement common representative or common representative appointed from time to time under the Common Representative Appointment Agreement;

“**Common Representative Appointment Agreement**” means the agreement so named to be entered into on or about the Closing Date between the Issuer and the Common Representative;

“**Common Safekeeper**” means Euroclear Bank S.A./N.V. or Clearstream Banking Société Anonyme, Luxembourg in its capacity as common safekeeper for the Notes;

“**Conditions**” means the terms and conditions to be endorsed on the Notes, in or substantially in the form set out in Schedule 4 of the Common Representative Appointment Agreement, as any of them may from time to time be modified in accordance with the Common Representative Appointment Agreement and any reference to a particular numbered Condition shall be construed in relation to the Notes accordingly;

“**Co-ordination Agreement**” means the agreement so named to be entered into on or about the Closing Date between all the Transaction Parties, excluding ICSDs;

“**Couponholders**” means the persons who for the time being are holders of the Coupons;

“**Coupon Sheet**” has the meaning ascribed thereto in Condition 10.10 (*Exchange of Talons*);

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

“**CPR**” means the constant pre-payment rate (per cent. per annum);

“**Credit Line**” means a credit agreement entered into between the Originator and each Borrower under which the Borrower may request drawdowns up to the maximum commitment agreed with the Originator;

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

“**DBRS**” means DBRS Limited or any successor thereto;

“**Deferred Interest Amount Arrears**” means, in respect of each of the Interest Deferrable Notes on any Interest Payment Date, any Interest Amount which is due but not paid as at such date;

“**Defaulted Receivable**” means on any day of determination, any SME Loan which is not a Written-off SME Loan under items (b) or (c) of such definition and in respect of which 12 (twelve) or more monthly instalments, or 4 (four) or more quarterly instalments, or 2 (two) or more semi-annual instalments, or 1 (one) or more annual instalments (as the case may be) have not been paid by the respective Instalment Due Dates relating thereto and which remain outstanding on such day of determination;

“**Delinquent Receivable**” means any SME Loan which is more than 90 (ninety) days in arrear;

“**Definitive Notes**” means any Notes issued in definitive bearer form;

“**Eligible Loan-to-Value Ratio**” means the *ratio* between the Principal Outstanding Balance of an SME Loan and the appraised value of the Security securing such SME Loan;

“**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 Condition 12. (*Events of Default*) which declares the Notes to be immediately due and payable;

“**EURIBOR**” means, as applicable, the Euro Screen Rate or the Euro Reference Rate;

“**EURIBOR Quarterly Report**” means a quarterly report prepared by the Servicer in accordance with the SME Loans Servicing Agreement which sets out the Three-Month EURIBOR Prescribed Percentage and the Six-Month EURIBOR Prescribed Percentage.

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

“**Euro Reference Rate**” means, on any Interest Determination Date, the rate determined by the Agent Bank by reference to the Euro Screen Rate on such date, or if, on such date, the Euro Screen Rate is unavailable:

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

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

“**Euroclear**” means Euroclear Bank S.A./N.V.;

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

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

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

“Final Discharge Date” means the date on which the Common Representative is satisfied that all Issuer Obligations 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 July 2036;

“First Interest Payment Date” means the 15th of October of 2010;

“Fitch” means Fitch, Inc. and Fitch Ratings Ltd and any subsidiary of either of them together with any successor in interest to any such person;

“Funding Notes” means, together, the Class A Notes and the Class B Notes;

“Funding Notes Interest” means, on any date of determination, an amount equal to the Principal Amount Outstanding of the Funding Notes on the Closing Date as reduced by the aggregate of: (a) repayments of principal in respect of such Funding Notes made on or prior to such date; and (b) any amounts credited to the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger, provided that the Funding Notes Interest may not be reduced below zero;

“Funding Notes Issuance Agreement” means an agreement so named dated on or about the Signing Date between the Issuer, Montepio, acting as Originator and purchaser of the Funding Notes, and the Arranger;

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

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

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

“ICSDs” means each of Euroclear and Clearstream, Luxembourg;

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

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

“Initial Class C Notes” means the €7,294,000 Initial Class C Variable Funding Securitisation Notes due 2036 issued by the Issuer on the Closing Date;

“Initial Collateral Determination Date” means 7 of June 2010;

“Initial Funding Cost” means the cost of funding for the Originator of the Aggregate Principal Outstanding Balance of the Initial SME Loans Portfolio from (and including) the Initial Collateral Determination Date to (but excluding) the Closing Date;

“Initial Purchase Price” means, in respect of the Initial SME Loans Portfolio, the amount of the consideration paid or to be paid by the Issuer to the Originator for the purchase of the Initial SME Loans comprised within such Initial SME Loans Portfolio, such amount being equal to (i) the Principal Outstanding Balance of the SME Loans included in the Initial SME Loans Portfolio to be sold and assigned to the Issuer on the Closing Date, as calculated at the Initial Collateral Determination Date; plus (ii) accrued interest not yet paid in relation to the SME Loans included in the Initial SME Loans Portfolio to be sold and assigned to the Issuer on the Closing Date, as at the Initial Collateral Determination Date; plus (iii) the Initial Funding Cost;

“Initial SME Loan” means each of the SME Loans and the relevant Ancillary SME Loans Rights and Receivables comprised within the Initial SME Loans Portfolio, as specified in the information records identified in Schedule 6 of the SME Loans Assignment Agreement;

“Initial SME Loans Portfolio” means the portfolio of Initial SME Loans which are to be sold and assigned by the Originator to the Issuer on the Closing Date in consideration for which the Initial Purchase Price will be paid by the Issuer to the Originator;

“Initial Vertical Notes” means the €117,000,000 Initial Vertical Asset Backed Variable Funding Securitisation Notes due 2036 issued by the Issuer on the Closing Date;

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

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

- (h) in relation to the Originator and the Servicer, to the extent not already covered by paragraphs (a) to (g) above, the suspension of payments, the commencing of any recovery or insolvency proceedings against the Originator or the Servicer, under Decree-Law no. 298/92 of 31 December 1992, Decree-Law no. 199/2006 of 26 October 2006 and/or the Code for the Insolvency and Recovery of Companies, introduced by Decree-Law no. 54/2004 of 18 March (each one as amended from time to time).

“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;

“Insurance Policies” means the insurance policies taken out by Borrowers in respect of SME Loans 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;

“Instalment Due Date” in relation to any SME Loan means the original date on which each monthly instalment, quarterly instalment, semi annual instalment or annual instalment (as the case may be) is due and payable under the SME Loan Agreement;

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

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

“Interest Amount” means, in respect of a Note for any Interest Period, the amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by multiplying the Principal Amount Outstanding of such Note on the Interest Payment Date next following such Interest Determination Date by the relevant Note Rate and multiplying the amount so calculated by the relevant Day Count Fraction and rounding the resultant figure to the nearest one cent of euro;

“Interest Collections Proceeds” means, in respect of any Business Day, the portion of the aggregate amount that stands to the credit of the relevant Collections Account that relates to the Interest Component of the SME Loans;

“Interest Component” means:

- (a) all interest collected and to be collected thereunder from and including the relevant Collateral Determination Date which shall be determined, in respect of the SME Loans, on the basis of the rate of interest specified in the relevant SME Loan Agreement;
- (b) all Liquidation Proceeds in respect of the SME Loans allocated to interest;

- (c) all Collections with respect to an SME Loan that relate to principal where, and to the extent of, a debit entry recorded on the Principal Deficiency Ledgers with respect to such SME Loan;
- (d) all Collections in respect of Written-off SME Loans;
- (e) all Repurchase Proceeds allocated to interest; and
- (f) all interest accrued and credited to the Payment Account in the Collections Period ending immediately prior to the related Calculation Date;

“**Interest Deferrable Notes**” means the Class B Notes, the Vertical Notes and the Class C Notes;

“**Interest Deficit Cash Reserve Drawing**” means, in relation to any Interest Payment Date, the amount (if any) determined on the related Calculation Date as being equal to:

