OFFERING CIRCULAR

Navigator Mortgage Finance No. 1 plc

(incorporated in Ireland with limited liability under registered no 355587)

€230,000,000 Class A Mortgage Backed Floating Rate Notes due 2035
€10,000,000 Class B Mortgage Backed Floating Rate Notes due 2035
€10,000,000 Class C Mortgage Backed Floating Rate Notes due 2035

The Class A Mortgage Backed Floating Rate Notes (the "**Class A Notes**"), the Class B Mortgage Backed Floating Rate Notes (the "**Class B Notes**") and the Class C Mortgage Backed Floating Rate Notes (the "**Class C Notes**") of Navigator Mortgage Finance No. 1 plc (the "**Issuer**") are together referred to hereafter as the "**Notes**". The issue price of each class of the Notes is 100% of their principal amount.

Interest on the Notes will be payable quarterly in arrear on the 15th day of August, November, February and May in each year, subject to adjustment for non-business days (each an "**Interest Payment Date**"), commencing on the Interest Payment Date falling in August 2002. The Class A Notes will bear interest at the European Interbank Offered Rate for three month euro deposits or, in the case of the period from the date of issue of the Notes to the Interest Payment Date falling in August 2002, at a rate obtained by the linear interpolation of the European Interbank Offered Rate for two month and three month Euro deposits ("**EURIBOR**") plus, prior to the Interest Payment Date falling in May 2009 (the "**Step-up Date**"), 0.21 per cent. per annum and 0.42 per cent. per annum after the Step-up Date, the Class B Notes will bear interest at EURIBOR plus, prior to the Step-up Date, 0.38 per cent. per annum and 0.76 per cent. per annum after the Step-up Date and the Class C Notes will bear interest at EURIBOR plus, prior to the Step-up Date, 0.55 per cent. per annum and 1.10 per cent. per annum after the Step-up Date.

Payments on the Notes will be made in Euro after deduction for or on account of income taxes (including withholding taxes) or other taxes. The Notes will not provide for additional payments by way of gross-up in the case that interest payable under the Notes is or becomes subject to income taxes (including withholding taxes) or other taxes. See "**Description Of The Notes – Taxes**" herein.

The Notes will be redeemed at their principal amount outstanding on the Interest Payment Date falling in May 2035, to the extent not previously redeemed. The Class A Notes and, once the Class A Notes have been redeemed, the Class B Notes and, once the Class A Notes and the Class B Notes have been redeemed, the Class C Notes will be subject to mandatory early redemption in whole or in part on any Interest Payment Date if and to the extent that the Issuer has received amounts that are available for redeeming the relevant class of Notes in accordance with the terms and conditions of the relevant class of Notes. See "**Description Of The Notes**" and "**Distributions**" herein. No redemption of the Class B Notes will take place until the Class A Notes have been redeemed in full and no redemption of the Class C Notes will take place until both the Class A Notes and the Class B Notes have been redeemed in full.

The Notes will be subject to optional redemption (in whole but not in part) at their Principal Amount Outstanding (as defined in "**Description Of The Notes**") together with accrued interest at the option of the Issuer on any Interest Payment Date following: (a) the occurrence of certain tax changes concerning, *inter alia*, the Issuer, the Fund, and/or the Notes; (b) the Interest Payment Date on which the Aggregate Principal Outstanding Balance of the Mortgage Loans is equal to or less than 10 per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Loans as at the Collateral Determination Date (each such term as defined in "**Description Of The Notes – Optional Redemption in Whole**", "**Summary of the Offering Circular – Fund**" and "**Distributions**"); or (c) the Step-up Date. See "**Description Of The Notes**" herein.

The source of funds for the payment of principal and interest on the Notes will be the right of the Issuer to receive distributions in respect of certain securitisation units (*Unidades de Titularização de Créditos*) (the "**Units**") issued by Navigator Mortgage Finance No. 1 Fundo (the "**Fund**"), a Portuguese securitisation fund (*Fundo de Titularização de Créditos*) organised under the laws of the Portuguese Republic.

The Fund will make payments of distributions in respect of the Units from interest and principal collections which the Fund will be entitled to receive from a portfolio of Portuguese mortgages sold to it by BNC – Banco Nacional de Crédito Imobiliário, S.A..

For a discussion of certain significant factors affecting investments in the Notes, see "**Risk Factors**" herein.

The Notes will be in bearer form and in the denomination of €50,000 each and will be governed by English law. The Notes of each class will initially be in the form of a temporary global note (each a "**Temporary Global Note**") of such class, without interest coupons, which will be deposited on or around 12 June 2002 (the "**Closing Date**") with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking société anonyme ("**Clearstream, Luxembourg**"). The Temporary Global Note of each class of Notes will be exchangeable, in whole or in part, for interests in a permanent global note (each a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Notes**") of that class of Notes, without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. Each Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Class A Notes, Class B Notes or Class C Notes (as the case may be) in definitive form in the denomination of €50,000 each and with interest coupons attached. See "**Description Of The Notes**" herein.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

A copy of this Offering Circular and copies of each of the Issuer Documents and of the consent of PricewaterhouseCoopers to the inclusion of their report in this Offering Circular (the "**PricewaterhouseCoopers Consent**"), have been delivered to the Registrar of Companies in Ireland pursuant to section 47 of the Irish Companies Act, 1963. Particulars of the dates of, parties to and general nature of each Issuer Document are set out in various sections of this Offering Circular. Particulars of the PricewaterhouseCoopers Consent are set out on page 77 hereof.

The Notes are expected to be rated by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**") and Moody's Investors Services Limited ("**Moody's**" and, together with S&P, the "**Rating Agencies**"). It is a condition to the issuance of the Notes that the Notes receive the ratings set out below:

	S&P	**Moody's**
Class A Notes	AAA	Aaa
Class B Notes	AA	Aa2
Class C Notes	A	A2

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by any Rating Agency at any time. See "Ratings" herein.

Arranger and Lead Manager

Deutsche Bank

Co-Managers

BCP Investimento Banco Comercial Português de Investimento, S.A. **ABN AMRO Bank N.V.**

The date of this Offering Circular is 06 June 2002

Except as mentioned below, the Issuer accepts responsibility for the information contained in this document and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect materially the import of such information. The Issuer further confirms that this Offering Circular contains all information which is material in the context of the issue of the Notes, that such information contained in this Offering Circular 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 Offering Circular 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 and the Issuer has confirmed to the Managers named under "**Subscription And Sale**" that the Issuer accepts such responsibility.

BNC – Banco Nacional de Crédito Imobiliário, S.A. ("**BNC**" or the "**Originator**") accepts responsibility for the information in this document relating to itself (as defined in "**The Originator**") and the description of its rights and obligations in respect of, and all information relating to, the Mortgage Assets, the Mortgage Sale Agreement, the Mortgage Servicing Agreement and all information relating to the Mortgage Asset Portfolio (each as defined in "**Overview Of Certain Transaction Documents**") and all information relating to the Mortgage Assets in any Quarterly Report (as defined in "**Summary of the Offering Circular**") (together the "**BNC Information**"). To the best of the knowledge and belief of BNC (which has taken all reasonable care to ensure that such is the case), the BNC Information is in accordance with the facts and does not omit anything likely to affect materially the import of such information. BNC does not accept any responsibility for any other information contained in this Offering Circular. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by BNC as to the accuracy or completeness of any information contained in this Offering Circular (other than the BNC Information) or any other information supplied in connection with the Notes or their distribution.

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

Deutsche Bank (Portugal), S.A. ("**DBP**") accepts responsibility for the information in this document relating to itself (the "**DBP Information**"). To the best of the knowledge and belief of DBP (which has taken all reasonable care to ensure that such is the case), the DBP Information is in accordance with the facts and does not omit anything likely to affect the import of such information. DBP does not accept any responsibility for any other information contained in this Offering Circular. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by DBP as to the accuracy or completeness of any information contained in this Offering Circular (other than the DBP Information) or any other information supplied in connection with the Notes or their distribution.

Deutsche Bank Aktiengesellschaft ("**DBAG**") accepts responsibility for the information in this document relating to itself (the "**DBAG Information**"). To the best of the knowledge and belief of DBAG (which has taken all reasonable care to ensure that such is the case), the DBAG Information is in accordance with the facts and does not omit anything likely to affect the import of such information. DBAG does not accept any responsibility for any other information contained in this Offering Circular. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by DBAG as to the accuracy or completeness of any information contained in this Offering Circular (other than the DBAG Information) or any other information supplied in connection with the Notes or their distribution.

The Notes will be obligations solely of the Issuer and will not be obligations of, and will not be guaranteed by, and will not be the responsibility of, any other entity. In particular, the Notes will not be the obligations of, and will not be guaranteed by, BNC, DBAG, Deutsche Bank AG, London ("**DBAG London**"), DBP, the Custodian, the Transaction Manager, the Fund Manager, the Fund, the Trustee or the Paying Agents (each as defined above and in "**Summary Of The Offering Circular**") or the Managers (as defined in "**Subscription and Sale**").

Neither the delivery of this Offering Circular 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 Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Originator, the Custodian, the Transaction Manager, DBP, the Fund Manager, the Trustee, the Fund, the Managers, DBAG London or DBAG to subscribe or purchase any of the Notes and this document may not be used for or in connection with an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The Notes and any coupons appertaining thereto (the "**Coupons**") will bear a legend to the following effect: "**Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code**". The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Managers in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes may not lawfully be offered for sale to persons in Ireland except in circumstances where such offer constitutes an offer of a type described in Article 2 of Council Directive No. 89/295/EEC of 17 April 1989.

No person has been authorised to give any information or to make any representations, other than those contained in this Offering Circular, in connection with the issue and sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the directors of the Issuer, the Custodian, the Transaction Manager, the Fund, the Fund Manager, the Trustee, the Originator, DBP, DBAG London, DBAG or the Managers. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

No action has been taken by the Issuer or the Managers other than as set out in this Offering Circular 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 Offering Circular (nor any part hereof) nor any offering circular, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in circumstances that will result in compliance with applicable laws, orders, rules and regulations, and the Issuer and the Managers have represented that all offers and sales by them have been made on such terms.

Each person receiving this Offering Circular shall be deemed to acknowledge that (i) such person has been afforded an opportunity to request from the Issuer, and to review, and has received, all additional information which it considers to be necessary to verify the accuracy and completeness of the information herein, (ii) such person has not relied on the Managers or any person affiliated with the Managers in connection with its investigation of the accuracy of such information or its investment decision, and (iii) except as provided pursuant to clause (i) above, no person has been authorised to give any information or to make any representation concerning the Notes offered hereby except as contained in this Offering Circular, and, if given or made, such other information or representation should not be relied upon as having been authorised by the Issuer or the Managers.

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.

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

In this Offering Circular, unless otherwise specified, references to "**£**" or "**sterling**" are to the lawful currency of the United Kingdom, references to "**USD**" or "**U.S. Dollars**" are to the lawful currency of the United States of America and references to "**€**" 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 establishing the European Community as amended by, *inter alia*, the Treaty on European Union (the "Treaty").

Certain figures included in this Offering Circular 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.

In connection with this issue, DBAG London (the "Stabilising Agent"), may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Closing Date. However, there is no obligation on the Stabilising Agent to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

Contents

Summary Of The Offering Circular

This Summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Circular.

Issuer:	Navigator Mortgage Finance No. 1 plc, a public limited liability company incorporated under the laws of Ireland and having its registered office at Guild House, Guild Street, International Financial Services Centre, Dublin 1, Ireland. The Issuer has been established for the purpose of acquiring the Units issued by the Fund, issuing the Notes and the Class D Notes and entering into the Issuer Documents (as defined in "**Distributions**") to which it is a party.
Corporate Services Provider:	Deutsche International Corporate Services (Ireland) Limited, as corporate services provider to the Issuer (the "**Corporate Services Provider**") in accordance with the terms of the Corporate Services Agreement (as defined in "**Overview Of Certain Transaction Documents**") through its office at Guild House, Guild Street, International Financial Services Centre, Dublin 1, Ireland.
Originator:	BNC-Banco Nacional de Crédito Imobiliário, S.A., a company incorporated under the laws of the Portuguese Republic and having its registered office at Rua do Comércio 85, 1100 Lisbon, Portugal. For more detailed information see "**The Originator**."
Fund:	Navigator Mortgage Finance No. 1 Fundo, a Portuguese securitisation fund (*Fundo de Titularização de Créditos*) organised under the laws of the Portuguese Republic to purchase a portfolio of residential mortgage loans (the "**Mortgage Loans**") comprised in the Mortgage Asset Portfolio (as described in "**Overview Of Certain Transaction Documents – Mortgage Sale Agreement**") from the Originator and issue the Units. For more detailed information see "**Description Of The Fund And The Fund Manager**".
Fund Manager:	Servimédia, SGFTC, S.A., a securitisation fund management company (*Sociedade Gestora de Fundos de Titularização de Créditos*) organised under the laws of the Portuguese Republic to manage the Fund on behalf of the holders of the Units pursuant to the Securitisation Law (as defined in "**Selected Aspects Of Laws Of The Portuguese Republic Relevant To The Mortgage Assets And The Transfer Of The Mortgage Assets**"). For more detailed information see "**Description Of The Fund And The Fund Manager**" below.
Custodian:	Deutsche Bank (Portugal), S.A., in its capacity as custodian (the "**Custodian**") to the Fund in accordance with the terms of the Custodian Agreement (as defined in "**Overview Of Certain Transaction Documents**") through its office at Rua Castilho, 20, 1250 Lisboa, Portugal.
Transaction Manager:	DBAG London, in its capacity as transaction manager (the "**Transaction Manager**") to the Issuer in accordance with the terms of the Transaction Management Agreement (as defined in "**Overview Of Certain Transaction Documents**") through its office at Winchester House, 1 Great Winchester Street, London, EC2N 2DB, England.

Trustee:	Deutsche Trustee Company Limited, in its capacity as trustee (the "**Trustee**") for the Noteholders (as defined in "**Description Of The Notes**") and the Class D Noteholders (as defined in "**Description Of The Notes**") and other secured creditors in accordance with the terms of the Trust Deed (as defined below) through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England.
Agent Bank:	DBAG London, in its capacity as the agent bank in respect of the Notes (the "**Agent Bank**") in accordance with the terms of a paying agency agreement made between itself, the Principal Paying Agent (as defined below), the Paying Agent (as defined below), the Issuer and the Trustee, (the "**Paying Agency Agreement**") through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB.
Swap Counterparty:	DBAG in its capacity as swap counterparty (a "**Swap Counterparty**"), in accordance with the terms of the Swap Agreement (as defined in "**Overview Of Certain Transaction Documents**") through its offices at Taunusanlage 12, D-60325 Frankfurt am Main, Germany.
Principal Paying Agent:	DBAG London, in its capacity as principal paying agent (the "**Principal Paying Agent**") in respect of the Notes in accordance with the terms of the Paying Agency Agreement through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB.
Paying Agent:	So long as the Notes are listed on the Luxembourg Stock Exchange, Deutsche Bank Luxembourg S.A., in its capacity as Luxembourg paying agent (the "**Paying Agent**") in respect of the Notes in accordance with the terms of the Paying Agency Agreement through its office at 2, Boulevard Konrad Adenauer L-1115 Luxembourg and together with the Principal Paying Agents, the "**Paying Agents**".
Registrar:	Deutsche Bank, Luxembourg S.A. acting through its offices at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg.
Transfer Agent:	Deutsche Bank, Luxembourg S.A. in its capacity as transfer agent for the Class D Notes acting through its offices at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg.
Rating Agencies:	S&P and Moody's.
Servicer:	The Mortgage Assets (as defined in "**Overview Of Certain Transaction Documents – Mortgage Sale Agreement**") will be serviced by BNC (in such capacity, the "**Servicer**"). In accordance with the terms of the Mortgage Servicing Agreement, the Servicer may sub-contract its servicing obligations to any of its subsidiaries or its parent company but retains the liability for due performance of those obligations. See "**Originator Standard Business Practices, Servicing And Credit Assessment**" herein.
Issuer Account Bank:	DBAG London, in its capacity as the bank at which the Issuer Account (as defined in "**Distributions – Accounts**") is held (the "**Issuer Account Bank**") in accordance with the terms of the Issuer Account Agreement (as defined in "**Overview Of Certain**

	Transaction Documents") through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England.
Fund Operating Account Bank:	DBAG London, in its capacity as the bank at which the Fund Operating Account (as defined in "**Distributions – Accounts**") is held (the "**Fund Operating Account Bank**") in accordance with the terms of a fund operating account bank agreement between itself and the Fund, (the "**Fund Operating Account Bank Agreement**") through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England.
Cash Reserve Account Bank:	DBAG London, in its capacity as the bank at which the Cash Reserve Account (as defined in "**Distributions – Accounts**") is held (the "**Cash Reserve Account Bank**") in accordance with the terms of a cash reserve account bank agreement between itself and the Issuer (the "**Cash Reserve Account Bank Agreement**") through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England.
Liquidity Facility Provider:	Deutsche Bank (Portugal) S.A., Madeira Branch in its capacity as liquidity facility provider (the "**Liquidity Facility Provider**") in accordance with the terms of the Liquidity Facility Agreement (as defined in "**Overview Of Certain Transaction Documents – Liquidity Facility Agreement**") as the same may be replaced from time to time in accordance with the Liquidity Facility Agreement.
Listing Agent:	Deutsche Bank Luxembourg S.A. in its capacity as listing agent ("**Listing Agent**") and through its office at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg.
Notes:	€230,000,000 Class A Notes due 2035; €10,000,000 Class B Notes due 2035; €10,000,000 Class C Notes due 2035, to be issued in accordance with the terms of the Trust Deed and on the terms and subject to the Conditions.
Class D Notes:	The Issuer also intends to issue Class D Mortgage Backed Floating Rate Notes due 2035 (the "**Class D Notes**") on the Closing Date in the aggregate principal amount of €4,630,000. All amounts payable by the Issuer under the Class D Notes will be subordinated to payments then due under the Notes and will only be payable to the extent that the Issuer has sufficient funds available for the purpose. If the Issuer has insufficient funds available for the purpose to redeem the Class D Notes in full, so much of the amounts under the Class D Notes as is equal to such insufficiency shall be waived. The Notes and the Class D Notes are together referred to herein as the "**Instruments**". The Class D Notes are not offered in this Offering Circular.
Form and Denomination:	The Notes will be in bearer form and in the denomination of euro 50,000 each. The Notes of each class will initially form a Temporary Global Note of such class without interest coupons, which will be deposited on the Closing Date with Euroclear and Clearstream, Luxembourg. The Temporary Global Note of each class of Notes will be exchangeable, in whole or in part, for interests in a Permanent

Global Note of that class of Notes, without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership.

In certain limited circumstances Notes in definitive form (the "**Definitive Notes**") attached may be issued.

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

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

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

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

Use of Proceeds: The Issuer will apply the proceeds of the Notes and the Class D Notes, net of certain transaction expenses, solely for the purpose of purchasing the Units pursuant to the Unit Assignment Agreement (as defined in "**Distributions – The Units**") from DBAG London and establishing the Cash Reserve Account.

Security for the Notes: The Notes will be secured by the Security created pursuant to the Trust Deed in favour of the Trustee, for itself and on trust for the Secured Creditors. For a description of the Security and Secured Creditors, see "**Description Of The Notes – Security Arrangements**".

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

Note Rate: The Notes of each Class will represent entitlements to payment of interest in respect of successive Interest Periods from the Closing Date at a rate in respect of each Class equal to the following percentages above EURIBOR:

	On or prior to the Step-up Date	Subsequent to the Step-up Date
Class A Notes	0.21 per cent.	0.42 per cent.
Class B Notes	0.38 per cent.	0.76 per cent.

	Class C Notes	0.55 per cent.	1.10 per cent.

Consideration for Purchase of the Mortgage Assets: In consideration for the assignment of the Mortgage Assets, the Fund will pay the Purchase Price (as defined in **Overview Of Certain Transaction Documents – Mortgage Sale Agreement**) to the Originator for the Mortgage Assets (as defined in "**Distributions – Unit Distributions**") to be assigned to the Fund.

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

(a) collect amounts due in respect thereof; and

(b) undertake enforcement proceedings in respect of any Borrowers (as defined in "**Description Of The Notes**") which may default on their obligations under the relevant Mortgage Assets.

Servicer Reporting: The Servicer is required no later than 7 days after the end of each relevant Collection Period to deliver to the Transaction Manager a report in a form reasonably acceptable to the Transaction Manager (the "**Quarterly Report**") relating to the period from the last date covered by the previous Quarterly Report.

The Quarterly Report forms part of an investor report in a form acceptable to the Fund Manager, the Transaction Manager, the Custodian and the Trustee (the "**Investor Report**") to be delivered by the Transaction Manager to, *inter alios*, the Trustee and the Paying Agent.

The Units: On the Closing Date, the Issuer will acquire the Units from DBAG London at a purchase price equal to the Principal Amount Outstanding (as defined in "**Description Of The Notes – General**") of the Notes and the proceeds of the issue of the Class D Notes issued on such day net of certain up-front expenses incurred by the Issuer and net of an amount equal to €2,800,000 which shall be deposited in the Cash Reserve Account. DBAG London will acquire the Units from the Fund at a purchase price equal to the purchase price received by it from the Issuer for the Units and will transfer the Units to the Issuer immediately thereafter. The Units will be in book-entry form and the interest of the Issuer as Unitholder (as described in "**Description Of The Fund And The Fund Manager**") will, on the Closing Date, be registered on the register of Unitholders maintained by the Custodian.

Collection Arrangements in respect of the Mortgage Assets: The Servicer will on each Lisbon Business Day transfer to the Fund's operating account with the Fund Operating Account Bank (the "**Fund Operating Account**") all amounts credited to the Originator's collection account (the "**Collection Account**") on the previous Lisbon Business Day as such amounts relate to the Mortgage Assets.

Cash Reserve Account: On the Closing Date, the Cash Reserve Account will be established with the Cash Reserve Account Bank in the name of the Issuer into which an amount equal to €2,800,000 from the proceeds of the issue of the Class D Notes will be transferred.

	Amounts standing to the credit of the Cash Reserve Account will be applied towards shortfalls in the amounts actually received by the Issuer from the Fund. See "**Distributions – Cash Reserve Account**" herein.
Distributions in respect of the Units:	The Custodian, on behalf of the Fund, will make distributions in respect of the Units from the Fund Operating Account ("**Unit Distributions**"). See "**Distributions – Distributions in respect of the Units**".
Distributions from the Issuer Account:	The Transaction Manager, on behalf of the Issuer will make distributions from the Issuer Account on each Interest Payment Date, as more fully described in "**Distributions**" herein.
Trust Deed:	The Issuer will enter into a trust deed with the Trustee (the "**Trust Deed**") pursuant to which, *inter alia*, the Issuer's rights under and in respect of the Issuer Account and the Cash Reserve Account, and all of its rights arising under the agreements discussed herein to which it is a party are transferred for collateral purposes (the "**Security**") to the Trustee, as trustee for, *inter alia*, the Noteholders and the Class D Noteholders.
Withholding Tax:	Payments of interest and principal under the Notes will be subject to income taxes, including applicable withholding taxes (if any), and other taxes (if any) and the Issuer will not be obliged to pay additional amounts in relation thereto. See "**Description Of The Notes – Taxes**" herein.
Ratings:	The Notes are expected on issue to be assigned the following ratings by the Rating Agencies: **S&P** Class A Notes – AAA Class B Notes – AA Class C Notes – A **Moody's** Class A Notes – Aaa Class B Notes – Aa2 Class C Notes – A2 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 either or both of the Rating Agencies.
Interest Accrual Period:	Interest will be paid quarterly in arrear. Interest will accrue from, and including, the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, the Closing Date) to, but excluding, the relevant Interest Payment Date.
Interest Payment Date:	Interest on the Notes is payable quarterly in arrear on the 15th day of August, November, February and May in each year (or, if such day is not a Business Day, the next succeeding Business Day, unless such day would fall into the next calendar month, in which case, it will be brought forward to the immediately preceding Business Day).

Business Day:	Any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System ("**Target**") is open (a "**Target Day**") or, if such Target Day is not a day on which banks are open for business in London, the next succeeding Target Day on which banks are open for business in London.
London and Lisbon Business Day:	Any day on which banks are open for business in both London and Lisbon.
Lisbon Business Day:	Any day on which banks are open for business in Lisbon.
Optional Redemption in Whole:	The Issuer may redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date: (a) following the Interest Payment Date on which the Aggregate Principal Outstanding Balance of the Mortgage Loans is equal to or less than 10 per cent. of the Principal Outstanding Balance of the Mortgage Loans as at the Collateral Determination Date; (b) following the occurrence of certain tax changes concerning, *inter alia*, the Issuer, the Fund or the Notes; or (c) falling on or after the Step-up Date, subject to the requirements specified in Condition 5(a), including the requirement that the Issuer has given not less than 30 days' notice to the Trustee and the Noteholders of its intention to effect such redemption.
Final Redemption:	Unless the Notes have previously been redeemed in full as described in the Conditions, the Notes will be redeemed by the Issuer on the Final Legal Maturity (as defined in "**Description of The Notes – Final Legal Maturity**") at their Principal Amount Outstanding.
Final Legal Maturity:	The Interest Payment Date falling in May 2035.
Mandatory Redemption in Part:	Prior to the delivery of an Enforcement Notice (as defined in "**Risk Factors – Limited Resources of the Issuer**"), each class of Notes will be subject to mandatory early redemption in part on each Interest Payment Date on which the Issuer has received amounts that are available for redeeming the relevant class of Notes in accordance with the terms and conditions of the relevant class of Notes.
Swap Agreement:	The Issuer will enter into the Swap Agreement with the Swap Counterparty under which (a) the Issuer will pay to the Swap Counterparty on each Interest Payment Date certain amounts calculated by reference to (i) the weighted average interest rate applicable in respect of the Mortgage Loans under which a fixed rate of interest is payable and the Mortgage Loans in respect of which the rate of interest is linked to the BNC Reference Rate (as defined in "**Description of The Mortgage Assets – Mortgage Assets**") on a notional amount equal to the Aggregate Outstanding Principal Amount of such Mortgage Loans (ii) the relevant weighted average index rate applicable in respect of the Mortgage Loans under which a floating rate of interest is payable on a notional amount equal to the Aggregate

	Outstanding Principal Amount of such Mortgage Loans and (b) the Swap Counterparty will pay to the Issuer on each Interest Payment Date (i) certain amounts calculated by reference to EURIBOR plus a spread, on a notional amount equal to the Aggregate Outstanding Principal Amount of the Mortgage Loans under which a fixed rate of interest is payable and the Mortgage Loans in respect of which the rate of interest is linked to the BNC Reference Rate, and (ii) certain amounts calculated by reference to EURIBOR, on a notional amount equal to the Aggregate Outstanding Principal Amount of the Mortgage Loans under which a floating rate of interest is payable, in each case, as at the beginning of each relevant Collection Period (as defined in "**Distributions**"). If the Swap Agreement is terminated prior to the redemption of the Notes in full, a termination payment may be due between the parties thereunder. See "**Overview Of Certain Transaction Documents – Swap Agreement**" herein.
Settlement:	Delivery of the Notes is expected to be made on or about 12 June 2002.
Listing:	Application has been made for the Notes to be admitted to the Luxembourg Stock Exchange.
Governing Law:	The Notes and the documents to which the Issuer is a party (save the Co-ordination Agreement and the Unit Assignment Agreement) will be governed by English law. The Mortgage Sale Agreement, the Mortgage Servicing Agreement, the Custodian Agreement, the Co-ordination Agreement and the Fund Regulation (as defined above and in "**Overview Of Certain Transaction Documents**") will be governed by Portuguese law.

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 Offering Circular. Prospective purchasers should nevertheless consider, among other things, the risk factors set out below.

Limited Liquidity of the Notes

There is currently no market for the Notes. While the Managers intend to make a market in the Notes, they are under no obligation to do so. There can be no assurance that a secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the holders of such Notes with liquidity of investment or that it will continue for the life of the Notes. Consequently, any purchaser of the Notes must be prepared to hold the Notes until final redemption or earlier application in full of the proceeds of enforcement of the Security (as defined above) by the Trustee. The market price of the capital in Notes could be subject to fluctuation in response to, among other things, variations in the value of the Mortgage Assets (and, consequently, of the Units), the market of similar securities, prevailing interest rates, changes in regulation and general market and economic conditions. Application has been made to list the Notes on the Luxembourg Stock Exchange.