- (1) If the Interest Payment Date following the Calculation Date is the Final Legal Maturity Date or if the Class A Notes have been redeemed in full, the amount outstanding in the Cash Reserve Account;
- (2) In all other cases, the lesser of:
 - (a) the amount standing to the credit of the Cash Reserve Account on the Calculation Date;
 - (b) $x-y+z$,

where:

x is the sum of the amounts due and payable under items (a) to (d) of the Pre-Enforcement Interest Payment Priorities plus the Interest Amount due on the Class A Notes and the balance of the Class A Principal Deficiency Ledger;

y is the sum of items (a), (b), (c), (g), (h) and (i) of the Available Interest Distribution Amount; and

z is the greater of (1) the sum of items (a), (b), (c), (g), (h) and (i) of the Available Interest Distribution Amount minus the sum of (i) the amounts due and payable under items (a) to (d) of the Pre-Enforcement Interest Payment Priorities and (ii) the Interest Funding Amount, and (2) zero,

provided the Interest Deficit Cash Reserve Drawing will be no less than zero;

“**Interest Determination Date**” means each day which is two Business Days prior to an Interest Payment Date, and, in relation to an Interest Period, the “**related Interest Determination Date**” means, the Interest Determination Date immediately preceding the commencement of such Interest Period;

“**Interest Funding Amount**” means the lesser of (a) the product of: (i) the Available Interest Distribution Amount minus items (a), (b), (c), (d) and (e) of the Pre-Enforcement Interest Payment Priorities and (ii) the Weighted Average Funding Note Percentage and (b) the amounts due under items (a) to (f) of the Pre-Enforcement Funding Notes Priorities;

“**Interest Payment Date**” means the 15th (fifteenth) day of April, July, October and January 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 Vertical Amount**” means the lesser of (a) the product of: (i) the Available Interest Distribution Amount minus items (a), (b), (c), (d) and (e) of the Pre-Enforcement Interest Payment Priorities and (ii) the Weighted Average Vertical Note Percentage and (b) the amounts due under items (a) to (b) of the Pre-Enforcement Vertical Notes Priorities;

“**Investor Report**” means a report (which shall include the information disclosed in the Quarterly Report) to be in a form acceptable to the Issuer, the Transaction Manager, the Arranger and the Common Representative to be delivered by the Transaction Manager to, *inter alia*, the Common Representative, the Arranger, the Rating Agencies and the Paying Agent not less than 2 (two) Business Days prior to each Interest Payment Date;

“**2006 ISDA Definitions**” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.;

“**Issue Price**” means, in respect of the Notes, an amount equal to 100 per cent. of the aggregate Principal Amount Outstanding of such Notes on the Closing Date or on an Additional Purchase Date, as the case may be;

“**Issuer**” means Sagres – Sociedade de Titularização de Créditos, S.A.;

“**Issuer Covenants**” means the covenants of the Issuer set out in Schedule 5 (*Issuer Covenants*) to the Incorporated Terms Memorandum;

“**Issuer-ICSDs Agreement**” means the agreement dated on or about the Closing Date between the Issuer and the ICSDs;

“**Issuer Obligations**” means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Noteholders or the other Transaction Creditors under the Transaction Documents;

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

“**Liabilities**” means in respect of any person, any losses, liabilities, damages, costs, awards, expenses (including properly incurred legal fees) and penalties incurred by that person together with any VAT thereon;

“**Liquidation Proceeds**” in relation to an SME Loan means the net proceeds of realisation of the Security created in relation to such SME Loan, 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 SME Loan and available to be applied thereon;

“**Lisbon Business Day**” means any TARGET Day on which banks are open for business in Lisbon;

“Material Adverse Effect” means, a material adverse effect on the validity or enforceability of any of the Transaction Documents or, in respect of a Transaction Party, a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) of such Transaction Party to the extent that such effect would, with the passage of time or the giving of notice, be likely to impair such Transaction Party’s performance of its obligations under any of the Transaction Documents;
- (b) the Transaction Documents;
- (c) the rights or remedies of such Transaction Party under any of the Transaction Documents including the accuracy of the representations and warranties given by such party thereunder; or
- (d) in the context of the Assigned SME Loan Rights, a material adverse effect on the interests of the Issuer or the Common Representative in the Transaction Assets;

“Maximum Principal Outstanding Balance” means, in relation to any SME Loan and on any date:

- (a) in the case of SME Loans under the form of Term Loans the aggregate of:
 - (i) the original principal amount advanced to the Borrower; plus
 - (ii) any other disbursement, legal expense, fee or charge capitalised; plus
 - (iii) any further advance of principal to the Borrower; less
 - (iv) any repayments of the amounts in (i), (ii) and (iii) above,provided that, in respect of any Written-off SME Loan, the Maximum Principal Outstanding Balance will be deemed to be zero;
- (b) in the case of SME Loans under the form of Credit Lines the maximum aggregate principal commitment amount that can be advanced to the Borrower provided that, in respect of any Written-off SME Loan, the Maximum Principal Outstanding Balance will be deemed to be zero;

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

“Minimum Swap Counterparty Rating” means in respect of any entity which is to assume the role of swap counterparty, (i) such entity’s first trigger required ratings as specified in the Swap Agreement or (ii) such other ratings that are consistent with the then published criteria of the relevant Rating Agencies as being minimum ratings that are required to support the then rating of the Notes;

“Montepio” means Caixa Económica Montepio Geral;

“Mortgage” means, in respect of any SME Loan, the first ranking mortgage created over a Property (other than land), together with all other Encumbrances or guarantees the benefit of which is vested in the Originator as security for the repayment of that SME Loan;

“**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 Vertical Notes whilst they remain outstanding and, thereafter, the Class C Notes whilst they remain outstanding and, thereafter, the Residual Notes whilst they remain outstanding;

“**Non-U.S. Swap Counterparty**” means a Swap Counterparty, which is incorporated outside of the United States of America and which is not a subsidiary of or a related entity of an entity which is incorporated in the United States of America;

“**Note Principal Payment**” means, any payment to be made or made by the Issuer in accordance with Condition 8.2 (*Mandatory Redemption in part*);

“**Note Rate**” means, in respect of each class of Notes for each Interest Period, the Euro Reference Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of such class;

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

“**Notes**” means, upon the relevant issue, the Class A Notes, the Class B Notes, the Vertical Notes, the Class C Notes and the Residual Notes;

“**Notes Issuance Agreements**” means the Funding Notes Issuance Agreement and the Unrated Notes Issuance Agreement and “**Note Issuance Agreement**” means any of them as the context may require;

“**Notices Condition**” means Condition 20. (*Notices*);

“**Notification Event**” means:

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

“**Notification Event Notice**” means a notice substantially in the form set out in Part B (*Form of Notification Event Notice*) of Schedule 4 (*Notification Events*) of the SME Loans Assignment Agreement;

“**Notional Amount of the Three-Month EURIBOR Basis Swap**” means, for each Interest Period, an amount equal to the lesser of:

- (a) the product of the Principal Amount Outstanding of the Funding Notes and a fraction, the numerator of which is the aggregate of the Principal Outstanding Balance of the Three-Month EURIBOR SME Loans and the denominator is the aggregate of the Principal Outstanding Balance of all Three-Month EURIBOR SME Loans and the Principal Outstanding Balance of all Six-Month EURIBOR SME Loans; and
- (b) the Performing Three-Month EURIBOR SME Loans Balance;

“Notional Amount of the Six-Month EURIBOR Basis Swap” means, for each Interest Period, an amount equal to the lesser of:

- (a) the product of the Principal Amount Outstanding of the Funding Notes and a fraction, the numerator of which is the aggregate of the Principal Outstanding Balance of the Six-month EURIBOR SME Loans and the denominator is the aggregate of the Principal Outstanding Balance of all Three-Month EURIBOR SME Loans and the Principal Outstanding Balance of all Six-Month EURIBOR SME Loans; and
- (b) the Performing Six-month EURIBOR SME Loans Balance;

“Offer” means an offer made by the Originator to assign Additional SME Loans to the Issuer substantially in the form set out in Schedule 9 (*Form of Offer*) to the SME Loans Assignment Agreement;