Restrictions of Transfer

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

Liability for the Notes

The Notes are an obligation of the Issuer only and do not establish any liability or other obligation of any other person mentioned in this Offering Circular including the Fund Manager, the Fund, the Originator, the Custodian, the Servicer, the Transaction Manager, the Issuer Account Bank, the Swap Counterparty, the Fund Operating Account Bank, Cash Reserve Account Bank, the Agent Bank, the Managers, the Trustee, the Liquidity Facility Provider, the Corporate Services Provider or any Paying Agent under the 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.

No holder of any Notes will be entitled to proceed directly or indirectly against the Fund Manager, the Fund, the Originator, the Custodian, the Servicer, the Swap Counterparty, the Transaction Manager, the Issuer Account Bank, the Fund Operating Account Bank, Cash Reserve Account Bank, the Agent Bank, the Managers, the Trustee, the Liquidity Facility Provider, the Corporate Services Provider or any Paying Agent under the 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.

Limited Resources of the Issuer

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

(i) Collections (as defined in "**Distributions – Unit Distributions**") and recoveries made from the Mortgage Asset Portfolio by the Servicer and consequently, the Unit Distributions;

(ii) the loan available under the Liquidity Facility Agreement, the Cash Reserve Account, the Fund Operating Account and the Issuer Account arrangements;

(iii) the performance by all of the parties to the Transaction Documents (the "**Transaction Parties**") (other than the Issuer) of their respective obligations under the Transaction Documents;

(iv) the hedging arrangements entered into under the Swap Agreement; and

(v) the entitlement to make drawings under the Liquidity Facility Agreement.

The Issuer will not have any other funds available to it to meet its obligations under the Notes or any other payments ranking in priority to, or *pari passu* with, the Notes. There is no assurance that there will be sufficient funds to enable the Issuer to pay interest on any class of Notes or, on the redemption date of any class of Notes (whether on the Final Legal Maturity, upon acceleration following the delivery of an Enforcement Notice or upon mandatory 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.

"**Enforcement Notice**" means a notice delivered by the Trustee to the Issuer in accordance with the Conditions which declares the Notes to be immediately due and payable;

Limited Recourse Nature of the Notes

The Notes will be direct limited recourse obligations solely of the Issuer and therefore the Noteholders will have a claim under the Notes against the Issuer only to the extent of the Unit Distributions which are derived from cashflows generated by the Mortgage Asset Portfolio and any other amounts paid to the Issuer pursuant to the Transaction Documents, subject to the payment of amounts ranking in priority to payment of amounts due in respect of the Notes. If there are insufficient funds available to the Issuer to pay in full all principal, interest and other amounts due in respect of the Notes at the Final Legal Maturity 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.

Ratings are Not Recommendations

There is no obligation on the part of the Issuer, the Fund Manager, the Fund, the Originator, the Custodian, the Servicer, the Transaction Manager, the Issuer Account Bank, the Fund Operating Account Bank, the Managers, the Cash Reserve Account Bank, the Agent Bank, the Trustee, the Liquidity Facility Provider, the Swap Counterparty, the Corporate Services Provider or any Paying Agent under the Notes to maintain any rating for itself or the 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 Notes (other than the Class D Notes) is subsequently lowered 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. See "**Ratings**" herein.

Liquidity and Credit Risk for the Issuer

The Issuer will be subject to the risk of delays in the receipt, or risk of defaults in the making, of payments due from Borrowers in respect of the Mortgage Assets and distributions of Unit Distributions by the Fund. There can be no assurance that the levels or timeliness of (i) payments of Collections and recoveries received from the Mortgage Assets or (ii) payment by the Fund will be adequate to ensure timely payment of Unit Distributions and consequent fulfilment of the Issuer's obligations in respect of the Notes on each Interest Payment Date or on the Final Legal Maturity.

No independent investigation in relation to the Mortgage Assets

None of the Fund, the Fund Manager, the Managers, the Custodian, the Transaction Manager, the Issuer or the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Mortgage Assets and each will rely instead on the representations and warranties made by the Originator in relation thereto set out in the Mortgage Sale Agreement.

No Gross-up for Taxes

If required by law, payments under the Notes will be made after deduction of any applicable withholding taxes or other deductions. None of the Issuer, the Fund Manager, the Fund, the Originator, the Custodian, the Servicer, the Transaction Manager, the Issuer Account Bank, the Fund Operating Account Bank, the Cash Reserve Account Bank, the Agent Bank, the Managers, the Swap Counterparty, the Trustee, the Corporate Services Provider or any Paying Agent under the Notes will be required to gross up payments in respect of any such withholding or deduction. 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.

Floating Charge

The Security includes a floating charge over the assets and revenues of the Issuer not otherwise charged or assigned under the Trust Deed. This floating charge may not be recognised as an effective security interest in jurisdictions other than England.

Reliance on the Originator's Representations and Warranties

If any of the Mortgage Assets fails to comply with or conform to any of the Mortgage Asset Warranties (as defined in "**Overview Of Certain Transaction Documents – Mortgage Sale Agreement**"), which could have a material adverse effect on the relevant Mortgage Asset, the agreement made between the Originator and the relevant Borrower by which the Originator has agreed to make a mortgage loan in respect of the Mortgage Asset (the "**Mortgage Asset Agreement**") or the Receivables the Originator undertakes to repurchase such Mortgage Asset from the Fund for an amount equal to the Principal Outstanding Balance of such Mortgage Asset or will substitute or procure the substitution of a similar loan and security in replacement for any Mortgage Asset in respect of which any Mortgage Asset Warranty (as defined in "**Overview Of Certain Transaction Documents – Mortgage Sale Agreement**") is breached, provided that this shall not limit any other remedies available to the Fund if the Originator fails to repurchase or procure the repurchase of a Mortgage Asset when obliged to do so. The Originator is also liable for any losses or damages suffered by the Fund as a result of any breach or inaccuracy of the representations and warranties given in relation to itself or its entering into any of the Transaction Documents. The Fund's rights arising out of breach or inaccuracy of the representations and warranties are however unsecured and, consequently, a risk of loss exists if a Mortgage Asset Warranty is breached and the Originator is unable to repurchase the relevant Mortgage Asset.

Limited Liquidity of the Mortgage Assets on liquidation of Fund

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

Approved Investments

The Issuer has the right to make certain interim investments of money standing to the credit of its Issuer Account and the Cash Reserve Account. The investments must have appropriate ratings depending on the term of the investment and the term of the investment instrument. However, it may be that, irrespective of any such rating, such investments will be irrecoverable due to bankruptcy or insolvency of the debtor under the investment or of a financial institution involved or due to the loss of an investment amount during the transfer thereof. Additionally, the return on an investment may not be sufficient to cover fully interest payment obligations due from the investing entity in respect of its corresponding payment obligations (prepayment risk). In this case, the Issuer may not be able to meet all its payment obligations. None of the Fund, the Fund Manager, the Transaction Manager, the Custodian and/or the Trustee will be responsible for any such loss or shortfall.

Weighted Average Lives of the Notes

Upon any early payment by the Borrowers in respect of the Mortgage Assets, the principal repayment of the Notes may be earlier than expected and, therefore, the yield on the Notes may be lower. See "**Estimated Average Life of the Notes and Assumptions**" herein.

Underwriting Standards

The Mortgage Assets were underwritten generally in accordance with underwriting standards described in "**Originator Standard Business Practices, Servicing and Credit Assessment**". These underwriting standards consider, among other things, a Borrower's credit history, employment history and status, repayment ability and debt-to-income ratio and the need for guarantees or other collateral.

Reliance on Performance by Servicer

The Fund has engaged the Servicer to administer the Mortgage Asset Portfolio pursuant to the Mortgage Servicing Agreement. While the Servicer is under contract to perform certain services under the Mortgage Servicing Agreement there can be no assurance that it will be willing or able to perform them in the future. In the event the appointment of the Servicer is terminated by reason of the occurrence of a Servicer Event (as defined in "**Overview Of Certain Transaction Documents – Mortgage Sale Agreement**"), there can be no assurance that the transition of servicing will occur without adverse effect on investors or that an equivalent level of performance on collections and administration of the Mortgage Assets can be maintained by 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 Custodian, on behalf of the Fund and further to the instructions of the Fund Manager shall endeavour to appoint a substitute servicer. No assurances can be made as to the availability of, and the time necessary to engage, such a substitute servicer.

The Servicer may not resign its appointment as Servicer without a justified reason and furthermore pursuant to the Mortgage Servicing Agreement, such resignation shall only be effective if the Custodian, on behalf of the Fund and further to the instructions of the Fund Manager has appointed a substitute servicer. The appointment of a substitute servicer is subject to the prior approval of the CMVM (as defined in "**Description Of The Fund And The Fund Manager**") and prior confirmation being obtained from the Rating Agencies that such appointment shall not have an adverse effect on the rating of the Notes.

Geographical Concentration of the Mortgage Assets

Although the Borrowers are located throughout Portugal, these Borrowers may be concentrated in certain locations, such as densely populated areas. See "**Characteristics of the Mortgage Assets – Geographic Region**". Any deterioration in the economic condition of the areas in which the Borrowers are located, or any deterioration in the economic condition of other areas that causes an adverse effect on the ability of the Borrowers to repay the Mortgage Assets could increase the risk of losses on the Mortgage Assets. A concentration of Borrowers in such areas may therefore result in a greater risk of loss than would be the case if such concentration had not been present. Such losses, if they occur, could have an adverse effect on the yield to maturity of the Notes.

Custodian Substitution

In the event of the termination of the appointment of the Custodian by reason of the occurrence of a Custodian Event (as defined in the Custodian Agreement) it would be necessary for the Fund to appoint a successor custodian. The appointment of the successor custodian is subject to a number of conditions including the prior approval of the CMVM and prior confirmation being obtained from the Rating Agencies that such appointment shall not have an adverse effect on the rating of the Notes.

Consumer Protection

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

Decree Law 446/85 of 25 October, as amended by Decree Law 220/95 of 31 July and Decree Law 249/99 of 7 July, (which implemented Directive 93/13/CEE of 5 April 1993) 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.

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

The Swap Agreement

Interest payable on the Class A Notes, the Class B Notes and the Class C Notes is in Euro at a EURIBOR-related floating rate, whilst amounts receivable by the Fund under the Mortgage Loans is in Euro at either a fixed rate of interest, the BNC Reference Rate (as defined in "**Description of The Mortgage Assets – Mortgage Assets**"), or a floating rate of interest indexed to EURIBOR or Lisbor. The Issuer will rely upon the performance by the Swap Counterparty of its obligations to the Issuer under the Swap Agreement, as well as on the Borrowers' performance of their obligations under the Mortgage Assets for its ability to meet its obligations under the Notes.

The Swap Agreement may be terminated if, among other things, (a) there is a failure by either party to make any payment when due; (b) certain bankruptcy events occur in relation to either party; (c) an Enforcement Notice is delivered in accordance with the Conditions (see "**Terms And Conditions Of The Notes – Events of Default**" herein); or (d) it becomes unlawful for either party to perform its obligations thereunder. If the Swap Agreement is terminated, the Issuer may seek to enter into a substitute swap agreement on similar terms. Whether or not a substitute swap agreement can be concluded, termination of the Swap Agreement may, depending on the Euro interest rates at the date of termination, affect the Issuer's ability to make payments on the Notes.

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

Book-Entry Registration

The Notes will be represented by Global Notes deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and will not be held by the beneficial owners or their nominees. The

Global Notes will not be registered in the names of the beneficial owners or their nominees. As a result, unless and until Notes in definitive form are issued, beneficial owners will not be recognised by the Issuer or the Trustee as Noteholders, as that term is used in the Trust Deed. Until such time, beneficial owners will only be able to exercise their rights in relation to the Notes indirectly, through Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participating organisations, and will receive notices (which are always published in a leading daily newspaper with general circulation in Luxembourg, normally expected to be the Luxemburger Wort) 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.

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 the related borrower or borrowers, or other person or persons who is or are under any obligation to repay the Mortgage Loan, including any guarantor of such borrower in respect of the Mortgage Asset Portfolio and payment of Unit Distributions by the Fund. There can be no assurance that the levels or timeliness of (i) payments of Collections and recoveries received from the Mortgage Asset Portfolio or (ii) payment by the Fund will be adequate to ensure timely payment of Unit Distributions and consequent fulfilment of the Issuer's obligations in respect of the Notes on each Interest Payment Date or on the Final Legal Maturity.

Borrowers

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

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

Absence of a Secondary Market

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

Claims of Creditors of the Fund other than the Issuer

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

Claims of creditors of the Issuer other than Secured Creditors

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

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

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

UK Administration Risk

Under the current insolvency regime in England and Wales, the English courts have the power to make an administration order in respect of a company which is not incorporated in England and Wales upon the request of courts of certain designated or "relevant" countries or territories having jurisdiction to exercise insolvency law, (including the Republic of Ireland). One of the effects of an administration order is that there is a moratorium (statutory freeze) upon any enforcement action being taken by the holder of any security without the leave of the court or with the consent of the administrator. An administrator also has the power, with the leave of the court, to sell property subject to a fixed charge, free from that charge, but the net proceeds of such sale must be applied in accordance with the priority accorded to that charge.

Under the present law, it is unlikely that the English courts would make an administration order where the holder of a debenture granted by a company incorporated in a designated or relevant country or territory, secured by a charge which, when created, was a floating charge (the "**debenture holder**") appoints a receiver under the debenture to the whole or substantially the whole of the company's property whether under the floating charge or under that charge and any other charges, called in these circumstances an administrative receiver. Under the present law, the directors of the Issuer anticipate that, if a request was made for its administration, the Trustee would enforce the Security and the Trustee would accelerate the Notes and appoint an administrative receiver to the Issuer.

Significant changes to the English insolvency regime have recently been enacted, although not all these provisions have yet been brought into effect.

These changes include the Insolvency Act 2000, most of the provisions of which came into force in April 2001, other than the moratorium provisions (as described below), which are not expected to come into force until later in 2002. When brought fully into force, the Insolvency Act 2000 will allow certain "small" companies (which are defined by reference to certain tests relating to a company's balance sheet, turnover and average number of employees) to seek court protection from their creditors for a period of 28 days with the option for creditors to extend the moratorium for a further two months. The position as to whether or not a company is a "small" company may change from period to period and consequently no assurance can be given that the Issuer will, at any given time, be determined to be a "small" company. The Secretary of State for Trade and Industry (the "**Secretary of**

State") may by regulation modify the eligibility requirements for "small" companies and can make different provisions for different cases. No assurance can be given that any such modification or different provisions will not be detrimental to the interests of Noteholders. However, the Secretary of State has indicated that regulations will be made excluding special purpose companies from the moratorium provisions, but the scope of this exemption is not at present known.

In addition, on 26th March, 2002 the Government published the Enterprise Bill (the "**Bill**") which, *inter alia*, contains proposals for reforming bankruptcy and insolvency law. These proposals set out the intention to introduce legislation the effect of which would be to restrict the right of the holder of a floating charge to appoint an administrative receiver and instead to give primacy to collective insolvency procedures and in particular administration. The Government's aim is that, rather than having primary regard to the interests of secured creditors, any insolvency official should have regard to the interest of all creditors, both secured and unsecured. Presently, an administrative receiver primarily acts in the interests of the floating charge holder, though there are residual duties to the chargor.

The Bill states that the holder of a valid and enforceable floating charge over the whole or substantially the whole of a company's property will be able to appoint an administrator of his choice, and that (if no winding up order had been made or provisional liquidator appointed) such appointment can be made without going to court. However, the administrator will be acting for the creditors generally and not just his appointor.

Directors of companies will also be able to use the out of court route to place the company in administration. There will be a notice period during which the holder of the floating charge can either agree to the proposed appointment by the directors or appoint an alternative administrator, although the moratorium will take effect immediately after notice is given. If the floating charge holder does not respond to the notice of intention to appoint, the company's appointee will automatically take office after the notice period had elapsed.

The Bill states that the purpose of administration will be to rescue the company or, where that is not reasonably practicable, to achieve a better result for the company's creditors as a whole than would be likely if the company were wound up. These purposes could conflict with the interests of Noteholders. Nevertheless, the Bill makes it clear that the administrator's statement of proposals cannot include an action which affects the right of a secured creditor to enforce its security.

The Bill provides that the abolition of administrative receivership will only apply to a floating charge created on or after a date appointed by the Secretary of State by order made by statutory instrument. This provision is generally referred to as the "grandfathering provision". If the Bill is enacted in its current form, it should therefore continue to be possible to appoint administrative receivers under floating charges created before the appointed date. It is not anticipated that a date will be appointed before June 2002 (although no assurance can be given to this effect). If the security granted by the Issuer is created before the appointed date, the new provisions should not prevent administrative receivers being appointed under the security.

The Bill also provides that the abolition of administrative receivership will not extend to certain capital market arrangements. In broad terms, to fall within this exemption, the arrangement must involve a party incurring or expecting to incur a debt of at least £50 million and the issue of an investment that is rated, listed or traded or designed to be rated, listed or traded. An arrangement is a "capital market arrangement" if (a) it involves a grant of security to a person holding it as trustee for a person who holds a capital market investment issued by a party to the arrangement; or (b) at least one party guarantees the performance of obligations of another party; or (c) at least one party provides security in respect of the performance of obligations of another party; or (d) the arrangement involves an investment of a kind described in articles 83 to 85 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (options, futures and contracts for differences).

The proposals included within the Bill potentially affect the ability of the Trustee to enforce, and the remedies available to the Trustee in enforcing, the security granted by the Issuer. However, if the Bill is enacted in its present form, it is likely that the security will be excepted from the proposals either under the grandfathering provision or under the provisions dealing with capital markets arrangements.

It should be noted that the Bill does not yet have legal effect and there is nothing to prevent amendments being made as it progresses through Parliament.

Moreover, the date upon which the moratorium provisions contained in the Insolvency Act 2000 and the date upon which the provisions dealing with the abolition of administrative receivership will come into force are not yet known, and the regulations excluding special purpose companies from the moratorium provisions have not yet been published.

As it is not possible to determine with certainty whether such proposed changes to the United Kingdom insolvency regime will be enacted, or if they are enacted what the final form will be, no assurance can be given as to whether they will have a detrimental effect on the transactions described in this Offering Circular.

Issuer's and Trustee's rights against the Fund

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

As the Issuer and the Trustee are unsecured creditors of the Fund under the Units, the Issuer and the Trustee will have only a limited ability to realise the assets of the Fund in order to obtain amounts to repay the obligations of the Issuer under the Notes and the other monies and liabilities which from time to time are or may become due, owing or payable by the Issuer to each of the Secured Creditors under the Notes or the Issuer Documents.

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

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

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

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

Trustee's rights under the Co-ordination Agreement

The Trustee will enter into the Co-ordination Agreement in order to enable it to protect the position of the Issuer as Unitholder of the Units and to exercise a certain level of direction and control in respect of the Fund's obligations under the Units, the Fund's rights against the Originator under the Mortgage Sale Agreement, the Fund's rights against the Servicer under the Mortgage Servicing Agreement, the Fund's rights against the Custodian under the Custodian Agreement and the Fund's rights against the Fund Manager under the Fund Regulation. The Co-ordination Agreement is, however, subject to the provisions of the Fund Regulation and the Servicer, the Custodian and the Fund Manager may be restricted by Portuguese law and by their fiduciary duties to the Fund from complying with the Trustee's instructions.

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

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

Enforcement of Security

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

Assignment of Mortgage Asset Portfolio Not Affected by Originator Bankruptcy

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

Collections Not Affected by Servicer Bankruptcy

In the event of the Servicer becoming bankrupt, all the amounts which the Servicer may then hold in respect of the Mortgage Assets assigned by the Originator to the Fund, will not form part of the Servicer's bankrupt estate and the replacement of Servicer provisions referred to in "**Servicer Substitution**" below will then apply.

Set-Off Risks

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

Set-off issues in relation to the Mortgage Assets are essentially those associated with the Borrower's possibility of exercising against the Fund any set-off rights the Borrower held against the Originator prior to the assignment of the relevant Mortgage Loans into the Fund. Such set-off issues will not arise where the Originator was solvent at the time of assignment of the relevant Mortgage Assets to the Fund or otherwise 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 Fund any sums which the Originator holds or receives from the Borrowers in relation to the Mortgage Assets including sums in the possession of the Originator and Servicer arising from set-off effected by a Borrower. The Securitisation Law does not contain any direct provisions in respect of set-off (which therefore continues to be regulated by the Portuguese Civil Code's general legal provisions on this matter) but it may have an impact on the set-off risk related matters to the extent the Securitisation Law has varied the Portuguese Civil Code rules on assignment of credits. (See "**Selected Aspects Of Laws Of The Portuguese Republic Relevant To The Mortgage Assets And The Transfer Of The Mortgage Assets**")

Preferred Creditors under Irish Law and Floating Charges

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

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

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

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

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

It is of the essence of a fixed charge that the person creating the charge does not have liberty to deal with the assets which are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the moneys or claims constituting such assets and accordingly, if and to the extent that such liberty is given to the Issuer any charge constituted by the Trust Deed may operate as a floating, rather than a fixed charge.

In particular, the Irish courts have held that in order to create a fixed charge on receivables it is necessary to oblige the charger to pay the proceeds of collection of the receivables into a designated bank account and to prohibit the charger from withdrawing or otherwise dealing with the monies standing to the credit of such account without the consent of the chargee.

Floating charges have certain weaknesses, including the following:

(i) they have weak priority against purchasers (who are not on notice of any negative pledge contained in the floating charge) and chargees of the assets concerned and against lien holders, execution creditors and creditors with rights of set-off;

(ii) as discussed above, they rank after certain preferential creditors, such as claims of employees and certain taxes on winding-up;

(iii) they rank after certain insolvency remuneration expenses and liabilities;

(iv) the examiner of a company has certain rights to deal with the property covered by the floating charge; and

(v) they rank after fixed charges.

Examinership

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

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets the subject of a fixed charge. However, if such power is exercised he must account to the holders of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

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

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

(a) the potential for a scheme of arrangement being approved involving the writing down of the debt due by the Issuer to the Noteholders as secured by the Trust Deed;

(b) the potential for the examiner to seek to set aside any negative pledge in the Notes prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and

(c) in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by the Issuer to each of the Secured Creditors under the Notes or the Issuer Documents.

Proposed European Withholding Tax Directive on the Taxation of Savings Income

On 18 July 2001 the European Commission published a proposal for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that member states of the European Union ("**Member States**") will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final, and may be subject to further amendment and/or clarification.

The Securitisation Law

The Securitisation Law was enacted in Portugal on 5 November 1999 as amended by Decree Law 82/2002 of 5 April and the Portuguese Securitisation Tax Law Decree-Law number 219/2001, of 4 August (the "**Portuguese Securitisation Tax Law**"), was enacted in Portugal on 4 August 2001, and as at the date of this Offering Circular the application of the Securitisation Law and of the Portuguese Securitisation Tax Law have not been considered by any Portuguese Court and no interpretation of their application has been issued by any Portuguese governmental or regulatory authority. Consequently, it is possible that such authorities may issue further regulations relating to the Securitisation Law and the Portuguese Securitisation Tax Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Offering Circular.

Portuguese Government subsidies

A percentage of the Mortgage Assets in the Mortgage Asset Portfolio are the subject of subsidies from the Portuguese Government. The Portuguese Government has announced its intention to cease granting to individuals subsidies for mortgage loans. The Government has announced that the legislation to be introduced terminating such arrangements will not have retrospective effect and such legislation will not extinguish subsidies for mortgage loans which have been granted before 30 May 2002.

Limited Provision of Information

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

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

Description Of The Notes

This section is qualified in its entirety by reference to the provisions of the Conditions of the Notes.

General

The Notes will consist of the Class A Notes, the Class B Notes and the Class C Notes. On the Closing Date, each class of Notes will have the respective initial aggregate principal amounts as set forth on the cover page hereof.

The aggregate of the principal amount outstanding of each class of Notes is referred to herein as the "**Principal Amount Outstanding**" of the relevant class and the aggregate of the Principal Amount Outstanding of all classes of Notes is referred to herein as the "**Aggregate Principal Amount Outstanding**" of the Notes.

The issue of the Notes and the Class D Notes was authorised by a resolution of the board of directors of the Issuer passed on 06 June 2002. The Notes and the Class D Notes will be issued subject to, and have the benefit of, the Trust Deed.

In accordance with the Paying Agency Agreement, payments in respect of the Notes will be made by the Paying Agents, and the Agent Bank will make the determinations and notifications, each as therein specified.

Capitalised terms used in the statements below and not otherwise defined herein shall have the meanings set out in a master framework agreement dated 06 June 2002 (the "**Master Framework Agreement**") and signed, by way of identification, by the Trustee and the Issuer. The Noteholders (as defined below) will be entitled to the benefit of, will be bound by and will be deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement and the Master Framework Agreement, copies of which will be available for inspection at the specified office for the time being of each of the Paying Agents.

The Class D Notes

On the Closing Date, the Issuer also intends to issue Class D Mortgage Backed Notes due 2035 in the aggregate principal amount of €4,630,000 by way of private placement pursuant to a Class D Note purchase agreement (the "**Class D Note Purchase Agreement**") dated 06 June 2002. All amounts payable by the Issuer under the Class D Notes will be subordinated to payments then due under the Notes and will only be payable to the extent that the Issuer has sufficient funds available for the purpose. If the Issuer has insufficient funds available for the purpose to redeem the Class D Notes in full, so much of the outstanding amounts under the Class D Notes as is equal to such insufficiency shall be waived.

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

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

Status

The Notes will be direct and unconditional obligations of the Issuer.

The Class A Notes will rank *pari passu* and ratably without preference among themselves for all purposes and in priority to the Class B Notes, the Class C Notes and the Class D Notes and will be secured by the same security that will secure the Class B Notes, the Class C Notes and the Class D Notes, both as to payment of interest and as to payment of principal.

The Class B Notes will rank *pari passu* and ratably without preference among themselves for all purposes and in priority to the Class C Notes and the Class D Notes and will be secured by the same security that will secure the Class A Notes, the Class C Notes and the Class D Notes, both as to payment of interest and as to payment of principal.

The Class C Notes will rank *pari passu* and ratably without preference among themselves for all purposes and in priority to the Class D Notes and will be secured by the same security that will secure the Class A Notes, the Class B Notes and the Class D Notes, both as to payment of interest and as to payment of principal.

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of each of the holders of the Class A Notes ("**Class A Noteholders**"), the holders of the Class B Notes ("**Class B Noteholders**"), the holders of the Class C Notes ("**Class C Noteholders**") and together with the Class A Noteholders and the Class B Noteholders (the "**Noteholders**")) and the holders of the Class D Notes ("**Class D Noteholders**") as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee (a) so long as any Class A Notes are outstanding, to have regard only to the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and those of the Class B Noteholders and/or Class C Noteholders and/or Class D Noteholders, (b) if no Class A Notes are outstanding, to have regard only to the interests of the Class B Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class B Noteholders and those of the Class C Noteholders and/or Class D Noteholders then, (c) if no Class A Notes or Class B Notes are outstanding, to have regard only to the interests of the Class C Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class C Noteholders and those of the Class D Noteholders.

The Conditions of the Notes provide that the Trustee will not be bound to institute proceedings to enforce its rights under the Trust Deed in respect of the Notes or to enforce the Security held by it unless, *inter alia*, (a) it has been so directed by an Extraordinary Resolution (as defined in "**Terms And Conditions Of The Notes**") of the Class A Noteholders or, if no Class A Notes are then outstanding, an Extraordinary Resolution of the Class B Noteholders, or, if no Class B Notes are then outstanding, an Extraordinary Resolution of the Class C Noteholders or (b) it has been so requested in writing by the holders of at least one fifth in Principal Amount Outstanding of the Class A Notes then outstanding or, if no Class A Notes are then outstanding, one fifth in Principal Amount Outstanding of the Class B Notes then outstanding or, if no Class B Notes are then outstanding, one fifth in Principal Amount Outstanding of the Class C Notes then outstanding and in any such case it has been indemnified or secured to its satisfaction.

Security Arrangements

Security for the Notes

The Notes will be obligations of the Issuer only. Pursuant to the Trust Deed, the Notes and the Class D Notes will be secured by the Security granted in favour of the Trustee.