“Offering Period” means the period commencing on the Business Day immediately following the end of the Revolving Period and ending on the earlier of:

- (a) the Business Day immediately following the Interest Payment Date that falls in 15 July 2036; or
- (b) the date on which a Notification Event occurs; or
- (c) the date on which the Originator informs the Issuer, the Common Representative and the Transaction Manager that it wishes to end the Offering Period; or
- (d) the date on which a breach of the Originator Representations and Warranties has occurred, if such breach is not capable of being remedied or, if such breach is capable of being remedied and has not been so remedied on or prior to the next succeeding Interest Payment Date, from the Business Day immediately following such Interest Payment Date where the breach was not remedied; or
- (e) the date on which the Originator has been downgraded below “BBB-“ by Fitch or the creditworthiness of the Originator, in the internal view of DBRS, has fallen below a level consistent with a rating of “BBB (low)” by DBRS or there has been a rating withdrawal thereof by any of such rating agencies and the Originator has not provided to the Issuer a certificate of non-insolvency proceedings issued by the competent Portuguese administrative or judicial authority; or
- (f) the date on which a Servicer Event occurs;

“Offering Purchase Date” means an Additional Purchase Date falling within the Offering Period;

“Offering SME Loan” means an SME Loan only by way of a drawing under a Credit Line (and not by way of a Term Loan) under a Securitised SME Loan Agreement included in an Offering SME Loans Portfolio;

“Offering SME Loans Portfolio” means a portfolio of Offering SME Loans sold and assigned by the Originator to the Issuer on an Offering Purchase Date in consideration for which the relevant Additional Purchase Price will be paid by the Issuer to the Originator;

“Originator” means Caixa Económica Montepio Geral;

“Originator Representation and Warranty” means each statement of the Originator contained in Schedule 2 (*Originator Representations and Warranties*) to the SME Loans Assignment Agreement and **“Originator Representations Warranties”** means all of those statements;

“Outstanding” means, in relation to the Instruments, all the Instruments other than:

- (a) those which have been redeemed and cancelled in full in accordance with their respective Conditions;
- (b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Common Representative or the Paying Agent in the manner provided for in the Paying Agency Agreement (and, where appropriate, notice to that effect has been given to the Instrumentholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;
- (c) those which have become void under the Conditions;
- (d) those mutilated or defaced Instruments which have been surrendered or cancelled and those Instruments which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Instruments have been issued pursuant to the Conditions; and
- (e) any Temporary Global Note, to the extent that it shall have been exchanged for a Permanent Global Note of the same class or any Permanent Global Note, to the extent that it shall have been exchanged for the related Definitive Notes pursuant to the provisions contained therein and their respective Conditions;

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Instrumentholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 17 (*Waiver*), Clause 18 (*Modification*), Clause 20 (*Proceedings and Actions by the Common Representative*), Clause 29 (*Appointment of Common Representative*) and Clause 30 (*Notice of New Common Representative*) of the Common Representative Appointment Agreement and Condition 12 (*Events of Default*), Condition 13 (*Enforcement*) and Condition 15 (*Meetings of Noteholders*) and the Provisions for Meetings of Noteholders; and
- (iii) any discretion, power or authority, whether contained in the Common Representative Appointment Agreement or provided by law, which the Common Representative is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Instruments (if any) which are for the time being held by or for the benefit of the Issuer, the Originator, the Servicer or the Transaction Manager shall (unless and ceasing to be so held) be deemed not to remain outstanding, provided that, for so long as all Class A Notes are held by or on behalf of Montepio, such Class A Notes shall be deemed to be outstanding;

“Participating Member State” means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

“Paying Agency Agreement” means the agreement so named dated on or about the Closing Date between the Issuer, the Agents, and the Common Representative;

“Paying Agent” means Citibank, N.A., London Branch, in its capacity as the paying agent in respect of the Notes under the Paying Agency Agreement together with 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 opened in the name of the Issuer with the Accounts Bank (or such other bank to which the Payment Account may be transferred) into which Collections are transferred by the Servicer;

“Payment Priorities” means the Pre-Enforcement Interest Payment Priorities, the Pre-Enforcement Principal Payment Priorities and the Post-Enforcement Payment Priorities, as the case may be;

“Payment Shortfall” means, as at any Interest Payment Date, an amount equal to the greater of:

- (a) zero; and
- (b) the aggregate of the amounts required to pay or provide in full on such Interest Payment Date for the items falling in (a) to (d) of the Pre-Enforcement Interest Payment Priorities plus the Interest Amount on the Class A Notes less the sum of items (a), (b), (c), (d), (g), (h) and (i) of the Available Interest Distribution Amount, plus the greater of (1) the sum of items (a), (b), (c), (g), (h) and (i) of the Available Interest Distribution Amount minus the sum of (A) the amounts due and payable under items (a) to (d) of the Pre-Enforcement Interest Payment Priorities and (B) the Interest Funding Amount, and (2) zero;

“Performing Six-Month SME Loan Balance” means, in respect to each Interest Payment Date, an amount equal to the Principal Outstanding Balance of the Six-Month EURIBOR SME Loans in the SME Loans Portfolio which are not Delinquent Receivables or Defaulted Receivables;

“Performing Three-Month SME Loan Balance” means, in respect to each Interest Payment Date, an amount equal to the Principal Outstanding Balance of the Three-Month EURIBOR SME Loans in the SME Loans Portfolio which are not Delinquent Receivables or Defaulted Receivables;

“Permanent Global Notes” means the Class A Permanent Global Note, the Class B Permanent Global Note, the Vertical Permanent Global Notes, the Class C Permanent Global Notes and the Residual Permanent Global Note;

“Portfolio Default Ratio” means the percentage equivalent of the ratio of: (a) the Aggregate Principal Outstanding Balance of SME Loans which are (i) Defaulted Receivables and (ii) Written-off SME Loans; divided by (b) the Aggregate Principal Outstanding Balance of all SME Loans;

“Portfolio Delinquency Ratio” means the ratio of SME Loans which are more than 90 (ninety) days in arrears divided by the Aggregate Principal Outstanding Balance of all SME Loans;

“Portfolio Tests” means the following conditions:

- (a) The Maximum Principal Outstanding Balance in respect of the largest Borrower does not exceed 1 (one) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans with the exception of 5 (five) Borrowers, whose Maximum Principal Outstanding Balance can be individually up to 1.2 (one point twenty) percent;
- (b) The Maximum Principal Outstanding Balance of the SME Loans in respect of the 10 largest Borrowers does not exceed 10 (ten) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (c) The Maximum Principal Outstanding Balance of the SME Loans in respect of the 20 largest Borrowers groups does not exceed 17 (seventeen) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (d) The Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers identified by any NACE Rev. 2 industry section (identified by letters A to U) does not exceed 46 (forty six) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (e) The Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers identified by any two NACE Rev. 2 industry sections (identified by letters A to U) does not exceed 65 (sixty five) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (f) The aggregate Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers classified in the following codes using NACE Rev.2. codes 41.1, 42, 68.1 does not exceed 20 (twenty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (g) The Maximum Principal Outstanding Balance of the SME Loans in respect of Borrowers located in one single Portuguese Area does not exceed 50 (fifty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (h) The number of Borrowers in relation to SME Loans should be equal to or greater than 7,000;
- (i) The Maximum Principal Outstanding Balance of SME Loans under the form of Term Loans is equal to or greater than 40 (forty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (j) The Maximum Principal Outstanding Balance of SME Loans under the form of Term Loans which do not have a French or linear amortisation should not be greater than 30 (thirty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans under the form of Term Loans;
- (k) The sum of:
 - (i) The amounts deposited in the Payment Account and recorded under the Principal Deposit Ledger; plus
 - (ii) The Maximum Principal Outstanding Balance of SME Loans with an Eligible Loan-to-Value Ratio of less than 85 (eighty five) percent,

divided by the sum of:

- (i) The amounts deposited in the Payment Account and recorded under the Principal Deposit Ledger; plus
- (ii) The Maximum Principal Outstanding Balance of all SME Loans,
should be greater than 37.5 (thirty seven point five) percent;
- (l) The Maximum Principal Outstanding Balance of SME Loans supported by a Mortgage is greater than 42.5 (forty two point five) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (m) The weighted average margin of the SME Loans is equal to or greater than 1.75 (one point seventy five) percent;
- (n) The weighted average internal rating of the Borrowers in relation to the relevant SME Loans is equal to or lower than 5;
- (o) The Maximum Principal Outstanding Balance of SME Loans with an internal rating of the Borrower being equal to or lower than 4 is at least 60 (sixty) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (p) The Maximum Principal Outstanding Balance of SME Loans with an internal rating of the Borrower being equal to or lower than 5 is at least 78 (seventy eight) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;
- (q) The weighted average time to maturity of SME Loans is less than 4 (four) years;
- (r) The weighted average time to maturity of SME Loans under the form of Term Loans is less than 7 (seven) years;
- (s) The weighted average time to maturity of SME Loans in the form of revolving Credit Lines is less than 1 (one) year; and
- (t) The Maximum Principal Outstanding Balance of SME Loans in relation to which interest is calculated on the basis of a 6 (six) month or 3 (three) month EURIBOR is equal to, or greater than, 95 (ninety five) percent of the Aggregate Maximum Principal Outstanding Balance of all SME Loans;

“**Portuguese Area**” means the following areas in the Portuguese territory: Lisbon, Central Portugal, Northern Portugal, Alentejo, Algarve, Autonomous Region of Azores and Autonomous Region of Madeira;

“**Post-Enforcement Payment Priorities**” means the provisions relating to the order of Payment Priorities set out in Clause 23 (*Post-Enforcement Payment Priorities*) of the Common Representative Appointment Agreement;

“**Pre-Enforcement Funding Notes Priorities**” means the provisions relating to the order of Payment Priorities set out in item (f) of Paragraph 20 (*Pre-Enforcement Interest Payment Priorities*) of Schedule 2 (*Services to be provided by the Transaction Manager*) to the Transaction Management Agreement;

“**Pre-Enforcement Interest Payment Priorities**” means the provisions relating to the order of Payment Priorities set out in Paragraph 20 (*Pre-Enforcement Interest Payment Priorities*) of

Schedule 2 (*Services to be provided by the Transaction Manager*) to the Transaction Management Agreement;

“Pre-Enforcement Payment Priorities” means the Pre-Enforcement Interest Payment Priorities and the Pre-Enforcement Principal Payment Priorities, as the case may be;

“Pre-Enforcement Principal Payment Priorities” means the provisions relating to the order of Payment Priorities set out in Paragraph 21 (*Pre-Enforcement Principal Payment Priorities*) of Schedule 2 (*Services to be provided by the Transaction Manager*) to the Transaction Management Agreement;

“Principal Amount Outstanding” means, on any day:

- (a) in relation to a Note, the principal amount of that Note upon issue less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and actually paid) on or prior to that day;
- (b) in relation to a class, the aggregate of the amount in (a) in respect of all Notes outstanding in such class; and
- (c) in relation to the Notes outstanding at any time, the aggregate of the amount in (a) in respect of all Notes outstanding, regardless of class;

“Principal Collections Proceeds” means, in respect of any Business Day, the portion of the aggregate amount that stands to the credit of the relevant Collections Account that relates to the Principal Component of the SME Loans;

“Principal Component” means:

- (a) all cash collections and other cash proceeds of any SME Loan in respect of principal collected or to be collected thereunder from the Collateral Determination Date including repayments and prepayments of principal thereunder and similar charges allocated to principal (other than such amounts as are referred to in item (d) of the definition of “Interest Component”);
- (b) all Liquidation Proceeds in respect of such SME Loan (other than Liquidation Proceeds arising after such SME Loan becomes a Written-off SME Loan) allocated to principal (other than such amounts as are referred to in item (d) of the definition of “Interest Component”); and
- (c) all Repurchase Proceeds allocated to principal;

“Principal Deficiency Ledgers” means the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger and the Vertical Principal Deficiency Ledger;

“Principal Deposit Ledger” means the ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement which shall record all principal proceeds deposited in the Payment Account following any Interest Payment Date;

“Principal Draw Amount” means, in relation to any Interest Payment Date, the aggregate amount determined on the related Calculation Date as being the amount (if any) of the Available Principal Distribution Amount which is to be utilised by the Issuer to reduce or eliminate any Payment Shortfall on such Interest Payment Date, subject to the satisfaction of the Principal Draw Test as at such Interest Payment Date in respect of each relevant Class of Notes;

“**Principal Draw Test**” means the ratio between the Class B Principal Deficiency Ledger after the application of the Principal Draw Amount divided by the Principal Outstanding Balance of the Class B Notes should be less than 1;

“**Principal Outstanding Balance**” means in relation to any SME Loan and on any date, the aggregate of:

- (a) the original principal amount advanced to the Borrower; plus
- (b) any other disbursement, legal expense, fee or charge capitalised; plus
- (c) any further advance of principal to the Borrower; less
- (d) any repayments of the amounts in (a), (b) and (c) above,

provided that, in respect of any Written-off SME Loan, the Principal Outstanding Balance will be deemed to be zero;

“**Property**” means, in relation to a Mortgage, the property completed and not under construction (to the extent it is not land) upon which such Mortgage has been created;

“**Prospectus**” means the prospectus dated on or about the Signing Date prepared in connection with the issue by the Issuer of the Notes;

“**Prospectus Directive**” means Directive 2003/71/EC;

“**Provisions for Meetings of Noteholders**” means the provisions contained in Schedule 5 of the Common Representative Appointment Agreement;

“**Rating**” means, in relation to a given class of Notes, the then current rating of such class of Notes given by the Rating Agencies and “**Ratings**” shall be construed accordingly;

“**Rating Agencies**” means Fitch and DBRS;

“**Receiptholders**” means the persons who for the time being are holders of the Receipts;

“**Receipts**” means the Class A Receipts, the Class B Receipts, the Vertical Receipts, the Class C Receipts and the Residual Receipts;

“**Receivables**” means the Principal Component and the Interest Component;

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

“**Relevant Date**” means, in respect of any Notes, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date 7 (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, 0.60 percent per annum prior to the Step-Up and Call Date, and 1.20 percent per annum after the Step-Up and Call Date;
- (b) in relation to the Class B Notes, 1.00 percent per annum;
- (c) in relation to the Vertical Notes, 0.80 percent per annum; and
- (d) in relation to the Class C Notes, 1.50 percent 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 which has been notified to the Noteholders in accordance with the Notices Condition;

“**Replacement Swap Premium**” means an amount received by the Issuer from a replacement swap counterparty upon entry by the Issuer into an agreement with such replacement Swap Counterparty to replace the Swap Agreement;

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

“**Repurchase Proceeds**” means such amounts as are received by the Issuer pursuant to the sale of certain SME Loans by the Issuer to the Originator pursuant to the SME Loans Assignment Agreement;

“**Reserved Matter**” means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes of any Class, to reduce the amount of principal or interest due on any date in respect of the Notes of any Class or to alter the method of calculating the amount of any payment in respect of the Notes of any Class on redemption or maturity;
- (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;

Modifications in respect of a Reserved Matter require the written consent of the Transaction Creditors.