Security

As continuing security for the payment or discharge of the monies and liabilities which from time to time are or may become due, owing or payable by the Issuer to each of the Secured Creditors under the Issuer Documents and, subject always to the right of redemption of the Issuer, the Issuer will create in favour of the Trustee, for itself and on trust for the Secured Creditors, in accordance with the terms of the Trust Deed:

(a) an assignment by way of first fixed security of the benefit of each Unit and all Unit Distributions;

(b) a first fixed security over the benefit of each Authorised Investment;

(c) a first fixed security over the benefit of the Issuer Account and the Cash Reserve Account and any other bank or other accounts in which the Issuer may at any time have or acquire any benefit;

(d) an assignment by way of first fixed security of the benefit of each Issuer Document (other than the Trust Deed, the Notes, the Class D Notes and the Coupons); and

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

"**Authorised Investments**" means (i) any Euro denominated investment or any time or other deposit in respect of which a security interest can be created pursuant to the Trust Deed and (ii) which has a rating of, or (in the case of a bank account or term deposit) is held at or made with an institution having a rating of, at least A-1+ from S&P and P-1 from Moody's and (iii) which matures, or (in the case of a bank account) from which amounts deposited may be withdrawn at any time without penalty, before the next Interest Payment Date ((i) to (iii) together the "**Authorised Investment Criteria**"). The Authorised Investment Criteria may be changed from time to time, subject to confirmation from the Rating Agencies that such change will not cause the then current rating of the Notes to be affected and subject to the prior written consent of the Trustee (who may rely on such confirmation from the Rating Agencies for the purpose of giving its consent).

"**Couponholders**" means the holders for the time being of the coupons appertaining to the Notes.

"**Secured Creditors**" means the Trustee in its capacity as creditor of the Issuer, the Noteholders, the Class D Noteholders, any receiver or liquidator of the Issuer (in its capacity as creditor of the Issuer), the Swap Counterparty, the Transaction Manager, the Liquidity Facility Provider, the Corporate Services Provider, the Registrar, the Transfer Agent, the Paying Agents, the Agent Bank, the Cash Reserve Account Bank and the Issuer Account Bank.

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

The Trustee shall hold the benefit of the Security for the Secured Creditors from time to time on the terms of the Trust Deed and shall deal with the Security and apply all payments, recoveries or receipts in respect of the Security in accordance with the Conditions of the Notes and the Trust Deed.

Only the Security shall be available to satisfy the Issuer's obligations under the Notes. Accordingly, recourse against the Issuer in respect of such obligations shall be limited to the Security and the claims of the Noteholders and the Class D Noteholders against the Issuer under the Trust Deed and the Notes may only be satisfied to the extent of the Security. Once the Security has been realised:

(a) neither the Trustee nor any of the Secured Creditors shall be entitled to take any further steps or other action against the Issuer to recover any sums due but unpaid;

(b) all claims in respect of any sums due but unpaid shall be extinguished; and

(c) neither the Trustee nor any of the Secured Creditors shall be entitled to petition or take any other step for the winding up, or the appointment of an examiner to, the Issuer.

The Security shall become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with the Conditions.

Authorised Investments

The Issuer has the right to make Authorised Investments using amounts standing to the credit of the Issuer Account and the Cash Reserve Account.

Final Legal Maturity

Application of the Available Distribution Amount (as defined in "**Distributions – Distributions from the Issuer Account**") on each Interest Payment Date is intended to be sufficient to make timely Unit Distributions of interest on the Notes and to reduce the Aggregate Principal Amount Outstanding of the Notes to zero no later than the Interest Payment Date falling in May 2035 (the "**Final Legal Maturity**"). The actual final redemption date of the Notes may be earlier, and could be substantially earlier, than the Final Legal Maturity.

Optional Redemption in Whole

The Issuer may, subject to and in accordance with the Conditions and the Trust Deed, at its option and with 30 days' prior notice, apply the Available Distribution Amount to redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with interest accrued thereon prior to the date fixed for redemption on any Interest Payment Date:

(a) following the Interest Payment Date on which the Aggregate Principal Outstanding Balance of the Mortgage Loans is equal to or less than 10 per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Loans as at the Collateral Determination Date;

(b) falling on or after the Step-up Date;

(c) after the date on which the Issuer is to make any payment in respect of the Notes or the Swap Counterparty is to make any payment in respect of the Swap Agreement and either the Issuer or the Swap Counterparty (as the case may be) would be required to make a deduction or withholding on account of tax in respect of such relevant payment; or

(d) after the date on which the Issuer would, by virtue of a change in the tax law of Ireland (or the application or official interpretation of such tax law), not be entitled to relief for the purposes of such tax law for any material amount which it is obliged to pay, or is treated as receiving for the purposes of such tax law under the Issuer Documents; or

(e) after the date of a change in the tax law of the Issuer's or the Fund's jurisdiction of incorporation (or the application or official interpretation of such tax law) which would cause the total amount payable in respect of any Unit Distributions to cease to be receivable by the Issuer including as a result of any of the Borrowers being obliged to make a deduction or withholding on account of tax in respect of any payment in relation to any Mortgage Asset or the Fund being obliged to make a deduction or withholding on account of tax in respect of any payment in relation to any Unit Distribution.

"**Aggregate Principal Outstanding Balance**" means, with respect to all Mortgage Assets at any time, the aggregate amount of the Principal Outstanding Balance (as defined in "**Distributions – Allocation of Realised Losses**" below) of each Mortgage Asset.

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

"**Fund Documents**" means the Mortgage Sale Agreement, the Mortgage Servicing Agreement, the Custodian Agreement, the Fund Regulation, the Unit Purchase Agreement, the Co-ordination Agreement and the Fund Operating Account Agreement".

"**Transaction Documents**" means the Issuer Documents, the Fund Documents and any other agreement or document entered into from time to time by the Issuer and/or Fund pursuant thereto or under which the Issuer and/or Fund directly or indirectly acquires or exchanges or may acquire or exchange funds for the purpose of financing the purchase or holding of Mortgage Assets or any part thereof under the Mortgage Sale Agreement or the Mortgage Servicing Agreement.

Mandatory Redemption in Part

Prior to the delivery of an Enforcement Notice, each class of Notes and the Class D Notes will be subject to mandatory early redemption in part on each Interest Payment Date on which the Issuer has received amounts that are available for redeeming the relevant class of Notes and the Class D Notes in accordance with the terms and conditions of the relevant class of Notes and the Class D Notes.

Form of the Notes

In certain circumstances Notes in definitive form may be issued. The Notes of each class will initially be in the form of a Temporary Global Note which will be deposited on or around the Closing Date with a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Note of each class of Notes will be exchangeable in whole or in part for interests in a Permanent Global Note of each class of Notes not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under any Temporary Global Note unless an exchange for interests in the Permanent Global Note of such class of Notes is improperly withheld or refused. In addition, interest payments in respect of the Notes of any class cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note of each class of Notes will become exchangeable in whole, but not in part, for Definitive Notes in the denomination of euro 50,000 each at the request of the bearer of the Permanent Global Note of such class of Notes against presentation and surrender of the Permanent Global Note of such class of Notes to the Principal Paying Agent if either of the following events (each an "**Exchange Event**") occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8(d) of the Notes occurs.

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

So long as all the Notes of a particular class are represented by the Temporary Global Note and/or the Permanent Global Note of such class and the same is/are held on behalf of Clearstream, Luxembourg and/or Euroclear, notices to Noteholders of the relevant class may be given by delivery to Clearstream, Luxembourg and Euroclear for communication by them to entitled accountholders in substitution for publication as required by the Terms And Conditions Of The Notes, provided that, so long at the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort).

Cancellation of any Note represented by a Global Note will be effected by reduction in the principal amount of that Global Note.

In considering the interests of Noteholders while any Global Note is held on behalf of Clearstream, Luxembourg or Euroclear, the Trustee may have regard to any information provided to it by such clearing system as to the identity (either individually or by category) of its accountholders with entitlement to such Global Note and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note.

In addition, the Temporary Global Note and the Permanent Global Note of each class of Notes will contain provisions which modify the Terms And Conditions Of The Notes as they apply to the Temporary Global Note and the Permanent Global Note of such class of Notes. The following is a summary of certain of these provisions:

Payments

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

A record of each payment made on a Global Note, distinguishing between any payment of interest and principal will be endorsed on such Global Note by the Principal Paying Agent to which such Global Note was presented for the purpose of making such payment and such record shall be prima facie evidence that the payment in question has been made.

Transfers

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

Transfers

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

Taxes

All payments of principal and interest in respect of the Notes will be made by the Issuer without deduction or withholding for or on an account of any present or future taxes or other duties of whatever nature unless the Issuer is required by law to make such deduction or withholding. There is no "gross-up" provision in the Notes requiring additional payments to be made in respect thereof in the event that any such deduction or withholding is imposed.

Paying Agents

The Issuer will appoint DBAG London, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB as Principal Paying Agent with respect to payments due under the Notes and, so long as the Notes are listed on the Luxembourg Stock Exchange, will appoint Deutsche Bank, Luxembourg S.A. acting through its office at 2, Boulevard Konrad Adenauer, L-1115, Luxembourg as Paying Agent. The Issuer will procure that, for so long as any Notes are outstanding, there will always be a Paying Agent to perform the functions assigned to it. The Issuer may at any time, by giving not less than 30 days notice, replace the Paying Agent by one or more banks or other financial institutions which will assume such functions although while the Notes are listed on the Luxembourg Stock Exchange, there will always be a Paying Agent based in Luxembourg. As consideration for performance of the paying agency services, the Issuer will pay the Paying Agents a fee.

Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Notices

So long as the Notes are listed on the Luxembourg Stock Exchange, and its rules so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort).

Governing Law

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

Distributions

The Units

On the Closing Date, the Issuer will acquire Units from DBAG London pursuant to an agreement between the Issuer and DBAG London for the purchase of Units (the "**Unit Assignment Agreement**") at a purchase price equal to the Principal Amount Outstanding of the Notes and the issue proceeds of the Class D Notes on such day, net of certain up-front expenses incurred by the Issuer and net of an amount equal to €2,800,000 which shall be deposited in the Cash Reserve Account. DBAG London will acquire, by way of a Unit purchase agreement (the "**Unit Purchase Agreement**"), the Units from the Fund at a purchase price equal to the purchase price received by it from the issue for the Units and will transfer the Units to the Issuer immediately thereafter. The Units are issued in the nominal value of €1,000,000 each on the Closing Date. The nominal value of the Units is subject to amortisation by reference to the Unit Distributions paid from time to time. The Units will be in book-entry form and the interest of the Issuer as Unitholder will, on the Closing Date, be registered on the register of Unitholders maintained by the Custodian.

Accounts

Collection Account

All Collections received by the Servicer from a Borrower pursuant to a Mortgage Asset will be credited by the Servicer to the Collection Account. The Collection Account will be operated by the Servicer in accordance with the terms of the Mortgage Servicing Agreement. The Servicer will on each Lisbon Business Day transfer to the Fund Operating Account all amounts credited to the Collection Account on the previous Lisbon Business Day as such amounts relate to the Mortgage Assets.

Fund Operating Account

The Custodian, on behalf of the Fund will establish the Fund Operating Account in the name of the Fund at the Fund Operating Account Bank. The Fund Operating Account will be operated by the Custodian in accordance with the terms of the Custodian Agreement and the Fund Operating Account Agreement. A downgrade of the rating of the Fund Operating Account Bank by the Rating Agencies below the Minimum Short-term Rating will require the Custodian, on behalf of the Fund, to transfer the Fund Operating Account to a bank whose rating meets or exceeds the Minimum Short-term Rating.

Issuer Account

The Issuer will establish an account in its own name at the Issuer Account Bank (the "**Issuer Account**"). The Issuer Account will be operated by the Transaction Manager in accordance with the terms of the Transaction Management Agreement, the Issuer Account Bank Agreement and the Trust Deed. A downgrade of the rating of the Issuer Account Bank by the Rating Agencies below the Minimum Short-term Rating will require the Transaction Manager, on behalf of the Issuer, to transfer the Issuer Account to a bank whose rating meets or exceeds the Minimum Short-term Rating.

Unit Distributions

On each Fund Distribution Date, the Collection Proceeds received during the respective Collection Period and standing to the credit of the Fund Operating Account will be applied by the Custodian on such Fund Distribution Date in making the following payments or provisions in the following order of priority ("**Unit Distribution Payments Priorities**"), but in each case only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for have been made in full:

(a) in or towards *pari passu* on a *pro rata* basis payment of an amount equal to any Incorrect Payments to the Originator and any Borrower Repayment Amount;

(b) in or towards payment of the Fund Expenses; and

(c) in or towards payment of Unit Distributions (each a "**Unit Distribution**").

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

"**Collateral Determination Date**" means 30 April 2002.

"**Collection Period**" means the period beginning on the Collateral Determination Date and ending on 31 July 2002 and each consecutive period of three months thereafter.

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

"**Collections**" means in relation to any Mortgage Assets all cash collections, and other cash proceeds thereof including any and all (a) principal, interest, fees, late payment, prepayment or similar charges which the Originator or the Servicer applies in the ordinary course of its business to amounts owed in respect of such Mortgage Assets, (b) Liquidation Proceeds, (c) Repurchase Proceeds (each as defined below) and (d) any subsidies from the Portuguese Government in respect of such Mortgage Assets.

"**Custodian's Fees**" means the fee payable by the Fund to the Custodian in arrear on a quarterly basis.

"**Custodian's Liabilities**" means any losses, liabilities, damages, costs, awards, expenses (including reasonable legal fees) and penalties due and payable by the Fund to the Custodian together with any interest which has accrued due and payable in a Collection Period in respect of such amounts.

"**Fund Expenses**" means the supervision fee due and payable by the Fund to the CMVM, the Fund Manager's Fees, the Fund Manager's Liabilities, the Custodian's Fees, the Custodian's Liabilities, the Fund Operating Account Fees, the Servicer Fee, the Servicer Expenses, any amounts due and payable by the Fund to third parties including any losses, liabilities, damages, costs, awards, expenses and penalties payable in a Collection Period in connection with the purchase by the Fund of the Mortgage Assets, any filing or registration of any Fund Documents, any Portuguese laws to which the Fund is subject, any legal and audit fees and other professional advisory fees (incurred by or on behalf of the Fund).

"**Fund Manager's Fees**" means the fee payable by the Fund to the Fund Manager in arrear on a quarterly basis.

"**Fund Manager's Liabilities**" means any losses, liabilities, damages, costs, awards, expenses and penalties due and payable by the Fund to the Fund Manager in accordance with the terms of the Fund Regulation, together with any interest which has accrued due and payable in a Collection Period in respect of such amounts in accordance with the provisions of the Fund Regulation.

"**Fund Operating Account Fees**" means the fees and expenses payable to the Fund Operating Account Bank in consideration of the services provided (and related expenses incurred) by the Fund Operating Account Bank in accordance with the Fund Operating Account Agreement.

"**Fund Operating Account Agreement**" means an agreement dated the Signing Date between the Fund, the Fund Operating Account Bank and the Custodian.

"**Incorrect Payments**" means a payment incorrectly paid or transferred to the Fund Operating Account, identified as such by the Servicer and confirmed by the Fund Manager or the Custodian.

"**Interest Collection Proceeds**" means, in respect of any day, the portion of the aggregate amount that has been credited to the Collection Account that relates to the Interest Component (as defined below) of the Mortgage Assets.

"**Interest Component**" of a Mortgage Asset means:

(a) all interest collected and to be collected thereunder from the Closing Date which shall be determined, in respect of the Mortgage Assets, on the basis of the rate of interest specified in the relevant Mortgage Asset Agreement;

(b) all late payment penalties, prepayment penalties and similar charges;

(c) all Liquidation Proceeds in respect of the Mortgage Assets (other than Written-off Mortgage Assets) allocated to interest;

(d) all Collections in respect of Written-off Mortgage Assets;

(e) all Repurchase Proceeds allocated to interest; and

(f) all amounts received from the Portuguese Government in relation to subsidised Mortgage Assets to the extent that such amounts have accrued since the Closing Date.

"**Liquidation Proceeds**" of a Mortgage Asset means net proceeds of realisation of the Mortgage Asset Portfolio 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 such Receivable and available to be applied thereon.

"**Principal Collection Proceeds**" means, in respect of any business day, the portion of the aggregate amount that has been credited to the Collection Account that relates to the Principal Component (as defined below) of the Mortgage Asset.

"**Principal Component**" of a Mortgage Asset means:

(a) all cash collections and other cash proceeds of such Mortgage Asset 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;

(b) all Liquidation Proceeds in respect of such Mortgage Asset (other than Liquidation Proceeds arising after such Mortgage Asset becomes a Written-off Mortgage Asset) allocated to principal; and

(c) all Repurchase Proceeds allocated to principal.

"**Receivables**" means the Principal Components and the Interest Components.

"**Repurchase Proceeds**" of a Mortgage Asset means such amounts as are received by the Fund pursuant to the sale of certain Mortgage Assets by the Fund to the Originator pursuant to the Mortgage Sale Agreement.

"**Servicer Expenses**" means the amounts payable to the Servicer:

(1) in connection with the enforcement of any Mortgage Assets and/or the protection or enforcement of the Fund's rights and remedies in relation to such enforcement in a Collection Period; and

(2) in respect of any other losses, liabilities, damages, costs, awards, expenses and penalties properly and reasonably incurred by the Servicer in the performance of the Servicer's functions under the Mortgage Servicing Agreement in a Collection Period together with any interest which has accrued due and payable in the immediately preceding Collection Period in respect of such amounts in accordance with the provisions of the Mortgage Servicing Agreement.

"**Servicer Fee**" means the fee due and payable to the Servicer (and/or, if applicable, a replacement Servicer) quarterly in arrear, calculated by reference to the Principal Outstanding Balance of the Mortgage Assets as at the first day of each preceding Collection Period and payable by the Fund on such Interest Payment Date.

"**Signing Date**" means 06 June 2002.

"**Written-off Mortgage Asset**" means on any day, any Receivables in respect of a Mortgage Asset which:

(a) twelve or more monthly or four or more quarterly or two or more semi-annual instalments (as the case may be) have not been paid by the respective Instalment Due Dates relating thereto and are outstanding on such day of determination;

(b) the Liquidation Proceeds have been realised;

(c) enforcement proceedings have been commenced against the relevant Borrower for recovery of amounts outstanding under the Mortgage Asset Agreement or proceedings have been commenced by or against the relevant Borrower for such Borrower's bankruptcy or insolvency, in particular any proceedings against the relevant Borrower under the Code for the Bankruptcy and Recovery of Companies introduced by Decree Law 132/93 of 23 April; or

(d) a classification as a Written-off Mortgage Asset has been made by the Servicer.

General

On each Fund Distribution Date, the Custodian on behalf of the Fund will distribute to each Unitholder its proportionate share of the Unit Distributions due on such date by transferring such amounts to the relevant account of the relevant Unitholder specified in the relevant Unit Distribution Direction.

The parties hereto agree that all payments from the Fund Operating Account may only be made out of amounts standing to the credit of such account to the extent that such payment does not cause the account to become overdrawn and the Custodian undertakes not to cause the Fund Operating Account to become overdrawn.

Distributions from Cash Reserve Account

An account will be established by or on behalf of the Issuer on or prior to the Closing Date with the Cash Reserve Account Bank (the "**Cash Reserve Account**"). The initial balance of the Cash Reserve Account will be €2,800,000. On each Interest Payment Date, to the extent that moneys are available for the purpose, further amounts (if required) will be credited to the Cash Reserve Account until the amount standing to the credit thereof equals the Cash Reserve Account Required Balance.

The Cash Reserve Account will provide the Issuer with limited funds in order, when necessary, to reduce or eliminate any interest payment shortfall on an Interest Payment Date.

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

"**Cash Reserve Account Required Balance**" means an amount equal to the sum of (a) EUR 3,875,000 and (b) if the Delinquency Ratio exceeds 4.5 per cent., an amount equal to 10 per cent. multiplied by the Aggregate Principal Outstanding Balance of Delinquent Mortgage Assets and (c) if the BIS Trigger Event occurs, EUR 1,250,000 and (d) if a Liquidity Loan Drawing is made by the Issuer due to downgrade of the Liquidity Facility Provider or due to non-renewal by the Liquidity Facility Provider or as otherwise required by the Rating Agencies, such additional amount as may be agreed with the Rating Agencies at the time such Liquidity Loan Drawing is made.

"**Delinquent Mortgage Asset**" means on any day, any Mortgage Asset which is not a Written-off Mortgage Asset and in respect of which three or more monthly instalments or one or more quarterly instalments or semi-annual instalments have not been paid by the Instalment Due Date relating thereto and which remain unpaid.

"**Delinquency Ratio**" means as at the date of calculation the Aggregate Outstanding Principal Amount of Delinquent Mortgage Assets divided by the Aggregate Outstanding Principal Amount of all Mortgage Assets as at the Collateral Determination Date, in each case, determined from the latest Quarterly Report.

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

"**BIS Trigger Event**" means the solvency ratio maintained by BNC for regulatory capital purposes, as measured by the Bank for International Settlements, falls below 8.5 per cent.

Distributions from the Issuer Account

All moneys received by the Issuer by way of Unit Distributions will be paid into the Issuer Account. Five Business Days prior to each Interest Payment Date (the "**Determination Date**"), the Transaction Manager will calculate, based on information provided by the Servicer and the Custodian, the Available Distribution Amount (as defined below).

"**Available Distribution Amount**" in respect of any Collection Period will comprise the Available Interest Distribution Amount and the Available Principal Distribution Amount in respect of the same Collection Period.

"**Available Interest Distribution Amount**" means, in respect of any Collection Period, an amount equal to the sum of (a) the amount of any (i) Interest Collection Proceeds received by the Issuer as Unit Distributions on the relevant Fund Distribution Date plus (ii) payment (if any) received from the Swap Counterparty in respect of such Collection Period less (iii) any amounts paid from the Fund Operating Account in or towards Incorrect Payments and Borrower Repayment Amounts (to the extent that such amounts relate to the Interest Component of any Mortgage Assets), and Fund Expenses; (b) where, during such Collection Period, the proceeds of disposal or on maturity of Authorised Investment exceeds the original cost of such Authorised Investment, the amount of such excess; (c) any amounts standing to the balance of the Cash Reserve Account; (d) any amounts received under any LF Revolving Drawing and any Liquidity Revolving Drawing during any Liquidity Loan Period to be made on the Interest Payment Date following such Collection Period; and (e) interest accrued and credited to the Issuer Account.

"**Available Principal Distribution Amount**" means, in respect of any Collection Period, the amount of any Principal Collection Proceeds received by the Issuer as Unit Distributions on the relevant Fund Distribution Date less any amounts paid from the Fund Operating Account in or towards Incorrect Payments and Borrower Repayment Amounts, to the extent that such amounts relate to the Principal Component of any Mortgage Assets.

Interest

Payment of interest on the Notes will commence on the Interest Payment Date falling in August and thereafter quarterly in arrear in accordance with the Conditions as on each 15th day of November, February, May and August in each calendar year, or if each such day is not a Business Day, the next succeeding Business Day. Each period beginning on (and including) the Closing Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is referred to as an "**Interest Period**". For the avoidance of doubt, interest accrues from day to day regardless of whether or not such day is a Business Day.

Interest on the Class A Notes, the Class B Notes and the Class C Notes is payable at an annual rate equal to the sum of EURIBOR (determined as described herein) and the Applicable Margin (as defined below) on the basis of a 360 day year and the actual number of days elapsed. The "**Applicable Margin**" will be as follows:

Class A Notes, 0.21 per cent. per annum prior to the Step-Up Date at 0.42 per cent. per annum thereafter;

Class B Notes, 0.38 per cent. per annum prior to the Step-Up Date at 0.76 per cent. per annum thereafter; and

Class C Notes, 0.55 per cent. per annum prior to the Step-Up Date at 1.10 per cent. per annum thereafter.

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

To the extent that the Available Interest Distribution Amount is insufficient to pay the interest accrued on any Notes (including any interest which accrued prior to the beginning of the Interest Period ending on that Interest Payment Date), such shortfall shall cease to be payable on such Interest Payment Date and shall become payable on the next Interest Payment Date. Interest will not accrue on any such shortfall irrespective of the period for which it remains outstanding.

Business Days

A "**Business Day**" for the purpose of the Notes, means a Target Day or, if such Target Day is not a day on which banks are open for business in London, the next succeeding Target Day on which banks are open for business in London. 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 succeeding business day (as defined above) 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.

London and Lisbon Business Day

A "**London and Lisbon Business Day**" means any day on which banks are open for business in both London and Lisbon.

Lisbon Business Day

A "**Lisbon Business Day**" means any day on which banks are open for business in Lisbon.

Pre-Enforcement Interest Payment Date Interest Payments Priorities

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

(a) first, in or towards payment of the Issuer's liability to tax, if any;

(b) second, in or towards payment of the Trustee Fees and the Trustee Liabilities;

(c) third, in or towards payment of the Issuer Expenses in an amount not exceeding the Expenses Cap;

(d) fourth, in or towards payment of accrued interest under the Liquidity Facility Agreement on such Interest Payment Date together with any commitment fees or other amounts (other than principal) which have fallen due pursuant to the Liquidity Facility Agreement;

(e) fifth, either (i) in or towards payments of amounts in respect of any LF Revolving Drawing which are due, or which are otherwise to be prepaid, to the Liquidity Facility Provider under the Liquidity Facility Agreement, or (ii) in or towards payment of amounts in respect of any Liquidity Revolving Drawing to be repaid to the Liquidity Ledger (as defined below in "**Liquidity Ledger**") (such terms as defined in "**Overview Of Certain Transaction Documents – Liquidity Facility Agreement**") which is due or is otherwise to be repaid on such Interest Payment Date;

(f) sixth, in or towards payment of amounts due to the Swap Counterparty under the Swap Agreement (except for such amounts as are payable in connection with an early termination of the Swap Agreement);

(g) seventh, in or towards payment *pari passu* on a pro rata basis (i) of accrued interest on the Class A Notes but so that current interest will be paid before interest that is past due and (ii) of amounts due to the Swap Counterparty in connection with an early termination of the Swap Agreement other than where such early termination results from a default by the Swap Counterparty or where the Swap Counterparty is the sole Affected Party (as defined in the Swap Agreement);

(h) eighth, in or towards reduction of the debit balance on the Class A Principal Deficiency Ledger (as defined below) to zero;

(i) ninth, in or towards payment of accrued interest on the Class B Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;

(j) tenth, in or towards reduction of the debit balance on the Class B Principal Deficiency Ledger (as defined below) to zero;

(k) eleventh, in or towards payment of accrued interest on the Class C Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;

(l) twelfth, in or towards reduction of the debit balance on the Class C Principal Deficiency Ledger (as defined below) to zero;

(m) thirteenth, in or towards payment of amounts due to the Swap Counterparty in connection with an early termination of the Swap Agreement where such early termination results from a default by the Swap Counterparty or where the Swap Counterparty is the sole Affected Party (as defined in the Swap Agreement);

(n) fourteenth, in or towards payment of any Issuer Expenses not paid under sub-paragraph (c) above;

(o) fifteenth, in or towards payment of the CRA Required Reserve;

(p) sixteenth, in payment of amounts due under the Class D Notes; and

(q) seventeenth, in release of the balance (if any) to the Issuer or to its order,

"**CRA Required Reserve**" shall mean the amount of monies required on an Interest Payment Date to be credited to the Cash Reserve Account so that the balance on such account is not less than the Cash Reserve Account Required Balance.

"**Expenses Cap**" means, with respect to the Issuer Expenses, in any period of 12 months, an amount not exceeding (i) 0.05 per cent. of the Principal Amount Outstanding of the Notes on the earliest Payment Date falling in such period or (ii) €120,000 per annum.

"**Issuer Expenses**" means any fees, liabilities and expenses payable by the Issuer to the Transaction Manager (or any successor), any Paying Agent, the Issuer Account Bank, the Cash Reserve Account Bank, the Agent Bank, the Transfer Agent, the Registrar, the Liquidity Facility Provider, the Corporate Services Provider and any third party expenses in each case that would be paid or provided for by the Issuer on the next Interest Payment Date in accordance with paragraph (c) of the Pre-Enforcement Interest Payment Date Interest Payments Priorities (as defined above).

"**Trustee Fees**" means the fees payable by the Issuer to the Trustee in accordance with the Trust Deed.

"**Trustee Liabilities**" means any liabilities due and payable by the Issuer to the Trustee in accordance with the terms of the Trust Deed together with interest payable in accordance with the terms of the Trust Deed accrued due in the immediately preceding Collection Period.

Determination of Euribor

EURIBOR will be determined by the Agent Bank in accordance with the following provisions:

(1) on the second Business Day prior to the commencement of each Interest Period (each such day, an "**Interest Determination Date**"), the Agent Bank will determine the annual rate of interest for three-month Euro deposits or, in the case of the period from the date of issue of the Notes to the Interest Payment Date falling in August 2002, at a rate obtained by the linear interpolation of the European Interbank Offered Rate for two month and three month Euro deposits which appears on Telerate Page 248 (as defined in the International Swap and Derivatives Association Inc. 2000 ISDA Definitions) as of 11:00 a.m. (Brussels time) on the relevant Interest Determination Date;

(2) if, on any Interest Determination Date, the rate referred to in (1) above is unavailable, the Agent Bank will request the Reference Banks (as defined below) to provide the Agent Bank with their offered quotations to leading banks in the Euro-zone interbank market for three-month Euro deposits as at 11:00 a.m. (Brussels time) on the relevant Interest Determination Date and, subject as provided below, will determine the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of one per cent.) of such offered quotations. As used herein, "**Reference Banks**" means four leading banks active in the Euro-zone interbank market selected by the Agent Bank;

(3) if, on any Interest Determination Date, less than all but at least two of the Reference Banks provide such offered quotations, the Agent Bank will determine a rate in accordance with (2) above on the basis of the offered quotations of those Reference Banks providing such quotations; and

(4) if, on any Interest Determination Date, only one of the Reference banks provides the Agent Bank with such offered quotations, the Agent Bank will determine a rate for such Interest Determination Date on the basis of such annual rate of interest as the Agent Bank considers to be representative of the rates at which three-month Euro deposits are offered by leading banks in the Euro-zone interbank market as of 11:00 a.m. (Brussels time) on such Interest Determination Date.

Pre-Enforcement Interest Payment Date Principal Payments Priorities

Prior to the delivery of an Enforcement Notice, the Available Principal Distribution Amount determined by the Transaction Manager in respect of the Collection Period immediately preceding each Interest Payment Date, together with such amount of the Available Interest Distribution Amount as is credited to the Issuer Account and which is applied by the Transaction Manager on the relevant Interest Payment Date in reducing the debit balance on the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger or the Class C Principal Deficiency Ledger will be applied by the Transaction Manager on each Interest Payment Date in making the following payments in the following order of priority (the "**Pre-Enforcement Interest Payment Date Principal Payments Priorities**") but in each case only to the extent that all payments of a higher priority that fall due to be paid on such Interest Payment Date have been made in full:

(a) first, 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;

(b) second, 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;

(c) third, 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

(d) fourth, in or towards payment *pari passu* on a *pro rata* basis of the principal amounts due under the Class D Notes.

Post-Enforcement Payments Priorities

Following the delivery of an Enforcement Notice, the Available Distribution Amount will be applied by the Transaction Manager or the Trustee in making the following payments in the following order of priority but in each case only to the extent that all payments of a higher priority have been made in full:

(a) first, in or towards payment *pari passu* on a *pro rata* basis of (i) any remuneration then due and payable to any receiver of the Issuer and all costs, expenses and charges incurred by such receiver and (ii) in or towards payment of the Trustee Fees and the Trustee Liabilities;

(b) second, in or towards payment only when due and *pari passu* with each other on a *pro rata* basis any fees, costs and expenses payable by the Issuer to the Transaction Manager (or any successor), any Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Issuer Account Bank, the Cash Reserve Account Bank, the Corporate Services Provider and any third party expenses;

(c) third, in or towards payment of accrued interest under the Liquidity Facility Agreement on such Interest Payment Date together with any commitment fees or other amounts (other than principal) which have fallen due pursuant to the Liquidity Facility Agreement;

(d) fourth, either (i) in or towards payments of amounts in respect of any LF Revolving Drawing which are due, or which are otherwise to be prepaid to the Liquidity Facility Provider under the Liquidity Facility Agreement, or (ii) in or towards payment of amounts in respect of any Liquidity Loan Drawing to be repaid to the Liquidity Ledger which is due or is otherwise to be repaid on such Interest Payment Date;

(e) fifth, in or towards payment of amounts due to the Swap Counterparty under the Swap Agreement (except for such amounts as are payable in connection with an early termination of the Swap Agreement);

(f) sixth, in or towards payment *pari passu* on a *pro rata* basis (i) of accrued interest on the Class A Notes but so that current interest will be paid before interest that is past due and (ii) of amounts due to the Swap Counterparty in connection with an early termination of the Swap Agreement other than where such early termination results from a default by the Swap Counterparty or where the Swap Counterparty is the sole Affected Party (as defined in the Swap Agreement);

(g) seventh, 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;

(h) eighth, in or towards payment of accrued interest on the Class B Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;

(i) ninth, 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;

(j) tenth, in or towards payment of accrued interest on the Class C Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;

(k) eleventh, 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;

(l) twelfth, in or towards payment of amounts due to the Swap Counterparty in connection with an early termination of the Swap Agreement where such early termination results from a default by the Swap Counterparty or where the Swap Counterparty is the sole Affected Party (as defined in the Swap Agreement); and

(m) thirteenth, in or towards payment of amounts due under the Class D Notes.

"**Issuer Documents**" means the Master Framework Agreement, this Offering Circular, the Subscription Agreement, the Class D Note Purchase Agreement, the Trust Deed, the Notes, the Swap Agreement, the Class D Notes, the Coupons, the Transaction Management Agreement, the Unit Assignment Agreement, the Paying Agency Agreement, the Issuer Account Bank Agreement, the Cash Reserve Account Agreement, the Liquidity Facility Agreement, the Co-ordination Agreement and the Corporate Services Agreement (each as defined herein) and any other agreement or document entered into from time to time by the Issuer pursuant thereto.

Allocation of Realised Losses

A principal deficiency ledger comprising three sub-ledgers (the "**Class A Principal Deficiency Ledger**", the "**Class B Principal Deficiency Ledger**" and the "**Class C Principal Deficiency Ledger**" and together the "**Principal Deficiency Ledgers**") will be established in order to record any Realised Loss (as defined below) on the Mortgage Asset (each a "**Principal Deficiency**"). Any principal deficiency will be deemed debited to the Class C Principal Deficiency Ledger so long as the debit balance on the Class C Principal Deficiency Ledger is not greater than the Principal Amount Outstanding on the Class C Notes. Thereafter, any Principal Deficiency will be deemed debited to the Class B Principal Deficiency Ledger so long as the debit balance on the Class B Principal Deficiency Ledger is not greater than the Principal Amount Outstanding on the Class B Notes. Thereafter, any Principal Deficiency will be deemed debited to the Class A Principal Deficiency Ledger.

"**Principal Outstanding Balance**" means in relation to any Mortgage Assets and on any date, the aggregate of:

(a) the original principal amount advanced to the Borrower; plus

(b) any other disbursement, legal expense, fee, charge or premium capitalised; plus

(c) any further advance of principal to the Borrower; less

(d) any repayments of such amounts,

but, in respect of each Written-off Mortgage Asset the Principal Outstanding Balance of such Mortgage Asset will be deemed to be zero.

"**Realised Loss**" means, with respect to a Written-off Mortgage Asset, the Principal Outstanding Balance of such Mortgage Asset after receipt of all Collections, Repurchase Proceeds and other recoveries, if any, on such Receivables which will be applied first to outstanding expenses incurred with respect to such Mortgage Asset, then to accrued and unpaid interest and, finally, to principal.

Liquidity Ledger

The Transaction Manager, on behalf of the Issuer, will be required to maintain, as a record in the books of the Issuer, a liquidity ledger ("**Liquidity Ledger**") to record amounts added to such ledger upon the making of a Liquidity Loan Drawing and any Liquidity Revolving Drawings made from such ledger to reduce or eliminate any Liquidity Shortfall (see "**Overview Of Certain Transaction Documents – Liquidity Facility Agreement**" below).

Estimated Average Life Of The Notes And Assumptions

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in reduction of principal of such security (assuming no losses). The weighted average lives of the Notes will be influenced by, among other things, the rate at which the Principal Component of the Mortgage Assets is paid which may be in the form of scheduled amortisation, prepayments, or enforcement proceeds.

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

The following tables have been prepared on the basis of certain assumptions as described below regarding the characteristics of the Mortgage Assets and the performance thereof. The tables assume, among other things, that:

(a) as of the Closing Date the Mortgage Assets consist of two hypothetical mortgage loans having the following characteristics:

	Aggregate Principal Outstanding Balance (€)	**Weighted Average Interest Rate (per cent per annum)**	**Remaining Term (months)**
Loan 1	49,341,852	7.8551	225
Loan 2	200,658,148	5.2671	264

(b) the Originator does not repurchase any Mortgage Assets;

(c) there are no delinquencies or Realised Losses on the Mortgage Assets;

(d) no Principal Deficiency arises;

(e) no Mortgage Loan is sold by the Issuer;

(f) payments on the Notes will be received on the 15th day of February, May, August, and November commencing August 2002; and

(g) in the case of tables stating "With Optional Redemption" the Notes are redeemed at their Principal Amount Outstanding on earlier of (i) the Payment Date following the Payment Date on which the aggregate Principal Amount Outstanding of the Notes is less than or equal to 10% of the initial Principal Amount Outstanding of the Notes and (ii) the Step-Up Date.

The actual characteristics and performance of the Mortgage Assets will differ from the assumptions used in constructing the tables set forth below. The tables are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Mortgage Assets will prepay at a constant rate until maturity, that all of the Mortgage Assets will prepay at the same rate or that there will be no delinquencies or losses on the Mortgage Assets. Moreover, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity of the Mortgage Loans is as assumed. Any difference between such assumptions and the actual characteristics and performance of the Mortgage Assets, or actual prepayment or loss experience, will affect the percentages of the initial amount outstanding over time and the weighted average lives of the Notes.

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

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average life of each class of Notes and the percentages of the initial Principal Amount Outstanding of each such class of Notes after each Payment Date at the CPRs shown.

Percentage of Original Principal Amount Outstanding of the Class A Notes at the Specified CPR Percentages

(without Optional Redemption)

Date	0% CPR	6% CPR	8% CPR	10% CPR	12% CPR	14% CPR
Closing Date	100	100	100	100	100	100
May 2003	97	91	89	87	85	82
May 2004	94	82	79	75	71	68
May 2005	91	74	69	64	60	55
May 2006	88	67	61	55	49	44
May 2007	85	60	53	47	41	35
May 2008	81	53	46	39	33	28
May 2009	77	47	39	33	27	21
May 2010	73	41	33	27	21	16
May 2011	69	36	28	21	16	11
May 2012	65	31	23	17	12	8
May 2013	60	26	19	13	8	4
May 2014	55	22	15	9	5	2
May 2015	49	17	11	6	2	0
May 2016	44	13	8	3	*	0
May 2017	38	10	5	1	0	0
May 2018	31	6	2	0	0	0
May 2019	24	3	0	0	0	0
May 2020	17	0	0	0	0	0
May 2021	10	0	0	0	0	0
May 2022	4	0	0	0	0	0
May 2023	0	0	0	0	0	0
May 2024	0	0	0	0	0	0
Weighted Average Life (years)	12.09	7.35	6.33	5.50	4.83	4.28
Principal Payment Window	Aug 02 - Feb 23	Aug 02 - May 20	Aug 02 - Feb 19	Aug 02 - Nov 17	Aug 02 - Aug 16	Aug 02 - Feb 15
(with Optional Redemption)						
Weighted Average Life (years)	6.22	5.01	4.66	4.33	4.03	3.74
Principal Payment Window	Aug 02 - May 09	Aug 02 - May 09	Aug 02 - May 09	Aug 02 - May 09	Aug 02 - May 09	Aug 02 - May 09

* Indicates a number that is greater than zero but less than 0.50%.

Percentage of Original Principal Amount Outstanding of the Class B Notes at the Specified CPR Percentages

(without Optional Redemption)

Date	0% CPR	6% CPR	8% CPR	10% CPR	12% CPR	14% CPR
Closing Date	100	100	100	100	100	100
May 2003	100	100	100	100	100	100
May 2004	100	100	100	100	100	100
May 2005	100	100	100	100	100	100
May 2006	100	100	100	100	100	100
May 2007	100	100	100	100	100	100
May 2008	100	100	100	100	100	100
May 2009	100	100	100	100	100	100
May 2010	100	100	100	100	100	100
May 2011	100	100	100	100	100	100
May 2012	100	100	100	100	100	100
May 2013	100	100	100	100	100	100
May 2014	100	100	100	100	100	100
May 2015	100	100	100	100	100	88
May 2016	100	100	100	100	100	46
May 2017	100	100	100	100	56	11
May 2018	100	100	100	70	18	0
May 2019	100	100	84	27	0	0
May 2020	100	94	32	0	0	0
May 2021	100	32	0	0	0	0
May 2022	100	0	0	0	0	0
May 2023	50	0	0	0	0	0
May 2024	0	0	0	0	0	0
Weighted Average Life (years)	21.05	18.76	17.71	16.52	15.25	14.00
Principal Payment Window	Feb 23 - Nov 23	May20 - Feb 22	Feb 19 - Feb 21	Nov 17 - Feb 20	Aug16 - Feb 19	Feb 15 - Nov 17
(with Optional Redemption)						
Weighted Average Life (years)	6.93	6.93	6.93	6.93	6.93	6.93
Principal Payment Window	May 09 - May 09	May 09 - May 09	May 09 - May 09	May 09 - May 09	May 09 - May 09	May 09 - May 09

Percentage of Original Principal Amount Outstanding of the Class C Notes at the Specified CPR Percentages

(without Optional Redemption)

Date	0% CPR	6% CPR	8% CPR	10% CPR	12% CPR	14% CPR
Closing Date	100	100	100	100	100	100
May 2003	100	100	100	100	100	100
May 2004	100	100	100	100	100	100
May 2005	100	100	100	100	100	100
May 2006	100	100	100	100	100	100
May 2007	100	100	100	100	100	100
May 2008	100	100	100	100	100	100
May 2009	100	100	100	100	100	100
May 2010	100	100	100	100	100	100
May 2011	100	100	100	100	100	100
May 2012	100	100	100	100	100	100
May 2013	100	100	100	100	100	100
May 2014	100	100	100	100	100	100
May 2015	100	100	100	100	100	100
May 2016	100	100	100	100	100	100
May 2017	100	100	100	100	100	100
May 2018	100	100	100	100	100	82
May 2019	100	100	100	100	86	58
May 2020	100	100	100	89	59	39
May 2021	100	100	88	58	38	24
May 2022	100	85	55	36	23	14
May 2023	100	41	26	16	10	6
May 2024	0	0	0	0	0	0
Weighted Average Life (years)	21.71	20.85	20.27	19.55	18.73	17.81
Principal Payment Window	Nov 23 - May 24	Feb 22 - May 24	Feb 21 - May 24	Feb 20 - May 24	Feb 19 - May 24	Nov 17 - May 24

(with Optional Redemption)

Weighted Average Life (years)	6.93	6.93	6.93	6.93	6.93	6.93
Principal Payment Window	May 09 - May 09	May 09 - May 09	May 09 - May 09	May 09 - May 09	May 09 - May 09	May 09 - May 09

Use Of Proceeds

Proceeds of the Notes

The proceeds of the issue of the Notes, net of underwriting fees, are €249,350,000. The Issuer will apply the proceeds of the Notes, together with the proceeds of issue of the Class D Notes, solely for the purpose of (i) paying any up-front expenses of the Issuer, (ii) purchasing the Units pursuant to the Unit Assignment Agreement and (iii) establishing the Cash Reserve Account. DBAG London will acquire, by way of the Unit Purchase Agreement, the Units from the Fund at a purchase price equal to the purchase price received by it from the Issuer for the Units and will transfer the Units to the Issuer immediately thereafter. The gross proceeds of the issue of the Units, expected to amount to €250,000,000, will be used by the Fund to purchase the Mortgage Assets to be purchased by the Fund on the Closing Date pursuant to the Mortgage Sale Agreement.

Description Of The Mortgage Assets

Mortgage Assets

Each Mortgage Asset is a first lien mortgage loan secured by a residential property in Portugal (with the exception of the Mortgage Loans secured by a first priority mortgage, a second mortgage and/or a third mortgage over the same property, each in favour of the Originator). The interest rates in respect of each Mortgage Asset may be a fixed rate of interest, a floating rate of interest indexed to EURIBOR or Lisbor, or a rate of interest linked to the BNC reference rate which is an interest rate set by the board of directors of BNC and which interest rate has remained constant since 1994 (the "**BNC Reference Rate**"). BNC originates three types of mortgage products: general mortgages, with loan-to-value ratios generally not over 80%, young people mortgages ("*Jovem Bonificado*") with loan-to-value ratios up to 100% and maximum Borrower age of 30 for an individual or combined 60 for a couple, and low income mortgages ("*Bonificado*") with maximum loan-to-value ratios of 90%.

Government Subsidies

The Portuguese government subsidises the interest payments on loans to certain qualifying Borrowers. There are 2 kinds of subsidised loans – loans subsidised based upon family income (the "*Jovem Bonificado*" and "*Bonificado*" products) and loans to handicapped and emigrant Borrowers. In the case of subsidies based on income, the Borrower must be purchasing his first home, can have no other financings, and cannot sell the property within five years. The income based subsidies can amount to 11%, 22%, 33%, or 44% of the interest portion of each instalment at origination – the percentage declines as the loan amortises. The government pays the subsidy for the past 12 months within 90 days of the anniversary date of the loan. For handicapped/emigrant the subsidy amounts to 25% of the interest portion of each instalment at origination, and the government pays the subsidy the month following payment. In case of missed or partial payments, the Government pays *pro rata* (e.g. if the Borrower pays 70% of the amounts due, then the Government pays to BNC 70% of the subsidy normally due).

Characteristics of the Receivables

The information set out below has been prepared on the basis of the Mortgage Assets as of 30 April 2002.

1. Summary Data

Total Number of Loans: 4,283
Total Principal Balance Outstanding: €250,051,021
Average Principal Balance Outstanding: €58,382
Average Original Principal Balance: €65,419
Maximum Original Principal Balance: €498,798
Maximum Current Principal Balance: €444,877
Weighted Average Original LTV: 68.36%
Weighted Average Current LTV: 63.04%
Weighted Average Remaining Term (months): 257
Weighted Average Seasoning (months): 33
Weighted Average Interest Rate: 5.78%

2. Current Principal Balance

Current Principal Balance (€)	Number of Loans	%	Current Principal Balance (€)	%
<= 40,000.00	1,355	31.64	33,094,015	13.23
40,000.01 - 50,000.00	604	14.10	27,469,420	10.99
50,000.01 - 60,000.00	536	12.51	29,670,036	11.87
60,000.01 - 70,000.00	493	11.51	32,008,932	12.80
70,000.01 - 80,000.00	476	11.11	35,404,202	14.16
80,000.01 - 90,000.00	246	5.74	20,877,289	8.35
90,000.01 - 100,000.00	186	4.34	17,800,788	7.12
100,000.01 - 110,000.00	89	2.08	9,369,901	3.75
110,000.01 - 120,000.00	68	1.59	7,851,992	3.14
120,000.01 - 130,000.00	75	1.75	9,312,304	3.72
130,000.01 - 140,000.00	36	0.84	4,862,390	1.94
>= 140,000.01	119	2.78	22,329,752	8.93
Total:	4,283	100.00	250,051,021	100.00

Average: €58,382
Minimum: €5,035
Maximum: €444,877

3. Year of Origination

Year of Origination	Number of Loans	%	Current Principal Balance (€)	%
1992	34	0.79	617,520	0.25
1993	43	1.00	858,229	0.34
1994	54	1.26	1,709,452	0.68
1995	82	1.91	2,833,194	1.13
1996	135	3.15	5,767,094	2.31
1997	574	13.40	28,582,191	11.43
1998	965	22.53	52,803,513	21.12
1999	1,013	23.65	62,190,149	24.87
2000	595	13.89	38,754,051	15.50
2001	582	13.59	39,988,704	15.99
2002	206	4.81	15,946,923	6.38
Total:	4,283	100.00	250,051,021	100.00

4. Remaining Term (months)

Remaining Term (months)	Number of Loans	%	Current Principal Balance (€)	%
1 - 60	79	1.84	1,498,918	0.60
61 - 120	425	9.92	13,753,851	5.50
121 - 180	567	13.24	26,487,505	10.59
181 - 240	683	15.95	37,432,087	14.97
241 - 300	1,392	32.50	89,582,952	35.83
301 - 360	1,137	26.55	81,295,707	32.51
Total:	4,283	100.00	250,051,021	100.00

Minimum: 13
Maximum: 360
WA: 257

5. Loan Seasoning (months)

Loan Seasoning (months)	Number of Loans	%	Current Principal Balance (€)	%
<= 12	691	16.13	50,010,063	20.00
13 - 24	518	12.09	33,990,779	13.59
25 - 36	917	21.41	54,872,483	21.94
37 - 48	998	23.30	58,202,315	23.28
49 - 60	763	17.81	38,760,594	15.50
>= 61	396	9.25	14,214,786	5.68
Total:	4,283	100.00	250,051,021	100.00

Minimum: 0
Maximum: 121
WA: 33

6. Original LTV

Original LTV (%)	Number of Loans	%	Current Principal Balance (€)	%
0.01 - 25.00	250	5.84	6,148,551	2.46
25.01 - 50.00	968	22.60	45,866,396	18.34
50.01 - 55.00	194	4.53	11,898,382	4.76
55.01 - 60.00	267	6.23	15,233,386	6.09
60.01 - 65.00	288	6.72	17,679,680	7.07
65.01 - 70.00	300	7.00	19,266,164	7.70
70.01 - 75.00	322	7.52	21,496,053	8.60
75.01 - 80.00	375	8.76	24,373,193	9.75
80.01 - 85.00	360	8.41	23,620,919	9.45
85.01 - 90.00	659	15.39	44,368,725	17.74
90.01 - 95.00	239	5.58	16,256,518	6.50
95.01 - 100.00	61	1.42	3,843,053	1.54
Total:	4,283	100.00	250,051,021	100.00

Minimum: 5.66%
Maximum: 100.00%
WA: 68.36%

7. Current LTV

Current LTV (%)	Number of Loans	%	Current Principal Balance (€)	%
0.01 - 25.00	477	11.14	11,460,600	4.58
25.01 - 50.00	1,104	25.78	54,910,095	21.96
50.01 - 55.00	272	6.35	16,256,109	6.50
55.01 - 60.00	293	6.84	17,631,039	7.05
60.01 - 65.00	307	7.17	20,326,984	8.13
65.01 - 70.00	260	6.07	18,065,542	7.22
70.01 - 75.00	311	7.26	22,401,657	8.96
75.01 - 80.00	342	7.99	23,888,516	9.55
80.01 - 85.00	462	10.79	32,243,379	12.89
85.01 - 90.00	445	10.39	32,133,640	12.85
90.01 - 95.00	10	0.23	733,461	0.29
Total:	4,283	100.00	250,051,021	100.00

Minimum: 3.72%

Maximum: 90.97%

WA: 63.04%

Current LTV is calculated in respect of each Mortgage Asset as the ratio of the total Principal Outstanding Balance as at 30 April 2002 of all Mortgage Assets secured by the relevant property to the valuation of the relevant property.

8. Interest Rate Type

Rate Type	Number of Loans	%	Current Principal Balance (€)	%
BNC Reference Rate	600	14.01	24,098,513	9.64
Fixed Rate	546	12.75	25,145,793	10.06
One month LISBOR	1	0.02	71,619	0.03
Three month LISBOR	42	0.98	3,077,054	1.23
Six month LISBOR	2,586	60.38	164,734,481	65.88
Twelve month LISBOR	210	4.90	12,554,173	5.02
Three month EURIBOR	3	0.07	273,779	0.11
Six month EURIBOR	286	6.68	19,455,122	7.78
Twelve month EURIBOR	9	0.21	640,487	0.26
Total:	4,283	100.00	250,051,021	100.00

Mortgage Loans which have a rate of interest linked to LISBOR will on their next respective interest rate adjustment dates be linked to the corresponding EURIBOR rate.

9. Current Interest Rate

Current Interest Rate (%)	Number of Loans	%	Current Principal Balance (€)	%
0.01 - 5.00	1,056	24.66	78,675,271	31.46
5.01 - 5.50	1,364	31.85	83,341,809	33.33
5.51 - 6.00	616	14.38	32,541,069	13.01
6.01 - 6.50	140	3.27	7,302,773	2.92
6.51 - 7.00	81	1.89	3,638,734	1.46
7.01 - 7.50	392	9.15	17,421,157	6.97
7.51 - 8.00	279	6.51	13,719,882	5.49
>= 8.01	355	8.29	13,410,325	5.36
Total:	4,283	100.00	250,051,021	100.00

Minimum: 4.0000%
Maximum: 13.3784%
WA: 5.7759%

10. Spread to Index (floating rate loans)

Spread to Index (%)	Number of Loans	%	Current Principal Balance (€)	%
0.001 - 1.000	297	9.47	23,159,987	11.53
1.001 - 1.250	338	10.77	26,995,429	13.44
1.251 - 1.500	594	18.94	41,830,171	20.83
1.501 - 1.750	686	21.87	41,744,869	20.79
1.751 - 2.000	757	24.13	42,652,748	21.24
>= 2.001	465	14.82	24,423,511	12.16
Total:	3,137	100.00	200,806,715	100.00

Minimum: 0.3460%
Maximum: 4.0000%
WA: 1.6685%

11. Occupancy

Occupancy	Number of Loans	%	Current Principal Balance (€)	%
Owner Occupied	4,005	93.51	235,226,933	94.07
Second Home	241	5.63	13,498,289	5.40
To Let	37	0.86	1,325,799	0.53
Total:	4,283	100.00	250,051,021	100.00

12. Geographic Region

Geographic Region	Number of Loans	%	Current Principal Balance (€)	%
Aveiro	612	14.29	31,383,568	12.55
Beja	1	0.02	29,765	0.01
Braga	187	4.37	10,136,371	4.05
Bragança	1	0.02	176,447	0.07
Castelo Branco	14	0.33	754,119	0.30
Coimbra	207	4.83	10,551,195	4.22
Évora	44	1.03	2,787,091	1.11
Faro	177	4.13	10,551,441	4.22
Guarda	20	0.47	873,467	0.35
Leiria	177	4.13	8,876,257	3.55
Lisboa	1,111	25.94	68,235,401	27.29
Portalegre	47	1.10	2,629,194	1.05
Porto	758	17.70	52,328,715	20.93
Santarém	326	7.61	17,115,186	6.84
Setúbal	380	8.87	21,691,134	8.67
Viana do Castelo	161	3.76	8,872,988	3.55
Vila Real	2	0.05	94,292	0.04
Viseu	58	1.35	2,964,390	1.19
Total:	4,283	100.00	250,051,021	100.00

13. Portuguese Government Subsidy

Portuguese Government Subsidy	Number of Loans	%	Current Principal Balance (€)	%
Subsidised	1,769	41.30	91,318,198	36.52
Not Subsidised	2,514	58.70	158,732,823	63.48
Total:	4,283	100.00	250,051,021	100.00

Overview Of Certain Transaction Documents

The description of certain of the 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 Trustee, the Principal Paying Agent and the Paying Agent.

Mortgage Sale Agreement

Purchase of Mortgage Asset Portfolio

Under the terms of the mortgage sale agreement to be made between the Originator and the Fund on the Signing Date (the "**Mortgage Sale Agreement**"), the Originator will assign to the Fund and the Fund will, subject to satisfaction of certain conditions precedent, purchase from the Originator, the Mortgage Asset Portfolio (as defined below). The pool of Mortgage Loans, the Mortgages (as defined below) and certain rights ancillary to the Mortgage Loans and the Mortgages (the "**Mortgage Assets**") assigned on the Closing Date together with any further Mortgage Assets assigned to the Fund by the Originator in substitution for any Mortgage Asset repurchased by the Originator as a result of a breach of any representation or warranty made by the Originator in respect of such Mortgage Asset as at the Closing Date and, to the extent permitted under applicable law, the full benefit of the Originator's rights to and under each Mortgage Asset Agreement and all the Originator's right title and interest to the Receivables will comprise the portfolio of Mortgage Assets (the "**Mortgage Asset Portfolio**").

"**Mortgage**" means, in respect of any Mortgage Loan, the charge by way of legal mortgage over the relevant property together with all other encumbrances or guarantees the benefit of which is vested in the Originator as security for the repayment of that Mortgage Loan.