“**Residual Definitive Notes**” means any Residual Notes issued in definitive bearer form;

“**Residual Distribution Amount**” means in relation to an Interest Payment Date:

- (a) other than the last Interest Payment Date on which a Residual Distribution Amount is to be paid in respect of the Residual Notes the Available Interest Distribution Amount, calculated as at the related Calculation Date less the aggregate of the amounts to be paid

by the Issuer in respect of Paragraphs (a) to (i) of the Pre-Enforcement Interest Payment Priorities on such Interest Payment Date;

- (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 Residual Notes:
 - (i) the Available Interest Distribution Amount calculated as at the related Calculation Date less (i) the aggregate of the amounts to be paid by the Issuer in respect of Paragraphs (a) to (i) of the Pre-Enforcement Interest Payment Priorities on such Interest Payment Date or, the aggregate of the amounts to be paid by the Issuer in respect of Paragraphs (a) to (m) of the Post-Enforcement Payment Priorities, as applicable and (ii) the Principal Amount Outstanding of the Residual Notes as at such Interest Payment Date (or such other date as applicable); and
 - (ii) the Principal Amount Outstanding of the Residual Notes as at such Interest Payment Date (or such other date, as applicable);

“Residual Notes” means the €31,500,000 Residual Variable Funding Securitisation Notes due 2036;

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

“Residual Permanent Global Note” means any permanent global note representing any Residual Notes in, or substantially in, the form set out in Schedule 2 to the Common Representative Appointment Agreement;

“Residual Receipts” means the principal receipts related to the Residual Definitive Notes;

“Residual Temporary Global Note” means any temporary global note representing any Residual Notes in, or substantially in, the form set out in Schedule 1 of the Common Representative Appointment Agreement;

“Resolution” means a resolution passed at a Meeting duly convened and held in accordance with the quorums of the Provisions for Meetings of Noteholders;

“Revolving Period” means the period commencing on the Closing Date and ending on the earlier of:

- (a) the Business Day immediately following the Interest Payment Date that falls immediately after the third anniversary of the Closing Date; or
- (b) the date on which a Notification Event occurs; or
- (c) the date on which the Originator informs the Issuer, the Common Representative and the Transaction Manager that it wishes to end the Revolving Period; or
- (d) the date on which a breach of the Originator Representations and Warranties has occurred, if such breach is not capable of being remedied or, if such breach is capable of being remedied and has not been so remedied on or prior to the next succeeding Interest Payment Date, from the Business Day immediately following such Interest Payment Date where the breach was not remedied; or

- (e) the date on which the Originator has been downgraded below “BBB-“ by Fitch or the creditworthiness of the Originator, in the internal view of DBRS, has fallen below a level consistent with a rating of “BBB (low)” by DBRS or there has been a rating withdrawal thereof by any of such rating agencies; or
- (f) the date on which a Servicer Event occurs; or
- (g) the second consecutive Calculation Date on which the Portfolio Tests fail to be met; or
- (h) the Calculation Date on which it is determined that the Cash Reserve Account is not capable of being replenished on the immediately succeeding Interest Payment Date with an amount necessary to maintain the Cash Reserve Account Required Balance; or
- (i) the second consecutive Calculation Date on which the Portfolio Delinquency Ratio is greater than 5 (five) percent; or
- (j) the date on which the Portfolio Default Ratio exceeds 7 (seven) percent; or
- (k) the Business Day immediately following the Interest Payment Date on which the Class B Principal Deficiency Ledger records an amount which is greater than 3 (three) percent of the Aggregate Principal Outstanding Balance of all SME Loans; or
- (l) the Business Day immediately following the Interest Payment Date on which the sum of the amounts standing to the credit of the Payment Account and the amounts recorded in the Principal Deposit Ledger exceed 10 (ten) percent of the Aggregate Principal Outstanding Balance of all SME Loans; or
- (m) the Business Day immediately following the Interest Payment Date on which the Vertical Notes Holder fails to fund the Additional Vertical Notes and the Additional Class C Notes so that the aggregate Principal Amount Outstanding of the Vertical Notes less any debit balance of the Vertical Principal Deficiency Ledger is in excess of the Vertical Notes Threshold; or
- (n) the Step-Up and Call Date, should the Issuer not redeem the Notes in full.

“**Revolving Purchase Date**” means an Additional Purchase Date falling within the Revolving Period;

“**Revolving SME Loan**” means an SME Loan either by way of a Term Loan or a Credit Line included in a Revolving SME Loans Portfolio;

“**Revolving SME Loans Portfolio**” means a portfolio of Revolving SME Loans sold and assigned by the Originator to the Issuer on a Revolving Purchase Date in consideration for which the relevant Additional Purchase Price will be paid by the Issuer to the Originator;

“**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 Reuters Screen EURIBOR1 Page; or

- (a) such other page as may replace Reuters Screen EURIBOR1 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;

“**Securitisation Law**” means Decree-law no. 453/99 of 5 November 1999, as amended from time to time by Decree-law no. 82/2002 of 5 April 2002, Decree-law no. 303/2003 of 5 December 2003, Decree-law no. 52/2006 of 15 March 2006 and Decree-law no. 211-A/2008 of 3 November 2008;

“**Security**” means a first ranking Mortgage or a first ranking pledge over any deposit held by the Originator;

“**Servicer**” means Montepio in its capacity as servicer under the SME Loans Servicing Agreement or, in case Montepio ceases to be the Servicer, any Successor Servicer;

“**Servicer Event**” means any of the following events, as listed in clause 16 (*Servicer Events*) of the SME Loans Servicing Agreement:

- (a) default is made by the Servicer in ensuring the payment on the due date of any payment required to be made under the SME Loans 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 clause (a) above:
 - (i) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the SME Loans Servicing Agreement; or
 - (ii) any of the Servicer Representations and Warranties (as defined in the SME Loans 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 SME Loans 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 SME Loans Servicing Agreement; or
- (d) if the Servicer is prevented or severely hindered for a period of 60 (sixty) calendar days or more from complying with its obligations under the SME Loans 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 SME Loans Servicing Agreement; and/or
- (g) the Bank of Portugal intervenes under Title VIII of Decree-law no. 298/92 of 31 December (as amended) into the regulatory affairs of the Servicer where such intervention could lead to the withdrawal by the Bank of Portugal of the Servicer's authorisation to carry on its business;

“**Signing Date**” means 21 June 2010;

“**Six-Month EURIBOR**” means EUR–EURIBOR–Reuters with a designated maturity of six months;

“**Six-Month EURIBOR SME Loans**” means the SME Loans in the SME Loans Portfolio the interest in relation to which is calculated by reference to the Six-Month EURIBOR;

“**SME Loan**” means any funds disbursed by the Originator to the relevant Borrower by way of a Term Loan or under a Credit Line and outstanding under a SME Loan Agreement, identified in the cd-rom forming part of Schedule 6 (*Initial SME Loans Portfolio*) of the SME Loans Assignment Agreement, on the Closing Date, or identified in the cd-roms delivered by the Originator under Clause 3.3.3.(c), on any Additional Purchase Dates;

“**SME Loan Agreement**” means, in respect of an SME Loan, the contract or agreement under which such SME Loan was made available to a SME or SME Related Entity by the Originator, which includes the loan agreement and all other agreements or documentation relating to that SME Loan and any Ancillary SME Loans Rights in respect of such SME Loan;

“**SME Loans Portfolio**” means the Initial SME Loans Portfolio and any Additional SME Loans Portfolio, as the context may require, as updated from time to time;

“**SME Loan Records**” means, in respect of any SME Loan and Ancillary SME Loans Rights, the original and/or copies of all contracts, other documents, books, records and other information maintained by the Originator and/or the Servicer with respect to such SME Loan and the related Borrower including, without limitation, the relevant SME Loan Agreement and all correspondence with the relevant Borrower;

“**SME Loans Assignment Agreement**” means the agreement so named to be entered into on or about the Closing Date between the Originator and the Issuer;

“**SME Loans Servicing Agreement**” means the agreement so named to be entered into on or about the Closing Date between the Servicer, the Collections Account Bank and the Issuer;

“**Specified Offices**” means in relation to any Agent:

- (a) the office specified against its name in Schedule 7 to the Incorporated Terms Memorandum; or
- (b) such other office as such Agent may specify in accordance with Clause 13.9 (*Changes in Specified Offices*) of the Paying Agency Agreement;

“**Step-Up and Call Date**” means the Interest Payment Date that falls immediately after the third anniversary of the Closing Date;

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

“**Swap Agreement**” means the swaps documented pursuant to the ISDA Master Agreement, a schedule, a credit support annex and two confirmations, to be entered into as of the Closing Date and made between the Issuer and the Swap Counterparty;