Consideration for Purchase of the Mortgage Asset Portfolio

In consideration for the assignment of the Mortgage Asset Portfolio as at the Closing Date, the Fund will pay a sum to the Originator equal to the Principal Outstanding Balance of the Mortgage Loans in the Mortgage Asset Portfolio to be assigned to the Fund at the Closing Date, as calculated at the Collateral Determination Date (the "**Purchase Price**").

Effectiveness of the Assignment

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

The assignment of the Mortgage Asset Portfolio (the "**Assigned Rights**") by the Originator to the Fund in accordance with the terms of the Mortgage Sale Agreement on the Closing Date will be effective to transfer the full, unencumbered benefit of and right, title and interest (present and future) to the Assigned Rights to the Fund.

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

A "**Notification Event**" means:

(a) the delivery by the Trustee of an Enforcement Notice in respect of the Issuer in accordance with the Conditions;

(b) a circumstance where the Originator is in breach of any of its obligations under the Mortgage Sale Agreement and, in the case of such an obligation which is a payment obligation, such breach continues for a period of three Business Days after the date on which such payment obligation was due to be performed or, in the case of a breach of any other obligation, such breach is not remedied in the opinion of the Fund Manager or the Custodian within five Business Days of notice being given by the Fund Manager or the Custodian to the Originator;

(c) the occurrence of a Bankruptcy Event (as defined below) in respect of the Originator; or

(d) the delivery of a Servicer Termination Notice (as defined below) following the occurrence of a Servicer Event (as defined below) in respect of the Servicer.

"**Bankruptcy Event**" means, with respect to the Originator and/or the Servicer, the suspension of payments, the commencing of any recovery or insolvency procedures against the Originator or Servicer under Decree Law 30 689 of 27 August 1940 and/or Decree Law 298/92 of 31 December and/or (if applicable) under the Code for the Bankruptcy and Recovery of Companies introduced by Decree Law 132/93 of 23 April.

Following the occurrence of a Notification Event, the Originator will execute and deliver to the Fund: (a) all property deeds (including the copy substituting the property tax certificates and the official land registry certificates) and other documents in the Originator's possession or which the Originator is able to obtain and which are necessary in order to register the transfer of the Mortgage Assets from the Originator to the Fund, (b) an official application form duly filled in to be filed in the relevant Portuguese Real Estate Registry Office requesting registration of the assignment to the Fund of each Mortgage or, whenever possible, a pool of Mortgages, (c) notices addressed to the relevant Borrowers and copied to the Purchaser in respect of the assignment to the Fund of each of the Assigned Rights included in the Mortgage Asset Portfolio, and (d) such other documents and provide such other assistance as is necessary in order to register the assignment of the Mortgage Asset Portfolio and notify the relevant Borrowers. The notice will instruct the relevant Borrowers, with effect from the date of receipt by the Borrowers of the notice, to pay all sums due in respect of the relevant Mortgage Loan into an account designated by the Fund. In the event that the Originator cannot or will not effect such actions, the Fund Manager, on behalf of the Fund, is entitled under Portuguese Law: (a) to have delivered to it any such deeds and documents as referred to above, (b) to complete any such application forms as referred to above and (c) to give any such notices to Borrowers as referred to above.

Servicer Event

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

(a) default is made by the Servicer in ensuring the payment on the due date of any payment required to be made under the Mortgage Servicing Agreement and such default continues unremedied for a period of three London and Lisbon Business Days after the earlier of the Servicer becoming aware of the default and receipt by the Servicer of written notice from the Fund Manager or the Custodian requiring the default to be remedied; or

(b) without prejudice to (a) above:

    (i) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Mortgage Servicing Agreement; or

    (ii) certain of the representations or warranties made by the Servicer in the Mortgage Servicing Agreement proves to be untrue, incomplete or incorrect; or

(iii) any certification or statement made by the Servicer in any certificate or other document delivered pursuant to the Mortgage Servicing Agreement proves to be untrue,

and in each case (if such default is capable of remedy) such default continues unremedied for a period of five London and Lisbon Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Fund Manager or the Custodian requiring the same to be remedied; or

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

(d) if the Servicer is prevented or severely hindered for a period of 60 days or more from complying with its obligations under the Mortgage Servicing Agreement as a result of *force majeure*; or

(e) any event or circumstance occurs which the Fund Manager or the Custodian reasonably believes will have a material adverse effect on the ability of the Servicer to perform or comply with its obligations under the Mortgage Servicing Agreement;

(f) any Bankruptcy Event occurs in relation to the Servicer;

(g) a material adverse change occurs in the financial condition of a Servicer since the date of the then latest audited financial statements of such Servicer (as the case may be) which in the reasonable opinion of the Fund Manager or the Custodian impairs due performance of the obligations of such Servicer under the Mortgage Servicing Agreement;

(h) the Bank of Portugal intervenes in or commences an investigation into the regulatory affairs of any Servicer where such intervention or investigation could lead to the withdrawal by the Bank of Portugal of such Servicer's authorisation to carry on its business; and/or

(i) the solvency ratio maintained by the Servicer for regulatory capital purposes, as measured by the Bank for International Settlements, is below 8.25% for three consecutive calendar months.

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

(a) hold to the order of the Fund the records relating to the Mortgage Assets, the Servicer and the Originator Documents;

(b) hold to the order of the Fund any monies then held by the Servicer on behalf of the Fund together with any other Mortgage Assets of the Fund;

(c) other than as the Fund may direct, continue to perform all of the Services (unless prevented by any Portuguese law or any applicable law) until the date specified in the Servicer Termination Notice;

(d) take such further action as the Fund manager may direct in relation to the Servicer's obligations under the Mortgage Servicing Agreement, including, if so requested, giving notice to the Borrowers and provide such assistance as may be necessary to enable the Services to be performed by a successor Servicer; and

(e) stop taking any such action under the terms of the Mortgage Sale Agreement as the Fund may direct, including, the collection of the Receivables into the Collection Account, communication with Borrowers or dealing with the Mortgage Assets.

At any time after the delivery of a Servicer Event Notice, the Fund may deliver a 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 shall be terminated;

(b) the retiring Servicer shall no longer hold itself out in any way as the agent of the Fund; and

(c) the rights and obligations of the retiring Servicer and any obligations of the Fund 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 Fund or the Originator or any successor Servicer incurred before such date;

   (ii) any liabilities or obligations of the Fund or the Originator to the retiring Servicer incurred before such date;

   (iii) the retiring Servicer's obligation to deliver documents and materials; and

   (iv) the duty to provide assistance to the successor Servicer as required to safeguard its interests or its interest in the Mortgage Assets.

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

Representations and Warranties as to the Mortgage Assets

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

(a) *Eligible Receivables*

The Receivables arising under each Mortgage Asset Agreement are "Eligible Receivables" in that they:

(i) were originated by the Originator and are legally and beneficially owned by the Originator;

(ii) are created in compliance with the laws of the Portuguese Republic;

(iii) are payable in euro without any deduction, rebate or discount;

(iv) are not the subject of any dispute, right of set-off, counterclaim, defence or claim existing or pending against the Originator;

(v) may be freely sold and transferred by way of assignment under the laws of the Portuguese Republic;

(vi) are free and clear of any encumbrance;

(vii) are not in arrears in respect of more than one instalment payment or were not in arrears in respect of more than three monthly instalment payments or one quarterly instalment or semi annual instalment at any time in the last 12 months;

(viii) are payable in full at least 12 months prior to the Final Legal Maturity;

(ix) are fully disbursed;

(x) can be segregated and identified on any day;

(xi) have a Principal Outstanding Balance as at the Closing Date which, together with the aggregate principal outstanding balance of all other indebtedness owed by the relevant Borrower to the Originator, does not exceed €1,000,000; and

(xii) in respect of which the Originator has not received, prior to 30 April 2002, notice of early repayment of such Receivables.

(b) *Eligible Mortgage Asset Agreements*

Each Mortgage Asset Agreement was, as at its execution date, an "Eligible Mortgage Asset Agreement", which:

(i) was entered into in the ordinary course of the Originator's business, on arms' length commercial terms;

(ii) has been duly executed by the relevant Borrower or Borrowers and constitutes the legal, valid, binding and enforceable obligations of the relevant Borrower or Borrowers;

(iii) has been duly executed by the Originator and constitutes legal, valid, binding and enforceable obligations of the Originator;

(iv) is governed by and subject to the laws of the Portuguese Republic;

(v) does not contain any restriction on assignment of the benefit of any right, title and interest to the relevant Mortgage Asset, Mortgage or Receivable;

(vi) in respect of which at least one instalment due thereunder has been paid prior to the Closing Date;

(vii) is entered into in writing on the terms of the standard documentation of the Originator without any modification or variation thereto other than certain permitted variations as specified in the Mortgage Sale Agreement;

(viii) does not contain provisions which may give rise (after the Closing Date) to a liability on the part of the Originator to make further advances, pay money or perform any other onerous act;

(ix) has been duly registered in the relevant Portuguese Real Estate Registry Office in favour of the Originator rendering the Mortgage Asset Agreement a fully valid security with priority interest (with the exception of the Mortgage Loans secured by a first priority mortgage, a second mortgage and/or a third mortgage over the same property, each in favour of the Originator) for the performance of all payment obligations under the Mortgage Loan; and

(x) does not contain provisions permitting the deferral of payment of interest thereunder.

(c) *Eligible Borrowers*

Each Borrower in respect of each Mortgage Asset Agreement to which it is a party is an "Eligible Borrower":

(i) who is a party to a Mortgage Asset Agreement as primary borrower or guarantor;

(ii) who as far as the Originator is aware, is not dead or untraceable;

(iii) who is not an employee of BNC or its subsidiaries;

(iv) who has an account with the Originator;

(v) the identity of whom was verified by the Originator when entering into the Mortgage Asset Agreement; and

(vi) who, as far as the Originator is aware, is not bankrupt or insolvent.

Breach of Mortgage Asset Warranties and other matters

If there is a breach of any of the warranties given by the Originator in respect of the Mortgage Asset Portfolio in the Mortgage Sale Agreement (each a "**Mortgage Asset Warranty**") which in the opinion of the Trustee, could have a material adverse effect on the validity or enforceability of any Assigned Right, the Originator will have an obligation to rectify such breach within 21 days after receiving written notice of such breach from the Fund.

In addition to the Mortgage Asset Warranties, if it is established that any Borrower was, at the Closing Date, subject to a bankruptcy event, then the Originator shall be under the same obligations and liabilities as regards the relevant Mortgage Asset and Mortgage Asset Agreement as if there had been a breach of the Mortgage Asset Warranties to the effect that such Borrower was not, as at the Closing Date, subject to a bankruptcy event.

If, in the Trustee's opinion, such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 21 day period, or 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 Fund an amount equal to the amount so set-off, the Originator has an obligation to repurchase or cause a third party to repurchase the relevant Mortgage Asset.

The consideration payable by the Originator or a third party purchaser, as the case may be, in relation to the repurchase of a relevant Mortgage Asset will be an amount equal to the aggregate of: (a) the Principal Outstanding Balance of the relevant Mortgage Asset as at the date of the re-assignment, (b) an amount equal to all other amounts due in respect of the relevant Mortgage Asset and its related Mortgage Asset Agreement, and (c) the properly incurred costs and expenses of the Fund incurred in relation to such re-assignment, or, as applicable, the aggregate of the foregoing amounts which would have subsisted but for the breach of the relevant Mortgage Asset Warranty after deducting an amount equal to any interest not yet accrued but paid in advance to the Fund (which amount paid in advance the Fund shall keep).

If a Mortgage Asset expressed to be included in the Mortgage Asset Portfolio has never existed or has ceased to exist on the date on which it is due to be re-assigned, the Originator shall, on demand, indemnify the Fund against any and all Liabilities suffered by the Fund by reason of the breach of the relevant Mortgage Asset Warranty.

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

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

Borrower Set-Off

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

Applicable law and jurisdiction

The Mortgage Sale 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.

Mortgage Servicing Agreement

Servicing and Collection of Receivables

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

Sub-contractor

The Servicer may appoint any of its subsidiaries as its sub-contractor to carry out certain of the Services subject to certain conditions specified in the Mortgage Servicing Agreement. In certain circumstances the Fund may require the Servicer to assign any rights which the Servicer may have against a sub-contractor to be used by the Issuer to pay any shortfalls in amounts available to pay interest on the Notes due on or before the Interest Payment Date falling in May 2003.

Servicer's Duties

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

(a) servicing and administering the Mortgage Asset Portfolio;

(b) implementing the enforcement procedures in relation to defaulted Mortgage Assets;

(c) complying with its customary and usual servicing procedures for servicing comparable residential mortgages in accordance with its policies and procedures relating to its residential mortgage business;

(d) servicing and administering the cash amounts received in respect of the Mortgage Assets including transferring amounts to the Fund Operating Account on the Lisbon Business Day following the day on which such amounts are credited to the Collection Account;

(e) preparing periodic reports in relation to the Mortgage Asset Portfolio in an agreed form including reports on delinquency and default rates;

(f) collecting amounts due in respect of the Mortgage Asset Portfolio;

(g) setting interest rates applicable to the Mortgage Loans;

(h) administering relationships with the Borrowers; and

(i) undertaking enforcement proceedings in respect of any Borrowers which may default on their obligations under the relevant Mortgage Loan.

The Servicer has undertaken to prepare and submit to the Fund within 7 days after each Collection Period the Quarterly Report containing information as to the Mortgage Asset Portfolio and Collections in respect of the preceding Collection Period.

Servicing Fee

The Servicer (and/or, if applicable, a replacement Servicer) will receive a servicer fee quarterly in arrear, calculated by reference to the Principal Outstanding Balance of the Mortgage Assets as at the first day of each preceding Collection Period and payable by the Fund on such Interest Payment Date.

Representations and Warranties

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

Covenants of the Servicer

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

Termination

The appointment of the Servicer will continue (unless otherwise terminated by the Fund) until the Final Legal Maturity when the obligations of the Fund under the Transaction Documents will be discharged in full. The Fund may terminate the Servicer's appointment and appoint a successor servicer (such appointment being subject to the prior approval of the CMVM and prior confirmation being obtained from the Rating Agencies that such appointment shall not have an adverse effect on the rating of the Notes) upon the occurrence of a Servicer Event and the service of a Servicer Termination Notice in accordance with the provisions of the Mortgage Servicing Agreement.

Upon the occurrence of the BIS Trigger Event, the Servicer shall be required to use its reasonable endeavours to identify an entity capable of acting as a replacement servicer should the Servicer ultimately be replaced as Servicer in accordance with the provisions of the Mortgage Servicing Agreement and shall be required to notify the Rating Agencies of the occurrence of such event.

Payments

The Servicer will procure that all Collections received from Borrowers and from the Portuguese Government in respect of the Mortgage Assets are paid into the Collection Account. The Servicer will give instructions to the bank at which the Collection Account is maintained (the "**Collection Account Bank**") to ensure that monies received by the Collection Account Bank from Borrowers and from the Portuguese Government on any particular Lisbon Business Day are paid on such day into the Collection Account.

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

Applicable law and jurisdiction

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

Custodian Agreement

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

(a) open, and provide certain services in relation to the operation of, the Fund Operating Account;

(b) provide the Fund Manager with certain cash management, calculation, notification and reporting information in relation to the Fund Operating Account;

(c) make the relevant Unit Distributions to the Unitholders;

(d) execute any other instructions it may receive from the Fund Manager in relation to the assets of the Fund or the Units;

(e) ensure that the income of the Fund will be applied in accordance with the Securitisation Law and the Fund Regulation; and

(f) ensure compliance by the Fund with the Fund Regulation.

The Custodian will receive a custodian fee to be paid on a quarterly basis.

The appointment of the Custodian will continue (unless otherwise terminated by the Fund) until the Final Legal Maturity when the obligations of the Custodian under the Custodian Agreement will be discharged in full. The Fund may terminate the Custodian's appointment and appoint a successor custodian (such appointment being subject to the prior approval of the CMVM and prior confirmation being obtained from the Rating Agencies, as required, that such appointment shall not have an adverse effect on the rating of the Notes)upon the occurrence of certain events of default in relation to the Custodian or, upon the occurrence of certain insolvency events in relation to the Custodian.

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

Fund Regulation

On 06 June 2002, the CMVM approved a document (the "**Fund Regulation**") pursuant to which the regulations relating to the Fund, the issue of the Units, the rights of the Unitholders and the terms relating to the making of Unit Distributions will be specified.

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

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

Transaction Management Agreement

On the Signing Date, the Issuer, the Transaction Manager and the Trustee will enter into an agreement (the "**Transaction Management Agreement**") pursuant to which the Issuer will appoint the Transaction Manager to carry out certain administrative tasks on behalf of the Issuer, including:

(a) operating the Issuer Account, the Cash Reserve Account and the Liquidity Ledger in such a manner as to enable the Issuer to perform its financial obligations pursuant to the Notes and the Issuer Documents;

(b) providing the Issuer and the Trustee with certain cash management, calculation, notification and reporting information in relation to the Issuer Account, the Cash Reserve Account and the Liquidity Ledger;

(c) taking the necessary action and giving the necessary notices to ensure that the Issuer Account, the Cash Reserve Account and the Liquidity Ledger is credited with the appropriate amounts in accordance with the Transaction Management Agreement;

(d) taking all necessary action to ensure that all payments are made out of the Issuer Account, the Cash Reserve Account and the Liquidity Ledger in accordance with the Transaction Management Agreement and the Conditions;

(e) maintaining adequate records to reflect all transactions carried out by or in respect of the Issuer Account, the Cash Reserve Account and the Liquidity Ledger; and

(f) investing the funds credited to the Issuer Account, the Cash Reserve Account and the Liquidity Ledger in Authorised Investments in accordance with the terms and conditions of the Transaction Management Agreement.

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

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

Issuer Account Agreement

On the Signing Date, the Issuer, the Trustee, the Issuer Account Bank and the Transaction Manager will enter into the Issuer Account Agreement pursuant to which the Issuer Account Bank will agree to open and maintain the Issuer Account which is to be held in the name of the Issuer and provide the Issuer with certain services in connection with account handling and reporting requirements in relation to the monies from time to time standing to the credit of the Issuer Account. The Issuer Account Bank will pay interest on the amount standing to credit of the Issuer Account.

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

The Issuer Account 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.

Cash Reserve Account Agreement

On the Signing Date, the Issuer, the Trustee, the Cash Reserve Account Bank and the Transaction Manager will enter into the Cash Reserve Account Agreement pursuant to which the Cash Reserve Account Bank will agree to open and maintain the Cash Reserve Account which is to be held in the name of the Issuer and provide the Issuer with certain services in connection with account handling and reporting requirements in relation to the monies from time to time standing to the credit of the Cash Reserve Account. The Cash Reserve Account Bank will pay interest on the amount standing to credit of the Cash Reserve Account.

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

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

Fund Operating Account Agreement

On the Signing Date, the Fund, the Fund Account Bank and the Custodian will enter into the Fund Operating Account Agreement pursuant to which the Fund Operating Account Bank will agree to open and maintain the Fund Operating Account which is to be held in the name of the Fund and provide the Fund with certain services in connection with account handling and reporting requirements in relation to the monies from time to time standing to the credit of the Fund Operating Account. The Fund Operating Account Bank will pay interest on the amount standing to credit of the Fund Operating Account.

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

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

Corporate Services Agreement

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

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

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

(a) dispatch of shareholder and board meeting notices;

(b) handling enquiries and making appropriate filings (or assisting the Issuer's auditors in so doing) with regulatory bodies including the Irish Revenue Commissioners and other authorities and the Irish Stock Exchange;

(c) keeping and maintaining books, records and statutory accounts and procuring that the same are distributed to relevant parties;

(d) advising on the appointment of company lawyers and auditors and supervising performance of any agents of the relevant companies; and

(e) maintaining registrations and licences.

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

Co-ordination Agreement

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

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

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

Liquidity Facility Agreement

On the Signing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider pursuant to which the Liquidity Facility Provider will make available to the Issuer a 364-day renewable revolving liquidity facility in an amount of euro 7,500,000 (the "**Liquidity Facility**"), as reduced by amounts drawn under such facility (the "**Available Liquidity Facility**").

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

If, while DBP, Madeira Branch is the Liquidity Facility Provider, DBAG or the entity then being the Liquidity Facility Provider (other than DBP Madeira Branch) ceases to be rated at least the Minimum Short-term Rating or if the Liquidity Facility Provider does not renew the Liquidity Facility, or if while DBP, Madeira Branch, is the Liquidity Facility Provider the Rating Agencies so require it, then the Issuer may make a drawing (a "**Liquidity Loan Drawing**") of the amount of the Available Liquidity Facility under the Liquidity Facility Agreement. The proceeds of the Liquidity Loan Drawing will be credited to the Issuer Account and recorded as a credit entry on the Liquidity Ledger. The Liquidity Loan Drawing will be repayable (i) on each Interest Payment Date, in the same proportion as the amount added to the Cash Reserve Account since the Liquidity Loan Drawing was made bears to the addition in the Cash Reserve Account Required Balance that was required due to such Liquidity Loan Drawing, or (ii) if the Liquidity Loan Drawing was caused by the Liquidity Facility Provider no longer being rated at least the Minimum Short-term Rating if the entity then being the Liquidity Facility Provider (or DBAG if DBP Madeira Branch is the Liquidity Facility Provider) is re-rated with the Minimum Short-term Rating or a replacement Liquidity Facility Provider having the required Minimum Short-term Rating is found.

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

Interest will accrue on any drawing under the Liquidity Facility Agreement at an annual rate which will be determined by the Liquidity Facility Provider by reference to the Euribor.

"**Interest Shortfall**" means the aggregate of the amounts required to pay for or provide in full on such Interest Payment Date for the items falling (a) to (l) of the Pre-Enforcement Interest Payment Date Interest Payment Priorities.

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

(a) at any time when the debit balance of the Class B Principal Deficiency Ledger is zero, the interest amount due and payable on the Class C Notes on such day less the amount available to the Issuer to pay such interest amount, after the application of the monies standing to the balance of the Cash Reserve Account but prior to the utilisation of the Liquidity Facility, in accordance with the Pre-Enforcement Interest Payment Date Revenue Interest Priorities;

(b) at any time when the debit balance of the Class A Principal Deficiency Ledger is zero, the interest amount due and payable on the Class B Notes on such day less the amount available to the Issuer to pay such interest amount, after the application of the monies standing to the balance of the Cash Reserve Account but prior to the utilisation of the Liquidity Facility, in accordance with the Pre-Enforcement Interest Payment Date Interest Payments Priorities; and

(c) the amounts due and payable in respect of items (a) through (g) of the Pre-Enforcement Interest Payment Date Interest Payments Priorities on such date less the amount available to the Issuer to pay such amounts, after the application of the monies standing to the balance of the Cash

Reserve Account but prior to the utilisation of the Liquidity Facility, in accordance with the Pre-Enforcement Interest Payment Date Interest Payments Priorities.

"**Minimum Short-term Rating**" means, in respect of any entity, the short term unsecured, unsubordinated and unguaranteed debt obligations of such entity are rated, in the case of Moody's "**P–1**"; and in the case of S&P, "**A–1**+".

Trust Deed

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

The Trustee shall act as trustee for the Noteholders and other Secured Creditors, holding the property of the Issuer the subject of the Security upon trust for such persons.

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

The Trustee from time to time may retire at any time upon giving not less than three calendar months' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any Liabilities occasioned by such retirement. The retirement of the Trustee shall not become effective unless there remains a trustee in office after such retirement. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed.

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

Swap Agreement

Under an interest rate exchange agreement to be documented by an ISDA Master Agreement and Schedule and a confirmation dated as of the Closing Date between the Issuer and the Swap Counterparty (the "**Swap Agreement**"), (a) the Issuer will pay to the Swap Counterparty on each Interest Payment Date certain amounts calculated by reference to (i) the weighted average interest rate applicable in respect of the Mortgage Loans under which a fixed rate of interest is payable and the Mortgage Loans in respect of which the rate of interest is linked to the BNC Reference Rate on a notional amount equal to the Aggregate Outstanding Principal Amount of such Mortgage Loans (ii) the relevant weighted average index rate applicable in respect of the Mortgage Loans under which a floating rate of interest is payable on a notional amount equal to the Aggregate Outstanding Principal Amount of such Mortgage Loans and (b) the Swap Counterparty will pay to the Issuer on each Interest Payment Date (i) certain amounts calculated by reference to EURIBOR plus a spread, on a notional amount equal to the Aggregate Outstanding Principal Amount of the Mortgage Loans under which a fixed rate of interest is payable and the Mortgage Loans in respect of which the rate of interest is linked to the BNC Reference Rate, and (ii) certain amounts calculated by reference to EURIBOR, on a notional amount equal to the Aggregate Outstanding Principal Amount of the Mortgage Loans under which a floating rate of interest is payable, in each case, as at the beginning of each relevant Collection Period. If the Swap Agreement is terminated prior to the redemption of the Notes in full, a termination payment may be due between the parties thereunder.

The Swap Agreement provides that, to the extent that the Issuer does not have sufficient funds available to make any payment to the Swap Counterparty on its due date (having taken into account the netting provisions applied under the ISDA Master) such obligation shall be deferred until such payment is actually made. Such failure shall not constitute a ground for termination of the Swap Agreement.

The Swap Agreement shall terminate on the Final Legal Maturity unless terminated earlier, including, but without limitation, in circumstances where payment of principal and interest on the

Notes has been made in full on or before the Final Legal Maturity, in which case the Swap Agreement shall terminate on the date on which such payment is made in full.

Early Termination

The Swap Counterparty is required, on the Closing Date, to have a rating assigned to its short-term, unsubordinated and unsecured debt obligations of at least A-1 by S&P and P-1 by Moody's (and a long-term rating of at least A1 from Moody's). If at any time the rating of the short-term, unsubordinated and unsecured debt obligations of the Swap Counterparty falls below A-1 from S&P or P-1 from Moody's (or its long-term rating falls below A1 from Moody's), the Swap Counterparty will, within 30 Business Days of the occurrence of the relevant event, use reasonable endeavours and at its cost either to (a) procure for the Issuer replacement swap transactions on the same terms with an appropriately rated entity or (b) if the Swap Counterparty is not downgraded below A-1 by S&P, provide to the Issuer, cash collateral in such amount as may be required by the Rating Agencies in order to maintain the then current rating on the Notes, or (c) procure for the Issuer a guarantee from an appropriately rated entity of the obligations of the Swap Counterparty under the Swap Agreement. Failure to do so within the specified period will give the Issuer the right to terminate the Swap Agreement (and each swap transaction thereunder). Any replacement Swap Counterparty will become a Secured Creditor and will be required to accede to the Trust Deed and agree to the order of priority of payments contained therein.

Taxation

Neither the Issuer nor the Swap Counterparty is obliged under the Swap Agreement to gross up if withholding taxes are imposed on payments made under the Swap Agreement. If the Issuer or the Swap Counterparty is required to make a withholding or deduction for or on account of tax on payments to be made by it under the Swap Agreement, the Swap Counterparty shall use all reasonable efforts (which shall not require the Swap Counterparty to incur a loss (excluding immaterial, incidental expenses) to transfer its rights and obligations in the Swap Agreement to another of the Swap Counterparty's affiliates, branches or offices or to another entity whose long-term unsecured, unsubordinated obligations are rated not less than the then current rating of the Swap Counterparty's obligations by the Rating Agencies or whose obligations are fully guaranteed by such an entity.

General

Except as stated in "Taxation" above and this section, neither the Issuer nor the Swap Counterparty is, save for the assignment by way of security in favour of the Trustee (or any successor thereto) under the Trust Deed, permitted to assign, novate or transfer as a whole or in part any of its rights, obligations or interests under the Swap Agreement. The Swap Counterparty may transfer its rights and obligations under the Swap Agreement (but not its rights only) to another of the Swap Counterparty's offices, branches or affiliates on ten Business Days' prior written notice, provided that conditions substantially similar to those described in "*Taxation*" above are fulfilled.