“**Swap Collateral**” means an amount equal to the value of collateral (other than Excess Collateral) provided by the Swap Counterparty to the Issuer under the Swap Agreement, and includes any interest and distributions in respect thereof;

“**Swap Collateral Account**” means any bank account opened with the Account Bank and/or other bank (with the prior consent of the Common Representative) and designated as such for the purposes of holding collateral posted pursuant to the Swap Agreement;

“**Swap Collateral Ledger**” means the ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement, which shall record, as a credit, any Swap Collateral deposited pursuant to the Swap Agreement and, as a debit, any Swap Collateral returned to the Swap Counterparty in accordance with the terms of the Swap Agreement;

“**Swap Counterparty**” means J.P. Morgan Securities Ltd. in its capacity as swap counterparty in accordance with the terms of the Swap Agreement or such other swap counterparty appointed in accordance with terms substantially similar to those of the Swap Agreement;

“**Swap Counterparty Default**” means the occurrence of an Event of Default (as defined in the Swap Agreement) where the relevant Swap Counterparty is the Defaulting Party (as defined in the Swap Agreement);

“**Swap Counterparty Downgrade Event**” means the occurrence of an Additional Termination Event (as defined in the Swap Agreement) following the failure by the Swap Counterparty to comply with the requirements of the ratings downgrade provisions set out in the Swap Agreement;

“**Swap Guarantee**” means a guarantee provided by the Swap Guarantor under which it will guarantee the timely payment of all amounts owing by the Swap Counterparty under the Swap Agreement;

“**Swap Receipt**” means any payment made by the Swap Counterparty to the Issuer excluding any early termination amounts or payments pursuant to the Swap CSA;

“**Swap Tax Credits**” means any credit, allowance, set-off or repayment received by the Issuer in respect of tax from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by the Swap Counterparty, as applicable, to the Issuer;

“**Swap Withheld Amount**” means, in respect of the Swap Agreement with a Non-U.S. Swap Counterparty, any net payment amount that would be due on any Interest Payment Date to the Swap Counterparty but which has not been paid by the Issuer in accordance with Section 2(a)(iii) of the Swap Agreement following an event of default under such Swap Agreement where the Swap Counterparty is the Defaulting Party;

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

“**TARGET Settlement Days**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**TARGET2**” means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**Tax**” shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority and “**Taxes**”;

“**taxation**”, “**taxable**” and comparable expressions shall be construed accordingly;

“**Tax Authority**” means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function, including H.M. Revenue and Customs;

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

“**Temporary Global Notes**” means the Class A Temporary Global Note, the Class B Temporary Global Note, the Vertical Temporary Global Notes, the Class C Temporary Global Notes and the Residual Temporary Global Note;

“**Term Loan**” means a credit agreement entered into between the Originator and each Borrower under which it is agreed that a certain amount will be lent by the Originator to the relevant Borrower in one or more pre-determined instalments;

“**Three-Month EURIBOR**” means EUR–EURIBOR–Reuters with a designated maturity of three months;

“**Three-Month EURIBOR Prescribed Percentage**” means the amount equal to the weightings for the Three-Month EURIBOR for each month, as assigned in the relevant EURIBOR Quarterly Report;

“**Three-Month EURIBOR SME Loans**” means the SME Loans in the SME Loans Portfolio the interest in relation to which is calculated by reference to the Three-Month EURIBOR;

“**Transaction Accounts**” means the Payment Account and the Cash Reserve Account opened in the name of the Issuer with the Accounts Bank, the Swap Collateral Account (if any) or such other accounts as may, from time to time, with the prior written consent of the Common Representative, be designated as such accounts;

“**Transaction Assets**” means the specific pool of assets (*patrimonio autónomo*) of the Issuer which collateralises the Issuer Obligations including, the SME Loans, 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;

“**Transaction Creditors**” means the Common Representative, the Agents, the Transaction Manager, the Accounts Bank, the Originator, the Servicer and the Swap Counterparty;

“**Transaction Documents**” means the Incorporated Terms Memorandum, the Prospectus, the SME Loans Assignment Agreement, the SME Loans Servicing Agreement, the Unrated Notes

Issuance Agreement, the Common Representative Appointment Agreement, the Co-ordination Agreement, the Notes, the Coupons, the Transaction Management Agreement, the Paying Agency Agreement, the Accounts Agreement, the Swap Agreement, the Issuer-ICSDs Agreement and any other agreement or document entered into from time to time by the Issuer pursuant thereto;

“**Transaction Management Agreement**” means the agreement so named to be entered into on or about 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 in accordance with the terms of the Transaction Management Agreement;

“**Transaction Party**” means any party who is a party to a Transaction Document and “**Transaction Parties**” means some or all of them, provided that the Swap Counterparty shall not be a Transaction Party for the purposes of Clause 16 of Schedule 2 (*Common Terms*) of the Incorporated Terms Memorandum;

“**Treaty**” means the treaty establishing the European Communities, as amended by the Treaty on European Union;

“**Unrated Notes Issuance Agreement**” means an agreement so named dated on or about the Signing Date between the Issuer and the Originator;

“**Value Added Tax**” means the tax imposed in conformity with the Sixth Directive of the European Economic Community (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), as amended, 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, as amended from time to time;

“**Vertical Coupons**” means the interest coupons related to the Vertical Definitive Notes in or substantially in the form set out in Part 2 of Schedule 3 to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

“**Vertical Definitive Notes**” means any Vertical Notes issued in definitive bearer form;

“**Vertical Notes**” means the Initial Vertical Notes and, if applicable, any Additional Vertical Notes (as the context may require);

“**Vertical Notes Interest**” means, on any date of determination, an amount equal to the Principal Amount Outstanding of the Initial Vertical Notes on the Closing Date, as increased by the Principal Amount Outstanding of the Additional Vertical Notes on the relevant Additional Purchase Dates, and as reduced by the aggregate of:

- (a) repayments of principal in respect of such Vertical Notes made on or prior to such date; and
- (b) any amounts credited to the Vertical Principal Deficiency Ledger;

“**Vertical Notes Threshold**” means for each Borrower whose SME Loan is included in the SME Loans Portfolio, the lesser of (a) 100 (one hundred) percent of the aggregate balance of each deposit account held at the Originator by such Borrower (whether such deposit account is a joint account or not and whether such other joint deposit account holder is a Borrower under an SME Loan in the SME Loans Portfolio or not and to avoid double counting, such deposit balance shall only be included in the calculation once), and (b) the Principal Outstanding Balance of such Borrower’s SME Loan which is included in the SME Loans Portfolio, in each case as calculated on the Calculation Date;

“**Vertical Permanent Global Note**” means any permanent global note representing any Vertical Notes in, or substantially in, the form set out in Schedule 2 to the Common Representative Appointment Agreement;

“**Vertical 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 Vertical Notes;

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

“**Vertical Redemption Amount**” means an amount elected by the holder of the relevant Vertical Note and notified to the Transaction Manager on the relevant Calculation Date, provided that such amount does not exceed the lesser of:

- (i) the Available Principal Distribution Amount less the applicable Additional Purchase Price to be paid to the Issuer; and
- (ii) the difference between the Principal Amount Outstanding of the Vertical Notes and the Vertical Notes Threshold;

“**Vertical Temporary Global Note**” means any temporary global note representing any Vertical Notes in, or substantially in, the form set out in Schedule 1 of the Common Representative Appointment Agreement;

“**Withheld Amount**” means an amount paid (in respect of Tax imposed by the Portuguese Republic) by the Issuer on an Interest Payment Date to the Payment Account which will not form part of the Available Interest Distribution Amount or the Available Principal Distribution Amount on such Interest Payment Date;

“**Written-off SME Loan**” means on any day, an SME Loan:

- (a) which is a Defaulted Receivable;
- (b) in respect of which the Liquidation Proceeds have been realised; or
- (c) in respect of which a classification as a Written-off SME Loan has been made by the Servicer; and

“Written Resolution” means, in relation to any Class, a resolution in writing signed by or on behalf of all holders of Notes of the relevant Class who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

TAXATION

The following is a general description of certain tax considerations in Portugal and the United Kingdom relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective Noteholders should consult their tax advisers as to the consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes under the tax laws of the country of which they are resident for tax purposes and the tax laws of Portugal and the United Kingdom. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Portuguese Taxation

The following is a summary of the current Portuguese withholding tax treatment at the date hereof in relation to certain aspects of the Portuguese taxation of payments of principal and interest in respect of, and transfers of, the Notes. The statements do not deal with other Portuguese tax aspects regarding the Notes and relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide, does not constitute tax or legal advice and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers.

Noteholders who may be liable to taxation in jurisdictions other than Portugal in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions). In particular, Noteholders should be aware that they may be liable to taxation under the laws of Portugal and of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of Portugal.

The reference to “**interest**” and “**capital gains**” in the paragraphs below mean “**interest**” and “**capital gains**” as understood in Portuguese tax law. The statements below do not take any account of any different definitions of “**interest**” or “**capital gains**” which may prevail under any other law or which may be created by the Conditions or any related documentation.

The present transaction qualifies as a securitisation transaction (*operação de titularização de créditos*) for the purposes of the Securitisation Law. Portuguese tax-related issues for transactions which qualify as securitisation transactions under the Securitisation Law generally are governed by Decree-law no. number 219/2001 of 4 August 2001 as amended by Law 109- B/2001 of 27 December 2001, by Decree-law no. 303/2003 of 5 December 2003, by Law 107-B/2003 of 31 December 2003 and by Law 53-A/2006 of 29 December 2006 (the “**Securitisation Tax Law**”).

Noteholder’s Income Tax

Income generated by the holding (distributions) or transfer (capital gains) of the Notes is generally subject to the Portuguese tax regime for debt securities (*obrigações*). Any payments of interest made in respect of the Notes to Noteholders who are not Portuguese residents and do not have a permanent establishment in Portugal to which the income might be attributable will be exempt from Portuguese income tax implications. The exemption from income tax liability does not apply to non-resident entities if: (i) more than 25 (twenty five) percent of its share capital is held, either directly or indirectly, by Portuguese residents, or (ii) its country of residence is any of the jurisdictions listed as tax havens in Regulation 150/2004 of 13 February 2004, as amended (“**Tax Haven**”). If the above exemption does not apply, interest payments on the Notes made to non-resident entities are subject to withholding tax at the current definitive rate of 20 (twenty) percent, which may be reduced under the provisions of any applicable double tax treaties signed by Portugal relating to the avoidance of double taxation. In order

to benefit from such reduction, Noteholders shall comply with certain procedures and certification requirements of the Portuguese Tax Authorities, aimed at verifying the non-resident status and eligibility for the respective tax treaty benefits (currently form 21 RFI for claiming the total or partial exemption from Portuguese withholding tax and form 22 RFI for claiming the refund of Portuguese withholding tax applied on interest arising from the Notes), prior to delivery of the withheld tax to the Portuguese Tax Authorities.

Under current Portuguese law, interest payments in respect of the Notes made to Portuguese tax resident companies are subject to withholding tax for corporate income tax purposes at the current rate of 20 (twenty) percent on account of the final tax due. Interest payments on the Notes to Portuguese tax resident individuals are subject to withholding tax for personal income tax purposes at the current definitive rate of 20 (twenty) percent, unless an option is made for the inclusion of such income within the individual's global taxable income, in which case the withholding tax will be treated as a payment on account of the final tax bill.

Capital gains obtained by non-resident entities, which do not have a permanent establishment in Portugal to which the income might be attributable, on the transfer of the Notes are exempt from corporate income tax in the same terms referred above for interest payments, unless said exemption does not apply. In such cases, capital gains are subject to taxation at a 25 (twenty five) percent flat rate. Capital gains obtained by non-resident individuals on the transfer of the Notes are excluded from taxation for personal income tax purposes.

Capital gains obtained by Portuguese tax resident companies with the transfer of the Notes are subject to corporate income tax in general terms, currently at a rate of 25 (twenty five) percent to which is added, in most municipalities, the maximum 1,5 (one point five) percent Municipal surcharge (*derrama*) resulting in a maximum combined rate of 26,5 (twenty six point five) percent. Capital gains obtained by Portuguese tax resident individuals with the transfer of the Notes are excluded from taxation for personal income tax purposes.

In order to comply with the Securitisation Tax Law an operating procedure has been instituted pursuant to which Euroclear and Clearstream, Luxembourg will obtain from participants, who are not resident in Portugal, a commitment not to render custody and settlement services to Portuguese tax residents and to non-exempt Noteholders in general. As a result of this limitation (i) Noteholders which are exempt from Portuguese income tax may be required to certify such status to the financial intermediary that holds and/or settles the Notes on his behalf, and (ii) Portuguese tax residents and non-exempt Noteholders in general may be prevented from using certain financial intermediaries to hold and/or make settlements in respect of the Notes.

Transfer of Notes and Selling Restrictions

Montepio's and Issuer's Compliance with Applicable Laws

- (a) Montepio and the Issuer have undertaken not to offer or sell, directly or indirectly, any Notes, or to distribute or publish the Prospectus or any other material relating to the Notes, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable securities laws and regulations.
- (b) Montepio and the Issuer have acknowledged that, save for the approval of the Prospectus as a prospectus in accordance with the Portuguese Securities Code, the application for the admission of the Class A Notes, the Class B Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes to the Stock Exchange and admission to trading on the regulated market of the Stock Exchange, no further action has been or will be taken by any party in any jurisdiction

that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

Montepio's and Issuer's use of information

Montepio and the Issuer are not authorised to give any information in relation to, or make any representation in connection with, the offering or sale of the Notes other than is contained in the Prospectus or as authorised in writing by the Issuer or Montepio (for use in connection with the giving of information or the making of any representation to third parties) or information otherwise in the public domain.

Persons into whose possession this Prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Prospectus and resale of the Notes. All resales of the Notes are restricted as described under “*Subscription and Sale and Transfer Restrictions*”.

United States

The Notes will be issued and sold in a way which does not require registration under the Securities Act or applicable state securities laws. Montepio will not offer or sell the Notes except in compliance with Regulation S and acknowledges that the Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE PAYING AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES.”

In addition, until 40 days after commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to another exemption from registration under the Securities Act.

As used in this paragraph, the term “United States” has the meaning given to it by Regulation S under the Securities Act. Each purchaser of the Notes offered by this offering memorandum will be deemed to have made the applicable acknowledgments, representations and agreements described under “*Transfer Restrictions*”.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, which took effect on 1 July 2005, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg are required (unless during that period they elect otherwise) to operate a withholding tax system in relation to such payments (the ending of such

transitional period being dependent on the conclusion of certain other agreements relating to the exchange of information with certain other countries and territories).

However, investors should note that the European Commission has announced proposals to amend the EU Savings Directive. If implemented, the proposed amendments would, *inter alia*, extend the scope of the EU Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

Certain other jurisdictions, including Switzerland, have enacted equivalent legislation which imposes a withholding tax in substantially the same circumstances as envisaged by Directive 2003/48/EC.

SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS

General

Montepio has entered into the Notes Issuance Agreements on the Closing Date upon the terms and subject to the conditions contained therein, agreed to purchase and pay for the Funding Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes at their issue price of 100 (one hundred) percent of their respective Principal Amount Outstanding. The Funding Notes Issuance Agreement is entered into between the Issuer, the Arranger and Montepio, in its capacity as purchaser of the Funding Notes and Originator, and the Unrated Notes Issuance Agreement is entered into between the Issuer and Montepio, in its capacity as purchaser of the Class B Notes, the Vertical Notes, the Class C Notes and the Residual Notes and Originator. Montepio intends to hold the Funding Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes following the Closing Date. Montepio is entitled in certain circumstances to be released and discharged from its obligations under the Funding Notes Issuance Agreement and the Unrated Notes Issuance Agreement prior to the closing of the issue of the Funding Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes on the Closing Date. J.P. Morgan Securities Ltd. will be paid a fee in its capacity as Arranger.