Originator's Standard Business Practices, Servicing And Credit Assessment

Mortgage loan volumes

In 2001, BNC stock of residential mortgage loans amounted to euro 396.9mn. The following table shows the mortgage loan volumes since 1996:

Years	(A) Total Outstanding Mortgage Loans (EUR)
1996	61,351,189
1997	164,563,529
1998	282,315,971
1999	353,514,648
2000	376,939,253
2001	396,914,628

Origination of mortgage loans

Organisation of the Origination Departments

Mortgage loans are originated by BNC's Commercial Division. The Commercial Division is organised by geographic area as follows:

- Departamento de Credito do Norte ("**DCN**"), based in Porto, is the North Department which originates only in the North of the country;
- Departamento de Credito Imobiliario ("**DCI**"), based in Lisbon, is the South/Central Department and originates only in the Centre and South of the country. DCI includes 11 people:
  - The Director Coordenador (Mr Jorge Manuel Dias Custodio), responsible for the DCI.
  - Five Directors
  - 1 person in the "*Area Habitacao*"
  - 4 people, each with a different geographic focus, coordinated by the Area Habitacao. These people work under a contract with BNC, but they don't work exclusively for BNC.

Broadly speaking, within DCN and DCI, the product line is essentially split into 2 main areas:

- Finance to developers (commercial)
- Finance for homes/ flats/ villas (buyers)

Authority Levels

All mortgage loans applications are completed and handed in at one of BNC's *branches*. In order to obtain a mortgage loan, borrowers must have a bank account at BNC. Origination decisions are then taken according to authority levels. The application is sent by the branch to the Area Habitacao at DCI or DCN where it is analysed together with the documentation provided and the appraisal. Finally the application is approved by a director depending on authority levels:

- A Director can approve application up to euro 200,000.
- The Director Coordinator can approve loan application up to euro 250,000.
- The Board approved application above euro 250,000.

Origination Methods

There are three types of origination method that are used:

- Marketing
- Relationships with developers
- Commercial relationships (e.g. builders/ real estate companies). Because BNC have lent to the entities that build and develop the properties, they already have a valuation and can lend to the individual buyers easily – there is a competitive advantage, buyer walk into flats during the marketing phase and the developer will recommend BNC.

In all cases, however, the borrower has to go to a BNC branch and fill the application in order to obtain a mortgage loan.

Valuations

Property valuations on all properties are completed by external appraisers. External appraisers must comply with the following:

- These are individuals that are approved by BNCs board (*approximately 100-120 professionals are included in the list of BNC approved appraisers*)
- Must conform to BNC criteria (includes sale price in distressed situation if think property valuation will go down then lend off that value)
- Must be engineers or architects
- If an external valuation is an "outlier" then the internal appraisers will go and view the property for verification
- Appraisers are paid for each job (i.e. not if credit is approved)
- Appraisers do not know sale price

Internal BNC evaluators are utilised in case of:

- Loans of large amount
- Loans for construction purposes

Required documentation

There is a substantial amount of documentation that must be supplied by a borrower and this consists of the following:

- Income of individual/ family
  - for employees this implies a copy of the last tax form and a letter from the employer certifying for how long and in what position the applicant has been working for them
  - for self employed this includes the last three tax return
  - for people in their first job, this includes a tax declaration with expected income for the year, and a letter from the local authority certifying the number of family members
- Company/ position
- Details of property, plans, permits
- Check at Bank of Portugal- always on a re-finance, not always in a purchase
- Bank A/C

- Outstanding debts
- Complete life insurance
- Property insurance

Underwriting

The basic underwriting for each loan consists of the following checks:

- Check their credit history
- Check for irregularities
- Check for too much borrowing
- Employment

Collections

- Most borrowers pay monthly (emmigrants 6 monthly) by direct debit

For mortgage loans with monthly instalments the following is a summary of BNC's collection policy when a payment is not made:

- If a payment is missed then contact is made immediately (via branch) by calling the customer to find out why.
- 8 days after the missed payment, the branch sends a registered letter (**first letter**), in which BNC informs the borrower that he/she has missed an instalment and solicits its immediate payment.
- 30 days after the missed payment, when the following instalment is due, the branch sends a **second letter** communicating that two instalments are overdue and that unless the borrower makes the due payments within 8 days, BNC will transfer the loan to its "*Contencioso*" department and start the repossession procedures.
- Eight days after the second letter, if the borrower has not paid the due instalments nor has contacted the branch for a renegotiation of the loan, the branch transfers the loan to the *Departamento de Credito* ("**Credit Department**") together with a report detailing all the procedures followed by the branch since the missed payments and the borrower's response. The Credit Department analyses the loan and submits it to the Board for a decision with its recommendations.
- If it is decided that enforcement procedures should be started, then the loan is transferred to the *Gabinete de Apoio Juridico e Contencioso* ("**GAJ**"). GAJ manages the repossession procedures. GAI will write a **third letter** to the borrower and the guarantors offering a term of 8 days for payment, after which it will start the legal repossession procedures. If the borrower and/or the guarantors apply for a renegotiation of the loan, GAJ together with the Credit Department prepare a new proposed amortisation plan and submit it for approval to the commercial part of the bank according to the appropriate authority levels.
- After eight days, if no payment or no contact for renegotiation is made by the borrower, BNC's lawyers start the repossession procedures by sending the appropriate documentation to court. The court then contacts the client and asks for payment within 20 days. If not paid then the court makes a decision on enforcement. The client may at that point pay, but it will usually be sanctioned by the court.
- Court enforces (at this point the borrower has little/no influence on the court proceedings). Usual assets to enforce is obviously the mortgage:
  - The mortgaged property then becomes the property of the court;

  - BNC is asked to give a "fair" price;
  - Court promotes sale of property;
  - Court has an auction process, sets a minimum price but accepts highest bid. Bidder pays 30% deposit, the rest within one month;
  - Proceeds are used to pay BNC's outstandings and costs of court.
- Average expected recovery time is 2-3 years.
- In case of quarterly or semi-annual instalments, timing is different

Legal

The legal department is organised by geographic area as follows:

- The **Legal Department in the North**, based in Porto.
- The **Legal Department in the South**, based in Lisbon, organised in two areas, as follows:
  - General legal
  - *Contencioso* ("Non Performing Loans")

  Six people are employed in the Legal Department in the South:
  - 3 employees
  - 1 economist
  - 2 administrative staff
  - 1 lawyer employed as external consultant
- Lawyers dedicated to the repossession are within the *Contencioso* in the South and within the DCN in the North.

Enforcement timing

Between 2 and 3 years

A lot of cases do not go to court because there are the following options open to a borrower once they have defaulted:

- Client sells property and repays mortgage loan
- Hand over property to BNC which is then sold and funds are used to repay the mortgage loan

Ratings

The Rating Agencies' rating of any class of the Notes addresses the likelihood that Noteholders of such class will receive timely payments of interest and ultimate repayment of principal. The rating of "**AAA**" is the highest rating that S&P assigns to securities. The rating of "**Aaa**" is the highest rating that Moody's assigns to securities.

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

The ratings assigned to the Notes should be evaluated independently from similar ratings on other types of securities.

A security 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.

The Issuer has not requested a rating of the 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 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 Notes could be lower than the respective ratings assigned by the Rating Agencies.

The Issuer

Incorporation and Registered Office

The Issuer is a public limited liability company registered and incorporated in Ireland on 10 April 2002 (registered number 355587) under the Irish Companies Acts 1963 to 2001 (as amended) and having its registered office at Guild House, Guild Street, International Financial Services Centre, Dublin 1, Ireland. The Issuer has no subsidiaries or affiliates.

Business Activity

The principal objects of the Issuer are set out in Clause 2 of its Memorandum of Association and permit, *inter alia*, the issuance of the Notes and the Class D Notes, entering into of the Issuer Documents, the purchase of the Units and any and all other activities related to the transactions described in this Offering Circular. The Issuer has been established for the purpose of acquiring the Units, issuing the Notes and the Class D Notes and entering into the Issuer Documents .

The Issuer will covenant in Condition 3 to observe certain restrictions on its activities which are detailed in Schedule 4 of the Master Framework Agreement until the Final Legal Maturity, including (but not limited to), covenants not to (a) carry on any business or enter into any documents other than those contemplated by the Issuer Documents; (b) except as contemplated by the Issuer Documents, sell, convey, transfer, lease, assign or otherwise dispose of or use, invest or otherwise deal with any of its properties, assets or undertaking; (c) grant, create or permit to exist any encumbrance other than permitted encumbrances over the Assigned Rights; (d) pay dividends or make other distributions to its members out of profits available for distribution and then only in the manner permitted by its Memorandum and Articles of Association and by applicable laws; (e) incur any indebtedness; (f) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability in respect of any obligation of any other person; (g) consolidate or merge with any other person; (h) surrender any losses to any other company; (i) have any employees or premises or have any subsidiary undertaking or become a director of any company; (j) have an interest in any bank account other than the Issuer Account unless the account or interest is charged to the Trustee on terms acceptable to it; and (k) amend, supplement or otherwise modify its Memorandum and Articles of Association, save to the extent permitted by the Issuer Documents or with the prior consent of the Trustee.

The Issuer has not previously carried on any business or activities other than those incidental to its incorporation, the authorisation and issue of the Notes and the Class D Notes and the purchase of the Units and activities incidental to the exercise of its rights and compliance with its obligations under the Master Framework Agreement, the Notes, the Coupons, the Subscription Agreement, the Paying Agency Agreement, the Trust Deed, the Class D Note Purchase Agreement, the Transaction Management Agreement, the Corporate Services Agreement, the Unit Assignment Agreement, the Co-ordination Agreement, the Issuer Account Agreement and the Swap Agreement and the other documents and agreements entered into in connection with the issue of the Notes and the Class D Notes, the purchase of the Units and the entry into the Issuer Documents.

Capital and Shares

The authorised share capital of the Issuer is €10,000,000 divided into 10,000,000 ordinary shares of €1 each.

The Issuer has issued 40,000 ordinary shares with a nominal value of €1 each all of which are fully paid. The issued shares are divided equally between Eurydice Charitable Trust Limited, Badb Charitable Trust Limited and Medb Charitable Trust Limited (the "**Navigator Shareholders**") and four nominees who hold their shares on behalf of the Navigator Shareholders. The Navigator Shareholders are charitable trusts incorporated under the laws of Ireland as companies limited by guarantee. The Navigator Shareholders will share equally in any profits of the Issuer and will apply any income derived by them from the Issuer solely for charitable purposes.

Capitalisation

The capitalisation of the Issuer as at the date of this Offering Circular, adjusted for the issue of the Notes and the Class D Notes, is as follows:

Share Capital

	€
Issued and fully called up 40,000 shares of €1 each	40,000

Loan Capital[1]

Notes	250,000,000
Class D Notes	4,630,000
Total Capitalisation	254,630,000

1 The value of each Class D Note is contingent upon future events

Directors

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

Name	Business Address	Principal Occupation
Michael Whelan	Guild House Guild Street IFSC Dublin 1	Company Director
Joseph Duffy	Guild House Guild Street IFSC Dublin 1	Company Director

Secretary

Deutsche International Corporate Services (Ireland) Limited

Employees

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

Corporate Services

The Issuer will appoint Deutsche International Corporate Services (Ireland) Limited as corporate services provider to provide corporate secretarial and administrative services pursuant to a corporate administration agreement dated the Signing Date between the Issuer, the Corporate Services Provider and the Trustee. The register of members is maintained by the Corporate Services at its office.

Auditors

Audited financial statements will be published on an annual basis. The independent auditor of the Issuer is PricewaterhouseCoopers.

Financial Year

The financial year end of the Issuer will be 31 December.

Accounts

The Issuer will prepare annual audited accounts. The first annual accounts will be prepared in respect of the period to 31 December 2002. The Issuer will not prepare an interim financial statement.

Material Contracts

Apart from the Transaction Documents to which it is a party, the Issuer has not entered into any material contracts other than in the ordinary course of its business.

No Material Adverse Change

Since the date of the Issuer's incorporation, there has been no material adverse change, or any development reasonably likely to involve any material adverse change, in the condition (financial or otherwise) of the Issuer.

The following is the text of a report received by the Directors of the Issuer from PricewaterhouseCoopers, the auditors of the Issuer, who have given, and not withdrawn their consent to the inclusion of their report in this Offering Circular.

PRICEWATERHOUSECOOPERS

Accountant's Report

The Directors
Navigator Mortgage Finance No.1 plc
Guild House, Guild Street
International Financial Services Centre
Dublin 1
Ireland

6 June 2002

Dear Sirs

Navigator Mortgage Finance No. 1 plc

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the offering circular for the issue of €230,000,000 Class A Mortgage Backed Floating Rate Notes due 2035, €10,000,000 Class B Mortgage Backed Floating Rate Notes due 2035 and €10,000,000 Class C Mortgage Backed Floating Rate Notes due 2035 (the "**Issue**") dated 6 June 2002 (the "**Offering Circular**") of Navigator Mortgage Finance No. 1 plc (the "**Company**").

The Company was incorporated on 10 April 2002. The Company has not yet commenced to trade and has not declared or paid a dividend.

Basis of preparation

The financial information set out below is based on the financial records of the Company to 31 May 2002, to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the Directors of the Company.

The Directors of the Company are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company as at the date stated.

Financial Information

The balance sheet of the Company at 31 May 2002 is as follows:

	Notes	€
Current assets		
Cash		40,000
Net assets		40,000
Represented by:		
		–
Share capital	3	40,000

Notes to the financial information

1. *Accounting policies*

The balance sheet has been prepared in accordance with the historical cost convention.

2. *Trading activity*

The Company did not trade during the period from incorporation on 10 April 2002 to 31 May 2002 nor did it receive any income nor did it incur any expense or pay any dividends. Consequently, no profit and loss account has been prepared.

3. *Share capital*

The Company was incorporated with an authorised share capital of €10,000,000, comprising 10,000,000 ordinary shares of €1 each. 7 ordinary shares were allotted for cash, and fully paid, on incorporation and 39,493 ordinary shares were allotted for cash, and fully paid for on 22 April 2002.

4. *Post balance sheet events*

On 6 June 2002 the Company published the Offering Circular in connection with the Issue.

5. *Immediate and ultimate holding company*

The immediate and ultimate parent undertakings are Eurydice Charitable Trust Limited, Badb Charitable Trust Limited and Medb Charitable Trust Limited.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Description Of The Fund And The Fund Manager

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

Incorporation and domicile

The Fund qualifies as a credit securitisation fund, under the terms of the Securitisation Law and has been duly authorised by Comissão de Mercado de Valores Mobiliários, the Portuguese Securities Commission (the "**CMVM**") through a resolution of the Board of Directors of the CMVM dated 06 June 2002.

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

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

The Fund is domiciled in Portugal.

Purpose of the Fund

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

Information Concerning Units and Assets of the Fund

The Fund is divided into 250 Units, with a nominal value of euro 1,000,000 each, and with an aggregate value of euro 250,000,000. The Units are in book entry form and 250 Units have been issued on the date of the incorporation of the Fund. The Fund consists of a fixed pool of assets and therefore the Fund cannot acquire any additional assets other than further Mortgage Assets by way of substitution in the event of a breach of a Mortgage Asset Warranty. The Fund cannot issue any additional Units. The Fund's assets may not be subjected to any encumbrance nor transferred, (except in the event of (a) the repurchase of the relevant Mortgage Assets by the Originator upon a breach of a Mortgage Asset Warranty under the Mortgage Sale Agreement, or (b) the liquidation of the Fund's assets).

Management and Custody

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

Expenses of the Fund

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

(a) a management fee payable quarterly to the Fund Manager (including any relevant costs and expenses) as provided in the Fund Regulation;

(b) a custodian fee payable quarterly to the Custodian (including any relevant costs and expenses) as provided in the Fund Regulation and in the Custodian Agreement;

(c) a servicer fee payable quarterly to the Servicer (including any relevant costs and expenses) as provided in the Fund Regulation and in the Mortgage Servicing Agreement;

(d) a supervision fee due and payable by the Fund to the CMVM; and

(e) all other costs, fees and expenses which are necessary to maintain the Fund (or the Fund Manager on behalf of the Fund).

Financial Statements

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

Liquidation of the Fund

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

The liquidation of the assets of the Fund may occur upon the happening of certain specific events as set out in the Fund Regulation, including:

(a) if at any date, the amount of the assets of the Fund represent less than 10 per cent. of the amount of the assets of the Fund as at the Closing Date;

(b) on the direction of the CMVM, in the event of the termination of the Fund Manager's licence or of the dissolution of the Fund Manager for any other reason;

(c) the Units are held by a sole Unitholder and an Enforcement Notice is delivered by the Trustee under the Conditions; and

(d) the Units are held by a sole Unitholder and an optional early redemption of all of the Notes occurs under the Conditions.

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

(i) the licence was obtained on the basis of false declarations;

(ii) the Fund Manager's activities cease to correspond with its stated corporate purpose;

(iii) the Fund Manager remains inactive for a period in excess of twelve months;

(iv) there are serious irregularities in the Fund Manager's management or accountancy practices; or

(v) the Fund Manager breaches any laws or rules which regulate its activities.

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

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

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

Legislation Governing the Fund's Activities

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

Independent Auditor

The independent auditor of the Fund is Figueiredo, Neves & Associados (SROC No. 77) represented by Mr Paulo Guilherme Figueiredo da Silva (ROC No. 609).

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

Incorporation and Purpose

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

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

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

Information Concerning Fund Manager's Capital

On the Closing Date, the share capital of the Fund Manager, in the amount of euro1,110,000, will be fully paid and divided into 1,110,000 shares with a nominal value of 1 euro each.

The shares will be nominative or registered bearer shares, and will be represented as book entries.

Share Capital Participation

On the Closing Date, the following entities will own the following proportion of the share capital of the Fund Manager which carry proportionate voting rights in respect of the Fund Manager:

ABN AMRO Bank, N.V.	1,055,610 (95.1 per cent. of the share capital)
Banco Comercial Português, S.A.	54,390 (4.9 per cent. of the share capital)

Fund Manager Corporate Bodies and Members

Board of Auditors

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

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

Independent Auditor

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

Executive Board

On the Closing Date, the Executive Board members of the Fund Manager and their respective business addresses and other principal occupations are:

Name	Business Address	Principal Occupation
Dr. Filipe Abecassis	BCP Investimento-Banco Comercial Português de Investimento, S.A., Av. José Malhoa, lote 1686, Lisbon, Portugal	Member of the Board
Dr. Miguel Cruz de Oliveira,	Av. Da Liberdade, 131-5, 1269-036 Lisbon, Portugal	Director, Head of Global Financial Markets
ABN AMRO Bank N.V.	Gustav Mahlerlaan 10 Amsterdam Netherlands	
ABN AMRO Bank N.V. will be represented by Dr. Jose Sanches	Av. da Liberdade, 131-5 1269-036 Lisbon, Portugal	Company Representative, Portugal – Head Loans Product

Responsibilities of the Fund Manager

The Fund Manager acts for the sole benefit of the Unitholders, and is required to perform and execute all acts and transactions necessary or advisable for the proper administration of the Fund, in accordance with professional levels of competence under the Securitisation Law and the Fund Regulation including: (a) applying the proceeds of the issue of the Units in the acquisition of the Mortgage Assets included in the Mortgage Asset Portfolio from the Originator, (b) upon the occurrence of a Notification Event, notifying the relevant Borrowers of the assignment of the relevant Mortgage Loans and effecting the registration of the assignment in the relevant Portuguese Real Estate Registry Office, (c) issuing the Units, (d) calculating and distributing the Unit Distributions; (d) effecting the payment of all costs and expenses of the Fund, (e) providing certain information required by the Securitisation Law and the Fund Regulation, (f) communicating with the CMVM, (g) selling Mortgage Assets in the event of the Fund's liquidation or a breach of any of the Mortgage Asset Warranties, and (h) performing the Fund's functions under the relevant Transaction Documents.

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

The Originator

BNC was established in 1992 as a bank specialised in the construction and building sector. With the enactment of the new Banking Ordinance in 1993, BNC developed into a universal bank. BNC is currently a full service bank specialising in mortgage lending and in construction financing. Today, BNC is the 9th financial group in Portugal by total assets.

In 2001, BNC's loan book increased to more than euro 2.6 billion, while customers' deposits rose to euro 2.5 billion. Cashflow was euro 42.5 million, a 12% increase over the previous year, and net profit was euro 19 million, 24% up from 2000. This growth was achieved by means of an aggressive marketing policy, which called for a steady increase in the customer base, and an improved range of financial products and services (e.g. funds and private banking) to offer customers.

To accommodate this growth in activity, in June 2000 the Bank's share capital was increased from euro 125 million to euro 175 million through a rights issue.

BNC's expansion in 2001 was facilitated by sustained demand for credit, mainly from companies. The Bank achieved a 22% increase in loans and deposits, and expanded its branch network to a total of 107 branches.

BNC's lending activities

Customer loans increased by euro 485 million to 2.6 billion in 2001. This growth was achieved while maintaining a highly selective policy with regard to risk exposure. Credit risk and monitoring criteria employed by the Bank enabled it to reduce the ratio of non-performing loans to 1.23% at year end.

Credit for construction and public works showed strong growth in 2001, reaching euro 1.4 billion, or nearly 54% of the Bank's total loan portfolio, at year end. Total property lending (construction and residential) comprised 69% of the loan portfolio. At year end, loans to companies in industry, retail trade, and services totalled euro 763 million, and accounted for approximately 29% of total loans.

Other business areas

BNC has grown its deposits recently by offering competitive interest rates. In 2001, customers' deposits totalled euro 2.5 billion. Term and savings deposits as a percentage of total deposits represent 71% of total deposits.

The Bank has established several investment funds, including the BNC global funds, with three different risk profiles, set up with the aim of providing an alternative to saving accounts for clients. In 2001, investment funds increased from euro 25 million to euro 39 million.

The Bank markets a wide range of life and casualty insurance products through its insurance subsidiary EUROVIDA, realising synergies with its lending activities.

Although based in Lisbon and Oporto, the private banking team covers the whole country, fully using the Bank's branch network.

New distribution channels

- **TeleBNC** (telephone), a telephone service devoted exclusively to the Bank's customers, both retail and wholesale, which provides easy, rapid, and secure access to an extended range of information on its products and services, as well as facilitating the execution of transactions and answers to queries, which are normally only available from the branches. TeleBNC contemplates two methods of service, namely automatic service and service through operators at its call centres.

- **BNCnet** (Internet banking), a site with home banking capabilities located at BNC's internet site to which customers, both individual and corporate subscribers can log on. This new channel offers, rapid and secure access to an array of information, as well as facilitating execution of transactions and answers to queries that are normally only available through the branches or through TeleBNC

In 2000, BNC decided to incorporate these two services (TeleBNC and BNCnet) into a single service branded Serviço TeleBNC/BNCnet, which is available 24 hours a day, 365 days a year.

Financial activity

During 2001, BNC concentrated its financial activity mainly on the money and foreign exchange markets. Transaction volume totalled €12,501 million, up 16.5% on the prior year.

The Bank also continued as a Primary Market Operator in fixed-income Portuguese public debt instruments, operating in the primary and secondary markets, mainly in the 5-year primary market placements. BNC's role in this area included both underwriting and placement of the securities.

Human resources and branch network

As at 31 December 2001, 815 employees worked at the Bank, 43% in specialist and management functions. The average age of the BNC employees is 33 years; they have an average of 7 years banking experience, while 37% have higher educational qualifications.

BNC has 107 branches in Portugal. In 2001, 3 new branches were established in Cascais, Mafra, and Padrão da Légua.

Deutsche Bank (Portugal), S.A.

Incorporation and Main Activities

DBP is registered under no. 1383 at the Commercial Registry Office of Lisbon, its corporation tax number is no. 502 349 620 and its registered office is at Rua Castilho, 20, Lisbon. DBP changed its name from Deutsche Bank de Investimento, S.A. to Deutsche Bank (Portugal), S.A., by public deed dated 23 April 1999.

The object of DBP is to carry out all the operations of a universal bank, including the provision of all the services allowed to investment banks.

Legislation Governing DBP's Activities

DBP's activity is governed by the Portuguese Companies Code and specific bank legislation including, *inter alia*, Decree Law 298/92 of 31 December as amended, *inter alia*, by Decree Law 232/96 of 5 December.

Information Concerning DBP's Capital

DBP's share capital, in the amount of Euro 42,250,000 million is fully paid and divided into 8,450,000 shares with a nominal value of euro 5.00 each.

The shares are nominative or registered bearer shares, reciprocally convertible, and are represented by certificates of 1; 10; 50; 100; 1,000; 5,000; 10,000; 100,000 or 500,000 shares.

Equity Participation

DBP has the following shareholders:

Deutsche Bank AG	8,449,654 shares
Juan Carlos Garay Ibargary	112 shares
Christian L. Vontz	115 shares
Bernd-Albrecht von Maltzan	115 shares
Thomas Garn	1 share
Werner Helmut Steinmüller	1 share
Antonio Linares Rodriguez	1 share
Josep Sanroma Celma	1 share

Management

Supervisory Board

Juan Carlos Garay Ibargary – Chairman
Christian L. Vontz – Vice Chairman
Bernd-Albrecht von Maltzan
Thomas Garn
Werner Helmut Steinmüller
Antonio Linares Rodriguez
Josep Sanroma Celma

Executive Board

Homero José de Pinho Coutinho – President
Felipe Silva
Fernando Sousa Brasa
Fernando Olalla
Martin Hugo Fahnauer

Main Business Areas and Products

DBP

Corporate Banking – lending, guarantees, deposit-taking, trade finance (including documentary credits), electronic banking, payment services and all major corporate banking products.

Madeira Offshore Branch – for non-resident clients; offers all corporate banking and treasury products, including deposits, portfolio investment, loans and foreign exchange.

Corporate Finance – equity origination, IPOs, privatisations, corporate advisory and M&A.

Structured Finance – project and export finance, international leasing, loan syndication, asset securitisation and leveraged finance.

Fixed Income, FX and Money Market Sales – marketing and sales of fixed income, FX and money market products.

Treasury – money market, foreign exchange and financial derivatives for hedging purposes.

Private Banking – sophisticated personalised private banking services.

Asset Management – portfolio management on a discretionary or advisory basis for private and institutional clients.

Retail Banking – retail of financial products and services to individual customers (mortgage and non mortgage backed credit and loans, investment funds and other over-the-counter financial products and services, targeted for the retail customers), through remote banking distribution channels (call centre and home banking), partnership agreements and a network of franchised promoters.

Financial Information

DBP's profit before provisions and depreciation (cash flow) was €4.608 million (2000: €6.667 million). Provisions for possible loan losses and other banking risks of €0.179 million (2000: €0,883 million), depreciation of €2.240 million (2000: €2.165 million) resulted in net income for 2001 of €2.189 million (2000: €3.619 million).

During 2001 pension fund reserves increased by €0.263 million (2000: €0.279 million), ensuring that funding requirements were fully provisioned.

By year-end 2001 total assets increased by 101.9 per cent. to €7,278.6 million. "Amounts owed to customers" increased by €1,309 million to €3,696 million, while amounts owed to banks increased by €2,362 to €3,378.9 million.

On the assets side of the balance sheet, "loans and advances to customers" increased to 2,446.6 million (2000 €1,157 million), and "loans and advances to credit institutions" increased to €4,378.4 million (2000 €1,878.1 million). In consolidated terms both items increased by €3,783.6 million.

Deutsche Bank Group Subsidiaries in Portugal

DB Corretora

A securities brokerage which has a seat on the Portuguese stock exchange and has served local and foreign investors in the Portuguese market since the first quarter of 1995.

DB Fundos

A fund management company supporting DBP's asset management and deposit-taking businesses which is currently in the process of being voluntarily wound up following a decision to concentrate this activity at a European level.

DB Crédito

A consumer loan company.

DB Vida

A life insurance company also offering pension fund management.

BIS Capital Ratio

Applying the Banco de Portugal's rules on a consolidated basis, DBP had a capital adequacy ratio of 13.2 per cent. above the minimum required by the *Banco de Portugal*.

Deutsche Bank AG

Pursuant to the law on the Regional Scope of Credit Institutions, Deutsche Bank, the predecessor to Deutsche Bank Aktiengesellschaft, ("Deutsche Bank AG") founded in 1870, was split into three regional banks in 1952. The present day Deutsche Bank AG originated from the merger of Norddeutsche Bank Aktiengesellschaft, Hamburg, Deutsche Bank Aktiengesellschaft West, Düsseldorf and Süddeutsche Bank Aktiengesellschaft, Munich. The merger and the name were entered in the Commercial Register of the District Court, Frankfurt am Main, on 2 May 1957. Deutsche Bank AG is a banking company with limited liability incorporated under the laws of Germany under registration number HRB 30 000. Deutsche Bank AG has its registered office at Taunusanlage 12, D-60325 Frankfurt am Main.