United States of America

The Notes have not been and will not be registered under the US Securities Act 1933, as amended (the “**Securities Act**”) and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes, coupons, receipts or talons will bear a legend to the following effect: “ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE”. The sections referred to in such legend provide that a United States person who holds a Note, coupon, receipt or talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, coupon, receipt or talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Each of Montepio and the Issuer has represented, warranted and undertaken that:

- (a) Except to the extent permitted under United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “D Rules”):
 - (i) it has not offered, delivered or sold, and until the expiration of a restricted period of 40 days from the earlier of the commencement of the offering or the Closing Date will not offer, deliver or sell, any Notes to or for the account or benefit of a person who is within the United States or its possessions or to a United States person; and
 - (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes sold during the restricted period;
- (b) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that

the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

- (c) if it is a United States person, it is acquiring the Notes for the purposes of resale in connection with their original issuance and, if it retains initial Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation §1.163-5(c)(2)(i)(D)(6);
- (d) with respect to each affiliate Montepio that acquires Notes from Montepio for the purpose of offering or selling or delivering such Notes during the restricted period, Montepio undertakes to the Issuer that it will obtain from such affiliate for the benefit of the Issuer the representations, warranties and undertakings contained in paragraphs (a), (b) and (c);
- (e) with respect to each person, other than an affiliate, with whom the Funding Note Purchaser enters into a written contract for the offer and sale during the restricted period of bearer notes, it will obtain from such other person for the benefit of the Issuer the representations, warranties and undertakings contained in Paragraphs (a), (b), (c), and (d).

Each of Montepio and the Issuer has represented, agreed and undertaken that it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise, until 40 (forty) days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 (forty) days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

In relation to the Notes, Montepio has represented to and agreed with the Issuer that:

- (a) it has complied and will comply with all applicable provisions of the FSMA in, from or otherwise involving the United Kingdom; and
- (b) 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 FSMA) received by it in connection with the issue of the Notes or the sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

Ireland

The offer, sale, placement or underwriting of any Notes in Ireland cannot be carried out:

- (a) except in circumstances which do not require the publication of a prospectus pursuant to Article 3(2) of Directive 2003/71/EC;
- (b) otherwise than in compliance with the provisions of the Irish Companies Acts 1963-2009;
- (c) otherwise than in compliance with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. No. 60 of 2007) (as amended), and they will

conduct themselves in accordance with any codes or rules of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Irish Financial Services Regulatory Authority with respect to anything done by them in relation to the Notes;

- (d) otherwise than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Irish Financial Services Regulatory Authority pursuant thereto; and
- (e) otherwise than in compliance with the provisions of the Irish Central Bank Acts 1942 – 2004 (as amended) and any codes of conduct rules made under Section 117(1) thereof.

Portugal

In relation to the Notes, Montepio has represented to and agreed with the Issuer that (i) it has not directly or indirectly taken any action or offered, advertised or sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer pursuant to the *Código dos Valores Mobiliários* (the Portuguese Securities Code, enacted by Decree-law no. 486/99, of 13 November, and republished by Decree-law no. 357-A/2007, of 31 October, as amended from time to time) and in circumstances which could qualify the issue of the Notes as an issue in the Portuguese market otherwise than in accordance with all applicable laws and regulations and (ii) it has not directly or indirectly distributed and will not directly or indirectly distribute any document, circular, advertisements or any offering material except in accordance with all applicable laws and regulations.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), Montepio in relation to the Notes has represented to and agreed with the Issuer that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a Prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Montepio; or
- (d) in any other circumstances which do not require the publication by the Issuer of a Prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor

to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC.

Montepio's and Issuer's Compliance with Applicable Laws

- (a) Montepio and the Issuer have undertaken not to offer or sell, directly or indirectly, any Notes, or to distribute or publish the Prospectus or any other material relating to the Notes, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable securities laws and regulations.
- (b) Montepio and the Issuer have acknowledged that, save for the approval of the Prospectus as a prospectus in accordance with the Portuguese Securities Code, the application for the admission of the Class A Notes, the Class B Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes to the Stock Exchange and admission to trading on the regulated market of the Stock Exchange, no further action has been or will be taken by any party in any jurisdiction that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

Montepio's and Issuer's Use of Information

Montepio and the Issuer are not authorised to give any information in relation to, or make any representation in connection with, the offering or sale of the Notes other than is contained in the Prospectus or as authorised in writing by Montepio or the Issuer (for use in connection with the giving of information or the making of any representation to third parties) or information otherwise in the public domain.

Investor Compliance

Persons into whose hands this Prospectus comes are required by the Issuer, the Originator and the 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. No action has been or will be taken in any jurisdiction by the Issuer, the Originator or the 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.

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 28 May 2010.
2. It is expected that the Class A Notes, the Class B Notes, the Initial Vertical Notes, the Initial Class C Notes and the Residual Notes will be admitted to the regulated market of the Irish Stock Exchange and for trading on its main market on the Closing Date.
3. Save as disclosed in this Prospectus, there are no governmental, legal 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 (twelve) months prior to the date of this Prospectus, a significant effect on the financial position of the Issuer.
4. Save as disclosed in this Prospectus, since 31 December 2009 (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 at the specified offices of the Common Representative and at the Paying Agent.
7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN and the Common Codes for the Notes are as follows:

	Common Code	ISIN
Class A Notes	051720253	XS0517202536
Class B Notes	051720806	XS0517208061
Initial Vertical Notes	051721128	XS0517211289
Initial Class C Notes	051721543	XS0517215439
Residual Notes	051721918	XS0517219183

8. Effective Interest Rate

The effective interest rate is the one that equals the discounted value of the Notes future cashflows to the subscription price paid at Closing Date.

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

	Effective Interest Rate (gross)	Effective Interest Rate (net of

		withholding tax)
Class A Notes	1.334%	1.334%
Class B Notes	1.738%	1.738%
Vertical Notes	N/A	N/A
Class C Notes	N/A	N/A

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

- (a) 3m EURIBOR used in the calculation of the interest on the Notes constant at 0.727% (rate as of 16 June);
 - (b) Interest on the Notes calculated based on a 30/360 daycount fraction;
 - (c) SME Loans continuing to be fully performing; and
 - (d) The transaction is called on the Step-Up and Call Date
9. The *Comissão do Mercado de Valores Mobiliários*, pursuant to Article 62 of the Securitisation Law, has assigned asset identification code 201006SGRCMGSXXN0040 to the Pelican SME No. 1 Notes.
10. Copies of the following documents will be available in physical and/or electronic form at the Specified Office of the Paying Agent during usual business hours on any week day (Saturdays, Sundays and public holidays excepted) after the date of this document and for the life of the Notes:
- (a) the *Estatutos* or *Contrato de Sociedade* (constitutional documents) of the Issuer;
 - (b) the following documents:
 - (1) Incorporated Terms Memorandum;
 - (2) SME Loans Assignment Agreement;
 - (3) SME Loans Servicing Agreement;
 - (4) Common Representative Appointment Agreement;
 - (5) Paying Agency Agreement;
 - (6) Transaction Management Agreement;
 - (7) Accounts Agreement;
 - (8) Swap Agreement;
 - (9) Co-ordination Agreement;
 - (10) Master Execution Deed; and
 - (11) Issuer – ICSDs Agreement.

9. The most recent publicly available financial statements for each of the last three accounting financial periods of the Issuer (which at the date hereof are only expected to be the audited annual financial statements) will be available for inspection at the following website: www.cmvm.pt.
10. The Notes of each class shall be freely transferable.
11. Any website (or the contents thereof) referred to in this Prospectus does not form part of this Prospectus as approved by the Financial Regulator.
12. The Securitisation Law combined with the holding structure of the Issuer and the role of the Common Representative are together intended to prevent any abuse of control of the Issuer.

Post-issuance information

The Issuer intends to provide any post issuance information where it is required to do so by law in relation to the issue of the Notes and as applicable pursuant to the legal provisions of the Portuguese Securities Code, notably article 244 and following.

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REGISTERED OFFICE OF THE ISSUER

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

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United Kingdom

COMMON REPRESENTATIVE

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