Deutsche Bank AG is the parent company of a group consisting of banks, capital market companies, fund management companies, mortgage banks and a property finance company, instalment financing and leasing companies, insurance companies, research and consultancy companies and other domestic and foreign companies (the "Deutsche Bank Group"). Deutsche Bank Group has over 2,099 branches and offices engaged in banking business and other financial business worldwide.

The objectives of Deutsche Bank AG, as laid down in its Articles of Association, are the transaction of banking business of every kind, the provision of financial and other services and the promotion of international economic relations. Deutsche Bank AG may realise these objectives itself or through subsidiaries and affiliated companies. To the extent permitted by law, Deutsche Bank AG is entitled to transact all business and to take all steps which appear likely to promote its objectives, in particular to acquire and dispose of real estate, to establish branches at home and abroad, to acquire, administer and dispose of interests in other enterprises, and to conclude enterprise agreements.

As of 31 December 2001, the subscribed share capital of Deutsche Bank AG amounted to €1,591,215,221.76 consisting of 621,568,446 shares of no par value. The shares are fully paid up and in registered form. The shares are listed for trading and official quotation on all the German Stock Exchanges. They are also listed on the Stock Exchanges in Amsterdam, Brussels, London, Luxembourg, New York, Paris, Tokyo, Vienna and the Swiss Stock Exchange.

The long-term senior debt of Deutsche Bank AG has been assigned a rating of AA– by S&P, Aa3 by Moody's and AA by Fitch Ratings. A credit rating may be subject to revision, suspension or withdrawal at any time by the rating organisation.

As of 31 December 2001, based on U.S. GAAP, Deutsche Bank Group had total assets of €918,222 million, total shareholder equity of €40,193 million and total BIS capital of €37,058 million.

Selected Aspects Of Laws Of The Portuguese Republic Relevant To The Mortgage Assets And The Transfer Of The Mortgage Assets

Securitisation Legal Framework

General

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

The most important aspects of this new legal framework are:

(a) the establishment of special rules facilitating the assignment of credits (including mortgage loans) in the context of securitisation;

(b) the establishment of the types of originator which may assign their credits pursuant to the Securitisation Law;

(c) the establishment of the types of credits that may be securitised;

(d) the creation of two different types of securitisation vehicles: (i) credit securitisation funds (*Fundos de Titularização de Créditos* – "**FTC**") and (ii) credit securitisation companies (*Sociedades de Titularização de Créditos* – "**STC**").

Securitisation Funds

The FTC structure requires that (i) the Fund is managed by a management company pursuant to the terms of the applicable fund regulation, (ii) a servicer collects and manages the portfolio assigned to the FTC and (iii) a custodian holds the portfolio acquired by the FTC.

The Fund – Concept and Types

An FTC consists of a segregated portfolio of assets in respect of which an undivided ownership interest is held jointly by the holders of units in such FTC (the "**Securitisation Units**"), who may be individuals or corporate entities. An FTC is not liable for the debts of (i) the holders of the Securitisation Units, (ii) the FTC management company, or (iii) the originator of the portfolio of assets acquired by such FTC.

An FTC may be an open ended fund (*fundo de património variável*) or a closed fund (*fundo de patromínio fixo*). If an FTC is an open ended fund, it may acquire further assets and issue further Securitisation Units. If an FTC is a closed fund, it may not acquire further assets or issue further Securitisation Units.

The Securitisation Units issued by an FTC must take the form of registered book-entry securities.

The proceeds of the issuance of Securitisation Units must be invested in accordance with the fund regulation and applicable legal constraints.

The holders of the Securitisation Units are the joint owners of the FTC but will have no liability to contribute to any losses of the FTC.

In accordance with the terms of the fund regulation, the Securitisation Units may entitle the holders to the following rights:

(a) payments of distributions;

(b) reimbursement for the nominal value of the Securitisation Units; and

(c) sharing of the assets of the FTC upon its liquidation, in proportion to their respective participation.

Holders of Securitisation Units are not entitled to give instructions to the FTC management company in respect of the management of an FTC and cannot request the liquidation of an FTC.

The Management Company

An FTC is managed by a management company (*Sociedade Gestora Fundo de Titularização de Créditos*). A management company is a financial company pursuant to Portuguese law. Accordingly, the management company is required to have its registered office and effective place of management in Portugal, is characterised as a sociedade anónima (public limited liability company) and must have a minimum share capital of €750,000 represented by nominative shares.

The exclusive object of the management company is the management of one or more FTC's on behalf of the holders of the Securitisation Units.

The management company is also subject to specific capital adequacy requirements to the extent that the capital qualifying as own funds must not be less than the following minimum percentages of the net value of all FTCs managed by such management company: up to Euro 75 million, being 0.5 per cent. and in excess of Euro 75 million, being 0.1 per cent.

The Custodian

The FTC's assets are required to be held by a custodian which must be a credit institution under Decree Law 298/92 of 31 December with a share capital of, at least, Euro 7,500,000 and which is required to have its registered office in Portugal or in another European Union member state, in which case it must have a branch in Portugal.

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

The management company and the custodian are jointly and severally liable to the holders of the Securitisation Units for the performance of the obligations they have assumed under the terms of the Securitisation Law or of the fund regulation and for the accuracy and sufficiency of the information contained in the fund regulation.

Nature of credits

The Securitisation Law sets out the 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 for 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:

(a) Notice to Debtors

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

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

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

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

(b) Assignment Formalities

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

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

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

The Securitisation Law provides for the assignment of credits to be effective between the parties upon execution of the relevant assignment agreement. This means that in the event of 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 the security is only effective against third parties acting in good faith further to registration of such assignment with the competent registry by or on behalf of the assignee.

(c) 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.

Mortgages of real estate under Portuguese law

(a) Concept

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

(b) Legal Form, Registry and Priority Rights

Mortgages are created by means of a notarial deed, which is a contract prepared and testified by, and executed before, a public notary and must comply with certain formalities as to its creation (in some cases banks may have special template forms, pursuant to applicable legislation).

The notarial deed for the creation of a mortgage is not sufficient for the full validity and enforceability of this type of security, and registration with the Real Estate Registry Office of the area where the property is located is required in order for a mortgage to be considered validly created.

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

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

In accordance with the *Código* Civil (the "**Portuguese Civil Code**"), the relevant originator as lender of a mortgage loan may require a borrower to provide additional security for a mortgage loan if the value of the property securing the mortgage loan is insufficient to cover the amount of the mortgage loan due to reasons unattributable to the lender.

(c) Enforcement and court procedures

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

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

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

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

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

Risk of Set-Off by Borrowers

(a) 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 (defined above) 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.

(b) Set-Off on Bankruptcy

Under Article 153 of the *Código de Falência e Recuperação de Empresa* (the Code for the Bankruptcy and Recovery of Companies), introduced by Decree-Law 132/93 of 23 April, a debtor is unable to exercise any right of set-off against a creditor after a declaration of bankruptcy of such creditor. Accordingly, if an assignor of a credit is declared bankrupt after the assignment of such credit to an assignee, the debtor is unable to exercise any right of set-off which the debtor might have had prior to such assignment.

Data Protection Law

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

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

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

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

Terms And Conditions Of The Notes

If Class A Notes, Class B Notes or Class C Notes were to be issued in definitive form, the terms and conditions set out on the reverse of each Class A Notes, Class B Notes or Class C Notes (as the case may be) would be as follows. While the Class A Notes, Class B Notes or Class C Notes are represented by Global Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Notes.

The Class A Notes, the Class B Notes and the Class C Notes are together referred to herein as the "**Notes**". Navigator Mortgage Finance No.1 plc (the "**Issuer**") has also issued Class D Mortgage Backed Floating Rate Notes due 2035 (the "**Class D Notes**" pursuant to a Class D Note purchase agreement dated the Signing Date between the Issuer and BNC – Banco Nacional de Crédito Imobiliário, S.A. (the "**Class D Note Purchase Agreement**"). The Notes and the Class D Notes are together referred to herein as the "**Instruments**". The Instruments are subject to, and have the benefit of, a trust deed dated 12 June 2002 (the "**Trust Deed**") between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**"). Certain provisions of these Conditions are summaries of the Trust Deed and a paying agency agreement dated 12 June 2002 (the "**Paying Agency Agreement**") between the Issuer, the Trustee, Deutsche Bank AG London (in such capacity, the "**Principal Paying Agent**" and as "**Agent Bank**") and Deutsche Bank Luxembourg S.A. (in such capacity a "**Paying Agent**" and together with the Principal Paying Agent, the "**Paying Agents**") and are subject to their detailed provisions. The holders for the time being of the Notes (the "**Noteholders**"), the holders for the time being of the Class D Notes (the "**Class D Noteholders**") and the holders for the time being of the coupons (the "**Coupons**") appertaining to the Notes (the "**Couponholders**") are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of the Paying Agency Agreement. Copies of the Trust Deed, the Paying Agency Agreement and the master framework agreement dated 06 June 2002 (the "**Master Framework Agreement**") and made between the Issuer and the Trustee are available for inspection during normal business hours at the specified offices of each of the Paying Agents, the initial specified offices of which are set out below.

1 Form, Denomination and Title

The Notes are in bearer form in the denomination of €50,000 with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Notes or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it 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 of theft thereof) and no person shall be liable for so treating such holder.

2 Status, Security and Limited Recourse

(a) *Status*: The Notes and the Coupons of each class constitute secured obligations of the Issuer.

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

(c) *Sole Obligations*: The Notes and the Coupons are obligations solely of the Issuer and not the obligations of or guaranteed by any other party.

(d) *Priority of Interest Payments*: Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class B Notes, payments of interest on the Class B Notes will at all times rank in priority to payments of interest on the Class C Notes and payments of interest on the Class C Notes will at all times rank in priority to payments of interest on the Class D Notes, in each case in accordance with the Pre-Enforcement Interest Payment Date Interest Payments Priorities (as defined in Condition 6).

(e) *Priority of Principal Payments*: Payments of principal on the Class A Notes will at all times rank in priority to payments of principal on the Class B Notes, payments of principal on the Class B Notes will at all times rank in priority to payments of principal on the Class C Notes and payments of principal on the Class C Notes will at all times rank in priority to payments of principal on the Class D Notes, in each case in accordance with the Pre-Enforcement Interest Payment Date Principal Payments Priorities (as defined in Condition 6).

(f) *Payment Priorities*: Prior to the delivery of an Enforcement Notice (as defined in Condition 8), the Issuer is required to apply the Available Interest Distribution Amount and the Available Principal Distribution Amount in accordance with the Pre-Enforcement Interest Payment Date Interest Payments Priorities and the Pre-Enforcement Interest Payment Date Principal Payments Priorities respectively and thereafter in accordance with the Post-Enforcement Payment Priorities (each as defined in Condition 6).

(g) *Security*: As continuing security for the payment or discharge of the monies and liabilities which from time to time are or may become due, owing or payable by the Issuer to each of the Secured Creditors under the Issuer Documents (the "**Secured Obligations**") and, subject always to the right of redemption of the Issuer, the Issuer will create in favour of the Trustee, for itself and on trust for the Secured Creditors, in accordance with the terms of the Trust Deed:

(i) an assignment by way of first fixed security of the benefit of each Unit and all Unit Distributions;

(ii) a first fixed security over the benefit of each Authorised Investment;

(iii) a first fixed security over the benefit of the Issuer Account and the Cash Reserve Account and any other bank or other accounts in which the Issuer may at any time have or acquire any benefit;

(iv) an assignment by way of first fixed security of the benefit of each Issuer Document (other than the Trust Deed, the Notes, the Class D Notes and the Coupons); and

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

(h) *Limited Recourse*: Only the Security shall be available to satisfy the Secured Obligations. Accordingly, recourse against the Issuer in respect of such obligations shall be limited to the Security and the claims of the Secured Creditors against the Issuer under the Issuer Documents may only be satisfied to the extent of the Security. Once the Security has been realised:

(i) neither the Trustee nor any other Secured Creditor shall be entitled to take any further steps or other action against the Issuer to recover any sums due but unpaid;

(ii) all claims in respect of any sums due but unpaid shall be extinguished; and

(iii) neither the Trustee nor any other Secured Creditor shall be entitled to petition or take any other step for the winding up, or the appointment of an examiner, of the Issuer.

(i) *Enforcement*: The Security shall become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with and subject to Condition 8.

Notwithstanding any other provision of the Trust Deed, the Trustee will act in connection with the Security or any part thereof only in the interests of the Noteholders and shall not have regard to the interests of any of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.

3 Covenants of the Issuer

So long as any Note remains outstanding, the Issuer shall comply with all the covenants of the Issuer, as set out in the Issuer Documents, including but not limited to those covenants set out in Schedule 4 to the Master Framework Agreement.

4 Interest

(a) *Accrual of Interest*: The Notes bear interest from the Closing Date, payable quarterly in arrear on the 15th day of August, November, February and May in each calendar year (each an "**Interest Payment Date**"), subject as provided in Condition 6 that, if any Interest Payment Date would otherwise fall on a date which is not a business day, it will be postponed to the next succeeding business day unless it would thereby fall in the next calendar month, in which case it will be brought forward to the preceding business day. Each period beginning on (and including) the Closing Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**". For the avoidance of doubt, interest accrues on the Notes on a daily basis irrespective of whether such day is a business day.

To the extent that available funds are insufficient to pay the interest accrued on any Notes (including any interest which accrued prior to the beginning of the Interest Period ending on that Interest Payment Date), such shortfall shall cease to be payable on such Interest Payment Date and shall become payable on the next Interest Payment Date. Interest will not accrue on any shortfall irrespective of the period for which it remains outstanding.

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (after as well as before judgement) until the earlier of:

(i) the day on which all sums due in respect of such Notes up to that day are received by or on behalf of the relevant Noteholder; and

(ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified:

(A) in the case of a Class A Note, the Class A Noteholders that it has received all sums due in respect of the Class A Notes up to such seventh day (except to the extent that there is any subsequent default in payment);

(B) in the case of a Class B Note, the Class B Noteholders that it has received all sums due in respect of the Class B Notes up to such seventh day (except to the extent that there is any subsequent default in payment); and

(C) in the case of a Class C Note, the Class C Noteholders that it has received all sums due in respect of the Class C Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(b) *Rate of interest*: The rate of interest applicable to the Class A Notes, the Class B Notes and the Class C Notes (the "**Floating Rate of Interest**") for each Interest Period will be determined by DBAG London in its capacity as the agent bank in respect of the Notes, on the following basis:

(i) on the second business day prior to the commencement of each Interest Period (each such day, an "**Interest Determination Date**"), the Agent Bank will determine the annual rate of interest for three-month Euro deposits or, in the case of the period from the date of issue of the Notes to the Interest Payment Date falling in August 2002, at a rate obtained by the linear interpolation of the European Interbank Offered Rate for two month and three month Euro deposits which appears on Telerate Page 248 (as defined in the International Swaps and Derivatives Association Inc. 2000 Definitions) as of 11:00 a.m. (Brussels time) on the relevant Interest Determination Date (the "**Euro Screen Rate**");

(ii) if, on any Interest Determination Date, the Euro Screen Rate is unavailable, the Agent Bank will request the Reference Banks (as defined below) to provide the Agent Bank with their offered quotations to leading banks in the Euro-zone interbank market for three-month Euro deposits as at 11:00 a.m. (Brussels time) on the relevant Interest Determination Date and, subject as provided below, will determine the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of one per cent.) of such offered quotations. As used herein, "**Reference Banks**" means four leading banks active in the Euro-zone interbank market selected by the Agent Bank;

(iii) if, on any Interest Determination Date, less than all but at least two of the Reference Banks provide such offered quotations, the Agent Bank will determine a rate in accordance with paragraph (ii) above on the basis of the offered quotations of those Reference Banks providing such quotations (along with (ii) above, the "**Euro Reference Rate**"); and

(iv) if, on any Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such offered quotations, the Agent Bank will determine a rate for such Interest Determination Date on the basis of such annual rate of interest as the Agent Bank considers to be representative of the rates at which three-month Euro deposits are offered by leading banks in the Euro-zone interbank market as of 11:00 a.m. (Brussels time) on such Interest Determination Date (the "**Euro Reserve Reference Rate**");

and the Floating Rate of Interest in respect of each class of Notes for each Interest Period shall be the Euro Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of each such class.

(c) *Calculation of Interest Amount*: The Agent Bank will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of each Note for such Interest Period. The Interest Amount in respect of the Class A Notes, the Class B Notes and the Class C Notes will be calculated by applying the relevant Floating Rate of Interest for such Interest Period to the Principal Amount Outstanding of such Class A Notes, Class B Notes or, as the case may be, Class C Notes during such Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(d) *Publication*: The Agent Bank will cause each Floating Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, to be notified to the Paying Agents, the Transaction Manager, the Trustee and the Noteholders of the relevant class in accordance with Condition 14 and each stock exchange (if any) on which the Notes are then listed as soon as practicable after such determination but in any event not later than the second day of the relevant Interest Period. The Agent Bank will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(e) *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Transaction Manager, the Trustee, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such person will attach to the Agent Bank or (in the circumstances referred to in paragraph (g) below) the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(f) *Interpretation*: In these Conditions, "**business day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System ("**Target**") is open for settlement of payments in Euro (a "**Target Day**") or, if such Target Day is not a day on which banks are open for business in London, the next succeeding Target Day on which banks are open for business in London.

(g) *Failure of Agent Bank*: If the Agent Bank fails at any time to determine a Floating Rate of Interest or to calculate an Interest Amount as aforesaid, the Trustee will determine such Floating Rate of Interest as it in its discretion considers fair and reasonable in the circumstances (having such regard as it thinks fit to paragraph (b) above) or (as the case may be) calculate such Interest Amount in accordance with paragraph (c) above. Such determination will be deemed to have been made by the Agent Bank.

5 Redemption and Purchase

(a) *Optional Redemption in Whole*: the Issuer may, at its option and with 30 days' prior notice to the Trustee and the Noteholders, apply the Available Distribution Amount to redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with interest accrued thereon prior to the date fixed for redemption on any Interest Payment Date:

(i) after the date on which the Issuer is to make any payment in respect of the Notes or the Swap Counterparty is to make any payment in respect of the Swap Agreement and either the Swap Counterparty or the Issuer (as the case may be) would be required to make a deduction or withholding on account of any tax in respect of such relevant payment; or

(ii) after the date on which the Issuer would, by virtue of a change in the tax law of Ireland (or the application or official interpretation of such tax law), not be entitled to relief for the purposes of such tax law for any material amount which it is obliged to pay, or is treated as receiving for the purposes of such tax laws under the Issuer Documents; or

(iii) after the date of a change in the tax law of the Issuer's or the Fund's jurisdiction of incorporation (or the application or official interpretation of such tax law) which would cause the total amount payable in respect of any Unit Distributions to cease to be receivable by the Issuer including as a result of any of the Borrowers being obliged to make a deduction or withholding on account of any tax in respect of any payment in relation to any Mortgage Asset or the Fund being obliged to make a deduction or withholding on account of any tax in respect of any payment in relation to any Unit Distribution; or

(iv) following the Interest Payment Date on which the Aggregate Principal Outstanding Balance of the Mortgage Loans is equal to or less than 10 per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Loans as at the Collateral Determination Date; or

(v) falling on or after the Step-up Date.

Prior to the publication of any notice of redemption pursuant to this Condition 5(a), the Issuer shall deliver to the Trustee (A) a certificate signed by two directors of the Issuer stating that the circumstances permitting such redemption prevail and setting out details of such circumstances, (B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing confirming that such certificate is correct and (C) evidence satisfactory to the Trustee that the Available Distribution Amount will be sufficient on the date fixed for redemption to satisfy all of the obligations of the Issuer under the Trust Deed and the Notes on such date. The Trustee shall be entitled to accept such certificate, opinion and evidence as sufficient for the purposes of this Condition 5(a), in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 5(a), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(a).

(b) *Mandatory Redemption in Part*: Unless previously redeemed and cancelled, each Note is subject to mandatory early redemption in part on each Interest Payment Date on which the Available Principal Distribution Amount is available for this purpose and applied in accordance with Condition 6.

(c) *Final Legal Maturity*: Unless previously redeemed and cancelled, each Note will be redeemed at its Principal Amount Outstanding, together with accrued interest (if any), on the Interest Payment Date falling in May 2035 (the "**Final Legal Maturity**"). The actual final redemption date of the Notes may be earlier, and could be substantially earlier, than their Final Legal Maturity.

(d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a), (b) and (c).

(e) *Cancellation*: All Notes so redeemed and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

(f) *Purchase*: The Issuer may not purchase any of the Notes.

A principal deficiency ledger comprising three sub-ledgers (the "**Class A Principal Deficiency Ledger**", the "**Class B Principal Deficiency Ledger**" and the "**Class C Principal Deficiency Ledger**" and together the "**Principal Deficiency Ledgers**") will be established in order to record any Realised Loss on the Mortgage Assets (each a "**Principal Deficiency**"). Any Principal Deficiency will be deemed debited to the Class C Principal Deficiency Ledger so long as the debit balance on the Class C Principal Deficiency Ledger is not greater than the Principal Amount Outstanding on the Class C Notes. Thereafter, any Principal Deficiency will be deemed debited to the Class B Principal Deficiency Ledger so long as the debit balance on the Class B Principal Deficiency Ledger is not greater than the Principal Amount Outstanding on the Class B Notes. Thereafter, any Principal Deficiency will be deemed debited to the Class A Principal Deficiency Ledger.

6 Payments and Priorities

(a) *Principal*: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the specified office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in the European Union. The Agent Bank will cause each amount of principal payment to be notified to the Paying Agents, the Trustee, and the Noteholders in accordance with Condition 14 and to each stock exchange (if any) on which the Notes are then listed as soon as practicable after the determination of such amount which shall be made on the Interest Determination Date. The Agent Bank shall notify the Trustee, Principal Paying Agent and relevant stock exchanges of such amount at the same time at which it notifies them of the Floating Rate of Interest and Interest Amount in accordance with Condition 4(d).

(b) *Interest*: Payments of interest shall, subject to paragraph (g) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) *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 7, no commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) *Unmatured Coupons void*: On the due date for final redemption of any Notes or early redemption in full of such Notes pursuant to Condition 5(a) or Condition 8, all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(e) *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 (as defined in Condition 4(f)) 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.

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

(g) *Endorsement of payments*: If a Paying Agent makes a payment in respect of any Notes (otherwise than against presentation and surrender of a Coupon) or a partial payment in respect of any Coupon presented to it for payment, such Paying Agent will endorse on such Notes or Coupon (as the case may be) a statement indicating the amount and date of such payment.

Pre-Enforcement Interest Payment Date Interest Payments Priorities

Prior to the delivery of an Enforcement Notice, the Available Interest Distribution Amount determined in respect of the Collection Period immediately preceding the relevant Interest Payment

Date will be applied by the Transaction Manager on each Interest Payment Date in making the following payments or provisions in the following order of priority (the "**Pre-Enforcement Interest Payment Date Interest Payments Priorities**") but in each case only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:

(a) first, in or towards payment of the Issuer's liability to tax, if any;

(b) second, in or towards payment of the Trustee Fees and the Trustee Liabilities;

(c) third, in or towards payment of the Issuer Expenses in an amount not exceeding the Expenses Cap;

(d) fourth, in or towards payment of accrued interest under the Liquidity Facility Agreement on such Interest Payment Date together with any commitment fees or other amounts (other than principal) which have fallen due pursuant to the Liquidity Facility Agreement;

(e) fifth, either (i) in or towards payments of amounts in respect of any LF Revolving Drawing which are due, or which are otherwise to be prepaid, to the Liquidity Facility Provider under the Liquidity Facility Agreement, or (ii) in or towards payment of amounts in respect of any Liquidity Revolving Drawing to be repaid to the Liquidity Ledger which is due or is otherwise to be repaid on such Interest Payment Date;

(f) sixth, in or towards payment of amounts due to the Swap Counterparty under the Swap Agreement (except for such amounts as are payable in connection with an early termination of the Swap Agreement);

(g) seventh, in or towards payment *pari passu* on a *pro rata* basis (i) of accrued interest on the Class A Notes but so that current interest will be paid before interest that is past due and (ii) of amounts due to the Swap Counterparty in connection with an early termination of the Swap Agreement other than where such early termination results from a default by the Swap Counterparty or where the Swap Counterparty is the sole Affected Party (as defined in the Swap Agreement);

(h) eighth , in or towards reduction of the debit balance on the Class A Principal Deficiency Ledger to zero;

(i) ninth, in or towards payment of accrued interest on the Class B Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;

(j) tenth, in or towards reduction of the debit balance on the Class B Principal Deficiency Ledger to zero;

(k) eleventh, in or towards payment of accrued interest on the Class C Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;

(l) twelfth, in or towards reduction of the debit balance on the Class C Principal Deficiency Ledger to zero;

(m) thirteenth, in or towards payment of amounts due to the Swap Counterparty in connection with an early termination of the Swap Agreement where such early termination results from a default by the Swap Counterparty or where the Swap Counterparty is the sole Affected Party (as defined in the Swap Agreement);

(n) fourteenth, in or towards payment of any Issuer Expenses not paid under sub-paragraph (c) above;

(o) fifteenth, in or towards payment of the CRA Required Reserve;

(p) sixteenth, in payment of amounts due under the Class D Notes; and

(q) seventeenth, in release of the balance (if any) to the Issuer or to its order, *Pre-Enforcement Interest Payment Date Principal Payments Priorities*

Prior to the delivery of an Enforcement Notice, the Available Principal Distribution Amount determined by the Transaction Manager in respect of the Collection Period immediately preceding each Interest Payment Date, together with such amount of the Available Interest Distribution Amount as is credited to the Issuer Account and which is applied by the Transaction Manager on the relevant Interest Payment Date in reducing the debit balance on the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger or the Class C Principal Deficiency Ledger will be applied by the Transaction Manager on each Interest Payment Date in making the following payments in the following order of priority (the "**Pre-Enforcement Interest Payment Date Principal Payments Priorities**") but in each case only to the extent that all payments of a higher priority that fall due to be paid on such Interest Payment Date have been made in full:

(a) first, 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;

(b) second, 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;

(c) third, 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

(d) fourth, in or towards payment *pari passu* on a *pro rata* basis of the principal amounts due under the Class D Notes.

Post-Enforcement Payments Priorities

Following the delivery of an Enforcement Notice, the Available Distribution Amount, will be applied by the Transaction Manager or the Trustee in making the following payments in the following order of priority (the "**Post-Enforcement Payments Priorities**") but in each case only to the extent that all payments of a higher priority have been made in full:

(a) first, in or towards payment *pari passu* on a *pro rata* basis of (i) any remuneration then due and payable to any receiver of the Issuer and all costs, expenses and charges incurred by such receiver and (ii) the Trustee Fees and the Trustee Liabilities;

(b) second, in or towards payment only when due and *pari passu* with each other on a *pro rata* basis of any fees, costs and expenses payable by the Issuer to the Corporate Services Provider, the Agent Bank, the Registrar, the Transfer Agent, any Paying Agent, Transaction Manager (or any successor), the Issuer Account Bank, the Cash Reserve Account Bank and any other third party expenses;

(c) third, in or towards payment of accrued interest under the Liquidity Facility Agreement on such Interest Payment Date together with any commitment fees or other amounts (other than principal) which have fallen due pursuant to the Liquidity Facility Agreement;

(d) fourth, either (i) in or towards payments of amounts in respect of any LF Revolving Drawing which are due, or which are otherwise to be prepaid to the Liquidity Facility Provider under the Liquidity Facility Agreement, or (ii) in or towards payment of amounts in respect of any Liquidity Revolving Drawing to be repaid to the Liquidity Ledger which is due or is otherwise to be repaid on such Interest Payment Date;

(e) fifth, in or towards payment of amounts due to the Swap Counterparty under the Swap Agreement (except for such amounts as are payable in connection with an early termination of the Swap Agreement);

(f) sixth, in or towards payment *pari passu* on a *pro rata* basis (i) of accrued interest on the Class A Notes but so that current interest will be paid before interest that is past due and (ii) of amounts due to the Swap Counterparty in connection with an early termination of the Swap Agreement other than where such early termination results from a default by the Swap Counterparty or where the Swap Counterparty is the sole Affected Party (as defined in the Swap Agreement);

(g) seventh, 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;

(h) eighth, in or towards payment of accrued interest on the Class B Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;

(i) ninth, 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;

(j) tenth, in or towards payment of accrued interest on the Class C Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;

(k) eleventh, 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;

(l) twelfth, in or towards payment of amounts due to the Swap Counterparty in connection with an early termination of the Swap Agreement where such early termination results from a default by the Swap Counterparty or where the Swap Counterparty is the sole Affected Party (as defined in the Swap Agreement); and

(m) thirteenth, in or towards payment amounts due under the Class D Notes.

7 Taxation

All payments of principal and interest in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Ireland or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall have no obligation to pay any additional amount.

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

8 Events of Default and Enforcement

(a) *Events of Default*: The following shall be Events of Default in respect of the Notes:

(i) Non-payment: the Issuer fails to pay any amount of principal or interest (other than any interest which falls to be deferred pursuant to Condition 4(a) because there are insufficient available funds to pay it) in respect of the Notes within two business days after the due date for payment thereof; or

(ii) Breach of other obligations: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (A) is, in the opinion of the Trustee, incapable of remedy or (B) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer; or

(iii) Insolvency etc.: an Insolvency Event occurs with respect to the Issuer, or

(iv) Fund Liquidation: the commencement of liquidation proceedings in relation to the Fund; or

(v) Unlawfulness: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed.

(b) *Delivery of Enforcement Notice*: If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:

(i) if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or

(ii) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes;

deliver a notice to the Issuer (an "**Enforcement Notice**").

(c) *Conditions to delivery of Enforcement Notice*: Notwithstanding Condition 8(b) above, the Trustee shall not be obliged to deliver an Enforcement Notice unless:

(i) in the case of the occurrence of any of the events mentioned in Condition 8(a)(ii) above, the Trustee shall have certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders; and

(ii) 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.

(d) *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.

(e) *Proceedings*: The Trustee may at its discretion and without further notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each class and under the other Issuer Documents, but it shall not be bound to do so unless it is:

(i) so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or

(ii) so directed by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes;

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

(f) *Restrictions on disposal of Issuer's assets*: If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Security or any part thereof unless either:

(i) a sufficient amount would be realised to allow payment in full of all amounts owing to the Noteholders and the Couponholders of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities; or

(ii) the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Condition shall not apply) that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and Couponholders after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities; and

(iii) the Trustee shall not be bound to make the determination contained in Condition 8(f) (ii) above unless the Trustee shall have been indemnified and/or secured to its satisfaction against all liabilities to which it may thereby become liable or which it may incur by so doing.

9 Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. "**Relevant Date**" means, in respect of any Notes, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after the date on which notice is duly given to the Noteholders in accordance with Condition 14 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.

10 Replacement of Notes and Coupons

If any Notes or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or, so long as the Notes are listed on the Luxembourg Stock Exchange, the Paying Agent in Luxembourg, 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 or Coupons must be surrendered before replacements will be issued.

11 Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of the Notes or Coupons of any such class of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction Provided that:

(a) so long as any of the Class A Notes are outstanding, the Trustee shall only have regard to the interests of the holders of the Class A Notes and shall not have regard to the interests of the holders of the other classes of Notes;

(b) so long as any of the Class A Notes or the Class B Notes are outstanding, the Trustee shall only have regard to the interests of the holders of the Class A Notes or the Class B Notes (as the case may be) and shall not have regard to the interests of the holders of the other classes of Notes;

(c) so long as any of the Class A Notes or the Class B Notes or the Class C Notes are outstanding, the Trustee shall only have regard to the interests of the holders of the Class A Notes, the Class B Notes or the Class C Notes (as the case may be) and shall not have regard to the interests of the holders of the Class D Notes.

In a number of circumstances set out in the Issuer Documents, the Trustee is given a right to take any action or to omit to take any action where it determines that a particular matter is or is not materially prejudicial to the interests of Noteholders and/or the other Secured Creditors. In determining whether any matter is or is not materially prejudicial to the interests of Noteholders and/or the other Secured Creditors the Trustee shall have regard to the effect that such matter will have on the then current rating of the Notes and if the matter shall not adversely affect such rating then the Trustee shall be entitled to assume that the matter will not be materially prejudicial to the interests of Noteholders and/or the other Secured Creditors.

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

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent or the Agent Bank and to appoint a successor principal paying agent or agent bank and additional or successor paying agents; provided that the Issuer shall maintain, at all times, a principal paying agent in London and an agent bank and, so long as the Notes are listed on the Luxembourg Stock Exchange, a paying agent in Luxembourg. Notice of any change in any of the Paying Agents or in their specified offices shall promptly be given to the Noteholders.

12 Meetings of Noteholders; Modification and Waiver; Substitution

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee, the Issuer or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate Principal Amount Outstanding of the outstanding Notes.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one half of the aggregate Principal Amount Outstanding of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the Principal Amount Outstanding of the Notes held or represented; provided that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate Principal Amount Outstanding of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders whether present or not.

Where more than one class of Notes is outstanding, (a) business which in the opinion of the Trustee affects only one class of Notes will be transacted at a separate meeting of the holders of that class, (b) business which in the opinion of the Trustee affects more than one class of Notes but does not give rise to an actual or potential conflict of interest between the holders of that class shall be transacted either at separate meetings of the holders of the separate class or at a single meeting of the holders of all that class, as the Trustee shall in its absolute discretion determine and (c) business which in the opinion of the Trustee affects more than one class of Notes and gives rise to an actual or potential conflict of interest between the holders of that class shall be transacted at separate meetings of the holders of the separate class.

In addition, a resolution in writing signed by or on behalf of all Noteholders or the relevant class thereof who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders or the relevant class thereof.

(b) *Modification and waiver*: The Trustee may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Trust Deed (other than in respect of, *inter alia*, certain terms concerning the amount, currency and postponement of the due dates for payment of the Notes, the provisions concerning the quorum required at any meeting of Noteholders and the provisions concerning the majority required to pass an Extraordinary Resolution) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders or Couponholders authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach concerning the amount, currency and postponement of the due dates for payment of the Notes, the provisions concerning the quorum required at any meeting of

Noteholders and the provisions concerning the majority required to pass an Extraordinary Resolution) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

(c) *Substitution*: The Trust Deed contains provisions under which any other company may, without the consent of the Noteholders or Couponholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes provided that certain conditions specified in the Trust Deed are fulfilled.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder.

13 No action by Noteholders and Couponholders

(a) None of the Noteholders and Couponholders (nor any person on its or their behalf) are entitled until the Final Legal Maturity:

(i) otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;

(ii) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders and Couponholders; or

(iii) to initiate or join any person in initiating any Insolvency Event in relation to the Issuer; or

(iv) to take any steps or join in the taking of steps which would result in the payments priorities not being observed.

(b) If the Trustee having become bound to do so fails:

(i) to deliver an Enforcement Notice; and/or

(ii) to take any steps to enforce the Security in accordance with the Trust Deed,

within a reasonable time and such failure is continuing any Noteholder, Couponholder or other Secured Creditor shall be entitled to take any such steps as it shall deem necessary or desirable including steps for the appointment of a successor trustee (but not including, initiating or joining in the initiating of Insolvency Proceedings).

14 Notices

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange require publication of such notices, notices to the Noteholders shall be valid if published in a leading daily newspaper published in Luxembourg (which is expected to be the Luxemburger Wort) or, if such publication is not practicable, in a leading daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

15 Governing Law and Jurisdiction

(a) *Governing Law*: The Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*: the Issuer has in the Trust Deed (i) submitted irrevocably to the jurisdiction of the courts of England for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Trust Deed or the Notes, (ii) waived any objection which it might have to any such courts being nominated as the forum to hear and determine any such suit, action or proceedings or to settle any such disputes and agreed not to claim that any such court is not a convenient or appropriate forum and (iii) designated a person in England to accept service of any process on its behalf.

16 Third Party Rights

No person shall have any right to enforce any Condition or provision of the Trust Deed under the Contract (Rights of Third Parties) Act 1999.

17 Definitions

"**Aggregate Principal Outstanding Balance**" means, with respect to all Mortgage Assets purchased by the Fund under the Mortgage Sale Agreement and the Mortgage Servicing Agreement at any time the aggregate amount of the Principal Outstanding Balance of each Mortgage Asset.

"**Authorised Investments**" means (i) any Euro denominated investment or any time or other deposit in respect of which a security interest can be created pursuant to the Trust Deed and (ii) which has a rating of, or (in the case of a bank account or term deposit) is held at or made with an institution having a rating of, at least A-1+ from Standard & Poor's Rating Services, a division of the Mcgraw-Hill Companies ("**S&P**") and P-1 from Moody's Investors Services Limited ("**Moody's**" and together with S&P the "**Rating Agencies**") and (iii) which matures, or (in the case of a bank account)from which amounts deposited may be withdrawn at any time without penalty, before the next Interest Payment Date ((i) to (iii) together the "**Authorised Investment Criteria**"). The Authorised Investment Criteria may be changed from time to time, subject to confirmation from the Rating Agencies that such change will not cause the then current rating of the Notes to be affected and subject to the prior written consent of the Trustee (who may rely on such confirmation from the Rating Agencies for the purpose of giving its consent).

"**Available Distribution Amount**" in respect of any Collection Period will comprise the Available Interest Distribution Amount and the Available Principal Distribution Amount in respect of the same Collection Period.

"**Available Interest Distribution Amount**" means, in respect of any Collection Period, an amount equal to the sum of (a) the amount of any (i) Interest Collection Proceeds received by the Issuer as Unit Distributions on the relevant Fund Distribution Date plus (ii) payment (if any) received from the Swap Counterparty in respect of such Collection Period less (iii) any amounts paid from the Fund Operating Account in or towards Incorrect Payments and Borrower Repayment Amounts (to the extent that such amounts relate to the Interest Component of any Mortgage Assets), and Fund Expenses; (b) where, during such Collection Period, the proceeds of disposal or on maturity of Authorised Investment exceeds the original cost of such Authorised Investment, the amount of such excess; (c) any amounts standing to the balance of the Cash Reserve Account; (d) any amounts received under any LF Revolving Drawing and any Liquidity Revolving Drawing during any Liquidity Loan Period to be made on the Interest Payment Date following such Collection Period; and (e) interest accrued and credited to the Issuer Account.

"**Available Principal Distribution Amount**" means, in respect of any Collection Period, the amount of any Principal Collection Proceeds received by the Issuer as Unit Distributions on the relevant Fund Distribution Date less any amounts paid from the Fund Operating Account in or towards Incorrect Payments and Borrower Repayment Amounts, to the extent that such amounts relate to the Principal Component of any Mortgage Assets.

"**Bankruptcy Event**" means, with respect to the Originator and/or the Servicer, the suspension of payments, the commencing of any recovery or insolvency procedures against the Originator or Servicer under Decree Law 30 689 of 27 August 1940 and/or Decree Law 298/92 of 31 December and/or (if applicable) under the Code for the Bankruptcy and Recovery of Companies introduced by Decree Law 132/93 of 23 April.

"**BIS Trigger Event**" means the solvency ratio maintained by the Originator for regulatory capital purposes, as measured by the Bank for International Settlements, falls below 8.5 per cent.

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

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

"**business day**" has the meaning given to it in Condition 4.

"**Cash Reserve Account**" means a cash reserve account established with DBAG London in the name of the Issuer.

"**Cash Reserve Account Agreement**" means an agreement dated on the Signing Date between the Issuer, the Cash Reserve Account Bank, the Transaction Manager and the Trustee.

"**Cash Reserve Account Bank**" means Deutsche Bank AG London.

"**Cash Reserve Account Required Balance**" means an amount equal to the sum of (a) EUR 3,875,000 and (b) if the Delinquency Ratio exceeds 4.5 per cent., an amount equal to 10 per cent. multiplied by the Aggregate Principal Outstanding Balance of Delinquent Mortgage Assets and (c) if the BIS Trigger Event occurs, EUR 1,250,000 and (d) if a Liquidity Loan Drawing is made by the Issuer due to downgrade of the Liquidity Facility Provider or due to non-renewal by the Liquidity Facility Provider or as otherwise required by the Rating Agencies, such additional amount as may be agreed with the Rating Agencies at the time such Liquidity Loan Drawing is made.

"**Closing Date**" means 12 June 2002.

"**CMVM**" means *Comissão de Mercado de Valores Mobiliários*, the Portuguese Securities Commission.

"**Co-ordination Agreement**" means an agreement to be entered into on the Signing Date between the Originator, the Servicer, the Fund Manager, the Issuer, Deutsche Bank (Portugal), S.A. (in such capacity the "**Custodian**"), the Transaction Manager and the Trustee.

"**Collateral Determination Date**" means 30 April 2002.

"**Collection Account Bank**" means the bank with which the Collection Account is maintained.

"**Collection Account**" means the Originator's collection account or accounts into which the Servicer will procure that all Collections received from the Borrowers will be paid.

"**Collection Period**" means the period beginning on the Collateral Determination Date and ending on 31 July 2002, and each consecutive period of three months thereafter is a "**Collection Period**".

"**Collections**" means in relation to any Mortgage Assets all cash collections, and other cash proceeds thereof including any and all (a) principal, interest, fees, late payment, prepayment or similar charges which the Originator or the Servicer apply in the ordinary course of its business to amounts owed in respect of such Mortgage Asset, (b) Liquidation Proceeds, (c) Repurchase Proceeds and (d) any subsidies from the Portuguese Government in respect of such Mortgage Assets.

"**Corporate Services Agreement**" means an agreement to be entered into on the Signing Date between the Issuer and Deutsche International Corporate Services (Ireland) Limited (in such capacity, the "**Corporate Services Provider**").

"**CRA Required Reserve**" means the amount of monies required on an Interest Payment Date to be credited to the Cash Reserve Account so that the balance on such accounts is not less than the Cash Reserve Account Required Balance.

"**Custodian Agreement**" means the agreement entered into between Deutsche Bank (Portugal), S.A., in its capacity as custodian to the Fund and the Fund Manager on the Signing Date.

"**Custodian's Fees**" means the fee payable by the Fund to the Custodian in arrear on a quarterly basis.

"**Custodian's Liabilities**" means any losses, liabilities, damages, costs, awards, expenses (including reasonable legal fees) and penalties due and payable by the Fund to the Custodian together with any interest which has accrued due and payable in a Collection Period in respect of such amounts.

"**Delinquent Mortgage Asset**" means on any day, any Mortgage Asset which is not a Written-off Mortgage Asset and in respect of which three or more monthly instalments or one or more quarterly instalments or semi-annual instalments have not been paid by the Instalment Due Date relating thereto and which remain unpaid.

"**Delinquency Ratio**" means as at the date of calculation the Aggregate Outstanding Principal Amount of Delinquent Mortgage Assets divided by the Aggregate Outstanding Principal Amount of all Mortgage Assets as at the Collateral Determination Date, in each case, determined from the latest Quarterly Report.

"**Euro Rate**" means, as applicable, the Euro Screen Rate, or the Euro Reference Rate, or the Euro Reserve Reference Rate.

"**Expenses Cap**" means, with respect to the Issuer Expenses, in any period of twelve months, an amount not exceeding (i) 0.05 per cent. of the Principal Amount Outstanding of the Notes on the earliest Payment Date falling in such period or (ii) Euro 120,000 per annum.

"**Extraordinary Resolution**" means a resolution passed at a duly convened meeting of Noteholders by a majority or, as the context requires, a particular class thereof of not less than three quarters of the votes cast.

"**Fund**" means Navigator Mortgage Finance No. 1 Fundo.

"**Fund Distribution Date**" means each date which is two London and Lisbon Business Days prior to an Interest Payment Date.

"**Fund Documents**" means the Mortgage Sale Agreement, the Mortgage Servicing Agreement, the Custodian Agreement, the Unit Purchase Agreement, the Fund Regulation, the Co-ordination Agreement and the Fund Operating Account Agreement.

"**Fund Expenses**" means the supervision fee due and payable by the Fund to the CMVM, the Fund Manager's Fees, the Fund Manager's Liabilities, the Custodian's Fees, the Custodian's Liabilities, the Fund Operating Account Fees, the Servicer Fees, the Servicer Expenses, any amounts due and payable by the Fund to third parties including any losses, liabilities, damages, costs, awards, expenses and penalties payable in a Collection Period in connection with the purchase by the Fund of the Mortgage Assets, any filing or registration of any Fund Documents, any Portuguese laws to which the Fund is subject, any legal and audit fees and other professional advisory fees (incurred by or on behalf of the Fund).

"**Fund Manager**" means Servimédia, SGFTC, S.A. a securitisation fund management company (*Sociedade Gestora de Fundos de Titularização de Créditos*) organised under the laws of the Portuguese Republic appointed to manage the Fund on behalf of the holders of the Units pursuant to the Securitisation Law.

"**Fund Manager's Fees**" means the fee payable by the Fund to the Fund Manager in arrear on a quarterly basis.

"**Fund Manager's Liabilities**" means any losses, liabilities, damages, costs, awards, expenses and penalties due and payable by the Fund to the Fund Manager in accordance with the terms of the Fund Regulation, together with any interest (relating to the cost of funds) which has accrued due and payable in a Collection Period in respect of such amounts in accordance with the provisions of the Fund Regulation.

"**Fund Operating Account**" means the fund operating account in the name of the Fund at DBAG London (in such capacity the "**Fund Operating Account Bank**") into which Collections are transferred by the Servicer from the Collection Account.

"**Fund Operating Account Agreement**" means an agreement dated on the Signing Date between the Fund, the Fund Operating Account Bank and the Custodian.

"**Fund Operating Account Fees**" means the fees and expenses payable to the Fund Operating Account Bank in consideration of the services provided (and related expenses incurred) by the Fund Operating Account Bank in accordance with the Fund Operating Account Agreement.

"**Fund Regulation**" means the document approved by the CMVM on 06 June 2002 pursuant to which the regulations relating to the Fund and certain other matters are specified.

"**Incorrect Payments**" means a payment incorrectly paid or transferred to the Fund Operating Account, identified as such by the Servicer and confirmed by the Fund Manager or the Custodian.

"**Insolvency Event**" in respect of a company means:

(a) such company is (or admits it is) deemed unable to pay its debts as they fall due within the meaning of section 123 of the Insolvency Act, section 214 of the Irish Companies Act 1963 or section 2(3) of the Irish Companies (Amendment) Act 1990;

(b) such company becomes unable to pay its debts as they fall due;

(c) the value of the assets of such company falls to less than the amount of its liabilities;

(d) such company otherwise becomes insolvent; or

(e) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition for the making of an administration order (other than in the case of the Issuer) and, in the opinion of the Trustee, such proceedings are not being disputed in good faith with a reasonable prospect of success;

(f) the making of an administration order or the appointment of an examiner in relation to such company;

(g) an encumbrancer (excluding, in relation to the Issuer, the Trustee or any receiver) taking possession of the whole or in the opinion of the Trustee any substantial part of the undertaking or assets of such company;

(h) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or (in the opinion of the Trustee) any substantial part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any receiver) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days;

(i) the making of an arrangement, composition, scheme of arrangement, reorganisation with or conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally;

(j) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up, liquidation or dissolution of such company or for the appointment of an examiner (except, in the case of the Issuer, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding) or for the appointment of an examiner; or

(k) the appointment of an Insolvency Official in relation to such company or in relation to the whole or in the opinion of the Trustee any substantial part of the undertaking or assets of such company (excluding, in relation to the Issuer, a receiver).

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

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

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

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

"**Interest Collection Proceeds**" means, in respect of any day, the portion of the aggregate amount that has been credited to the Collection Account that relates to the Interest Component of the Mortgage Assets.

"**Interest Component**" of a Mortgage Asset means:

(a) all interest collected and to be collected thereunder from the Closing Date which shall be determined, in respect of the Mortgage Assets, on the basis of the rate of interest specified in the relevant Mortgage Asset Agreement;

(b) all late payment penalties, prepayment penalties and similar charges;

(c) all Liquidation Proceeds in respect of the Mortgage Assets (other than Written-off Mortgage Assets) allocated to interest;

(d) all Collections in respect of Written-off Mortgage Assets;

(e) all Repurchase Proceeds allocated to interest; and

(f) all amounts received from the Portuguese Government in relation to subsidised Mortgage Assets to the extent that such amounts have accrued since the Closing Date.

"**Issuer Account**" means the bank account opened by the Issuer in accordance with the Issuer Account Agreement.

"**Issuer Account Agreement**" means an agreement to be entered into on the Signing Date between the Issuer, the Trustee, Deutsche Bank AG London (in such capacity the "**Issuer Account Bank**") and the Transaction Manager.

"**Issuer Documents**" means the Master Framework Agreement, the Offering Circular, the Subscription Agreement, the Swap Agreement, the Class D Note Purchase Agreement, the Trust Deed, the Notes, the Class D Notes, the Coupons, the Transaction Management Agreement, the Unit Assignment Agreement, the Paying Agency Agreement, the Issuer Account Agreement, Cash Reserve Accounts Agreement, the Liquidity Facility Agreement, the Co-ordination Agreement, the Corporate

Services Agreement and any other agreement or document entered into from time to time by the Issuer pursuant thereto.

"**Issuer Expenses**" means all fees, liabilities and expenses payable by the Issuer to the Transaction Manager (or any successor), any Paying Agent, the Issuer Account Bank, the Cash Reserve Account Bank, the Agent Bank, the Registrar, the Transfer Agent, the Liquidity Facility Provider, the Corporate Services Provider and any third party expenses in each case that would be paid or provided for by the Issuer on the next Interest Payment Date in accordance with paragraph (c) of the Pre-Enforcement Interest Payment Date Interest Payments Priorities.

"**LF Revolving Drawing**" means a drawing made by the Issuer in accordance with the terms of the Liquidity Facility Agreement following the delivery by the Issuer of a notice requiring the making of an LF Revolving Drawing in accordance with the terms of the Liquidity Facility Agreement.

"**Liquidation Proceeds**" of a Mortgage Asset means net proceeds of realisation of the Mortgage Asset including those arising from the sale or other disposition of other collateral or property of the related Borrower or any other party directly or indirectly liable for payment of the Mortgage Asset and available to be applied thereon.

"**Liquidity Facility Agreement**" means the agreement so named dated on the Signing Date between the Issuer, the Liquidity Facility Provider and the Trustee.

"**Liquidity Facility Provider**" means Deutsche Bank (Portugal) S.A., Madeira Branch in its capacity as liquidity facility provider in accordance with the terms of the Liquidity Facility Agreement or such other liquidity facility provider appointed in accordance with the terms of the Liquidity Facility Agreement.

"**Liquidity Ledger**" means the ledger in the books of the Issuer so named.

"**Liquidity Loan**" means, at any time, the amount equal to the aggregate of the amount then credited to the Liquidity Ledger.

"**Liquidity Loan Period**" means the period after the date upon which the Issuer has drawn down the Liquidity Loan during which the Liquidity Loan remains outstanding.

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

"**London and Lisbon Business Day**" means any day on which banks are open for business in both London and Lisbon.

"**Mortgage**" means, in respect of any Mortgage Loan, the charge by way of legal mortgage over the relevant property together with all other encumbrances or guarantees the benefit of which is vested in the Originator as security for the repayment of that Mortgage Loan.

"**Mortgage Asset**" means any Mortgage Loan, its Mortgage and certain rights ancillary to the Mortgage and the Mortgage Loan assigned by the Originator to the Fund and "**Mortgage Assets**" means all of them.

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

"**Mortgage Loan**" means the aggregate Euro advances made by the Originator to the relevant Borrower by way of a loan and from time to time outstanding.

"**Mortgage Sale Agreement**" means an agreement to be entered into between the Originator and the Purchaser on the Signing Date.

"**Mortgage Servicing Agreement**" means an agreement to be entered into between the Purchaser Servicer and the Originator on the Signing Date.

"**Most Senior Class**" means, the Class A Notes whilst they remain outstanding and thereafter the Class B Notes whilst they remain outstanding and thereafter the Class C Notes whilst they remain outstanding.

"**Offering Circular**" means the offering circular dated the Signing Date prepared by the Issuer in connection with the issue of the Notes.

"**Originator**" means BNC – Banco Nacional de Crédito Imobiliário.

"**Principal Amount Outstanding**" means the aggregate of the principal amount outstanding of each class of Notes and the aggregate of the Principal Amount Outstanding of all classes of Notes is referred to herein as the "Aggregate Principal Amount Outstanding" of the Notes.

"**Principal Collection Proceeds**" means, in respect of any day and in respect of any Collection Account, the portion of the aggregate amount that has been credited to such Collection Account that relates to the Principal Component of the Mortgage Asset.

"**Principal Component**" of a Mortgage Asset means:

(a) all cash collections and other cash proceeds of such Mortgage Asset 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;

(b) all Liquidation Proceeds in respect of such Mortgage Asset (other than Liquidation Proceeds arising after such Mortgage Asset becomes a Written-off Mortgage Asset) allocated to principal; and

(c) all Repurchase Proceeds allocated to principal.

"**Principal Outstanding Balance**" means in relation to any Mortgage Assets and on any date, the aggregate of:

(a) the original principal amount advanced to the Borrower; plus

(b) any other disbursement, legal expense, fee, charge or premium capitalised; plus

(c) any further advance of principal to the Borrower; less

(d) any repayments of such amounts,

but, upon completion of any enforcement procedures such that the Servicer reasonably considers that continuation of such procedures is no longer cost effective in relation to a Mortgage Asset, such amount of such Mortgage Asset will be deemed to be zero.

"**Quarterly Report**" means a report delivered to the Transaction Manager by the Originator, in its capacity as a Servicer no later than 7 calendar days after the end of each relevant Collection Period, in a form reasonably acceptable to the Transaction Manager and relating to the period from the last date covered by the previous Quarterly Report.

"**Realised Loss**" means, with respect to a Written-off Mortgage Asset, the Principal Outstanding Balance of such Mortgage Asset after receipt of all Collections, Repurchase Proceeds and other recoveries, if any, on such Receivable which will be applied first to outstanding expenses incurred with respect to such Mortgage Asset amounts due under Mortgage Assets from the Borrower, then to accrued and unpaid interest and, finally, to principal.

"**Receivables**" means the Interest Component and the Principal Component.

"**Relevant Margin**" means:

(a) for the Class A Notes, prior to the Step-up Date, 0.21 per cent. per annum and on and thereafter 0.42 per cent. per annum;

(b) for the Class B Notes, prior to the Step-up Date, 0.38 per cent. per annum and on and thereafter 0.76 per cent. per annum; and

(c) for the Class C Notes, prior to the Step-up Date, 0.55 per cent. per annum and on and thereafter 1.10 per cent. per annum;

"**Registrar**" means Deutsche Bank Luxembourg S.A.

"**Repurchase Proceeds**" of a Mortgage Asset means such amounts as are received by the Fund pursuant to the sale thereof of certain Mortgage Assets by the Fund to the Originator pursuant to the Mortgage Sale Agreement and Mortgage Servicing Agreement.

"**Secured Creditors**" means the Trustee (in its capacity as creditor of the Issuer), the Noteholders, the Class D Noteholders, any receiver or liquidator of the Issuer (in its capacity as creditor of the Issuer), the Corporate Services Provider under the Corporate Services Agreement, the Swap Counterparty under the Swap Agreement, the Agent Bank, the Registrar, the Transfer Agent, the Paying Agents under the Paying Agency Agreement, the Liquidity Facility Provider under the Liquidity Facility Agreement, the Transaction Manager and the Issuer Account Bank under the Transaction Management Agreement and the Issuer Bank Account Agreement and the Cash Reserve Account Bank under the Cash Reserve Account Agreement and "**Secured Creditor**" means any of them.

"**Securitisation Law**" means Decree Law 453/99 of 5 November as amended by Decree Law 82/2002 of 5 April.

"**Security**" means the security created over the assets of the Issuer in accordance with the Trust Deed.

"**Servicer**" means, as at the Closing Date, the Originator, and such other entity as may be appointed servicer from time to time in accordance with the Mortgage Servicing Agreement.

"**Servicer Expenses**" means the amounts payable to the Servicer:

(1) in connection with the enforcement of any Mortgage Assets and/or the protection or enforcement of the Fund's rights and remedies in relation to such enforcement in a Collection Period; and

(2) in respect of any other losses, liabilities, damages, costs, awards, expenses and penalties properly and reasonably incurred by the Servicer in the performance of the Servicer's functions under the Mortgage Servicing Agreement in a Collection Period together with any interest which has accrued due and payable in the immediately preceding Collection Period in respect of such amounts in accordance with the provisions of the Mortgage Servicing Agreement.

"**Servicer Fee**" means the fee due and payable to the Servicer (and/or, if applicable, a replacement Servicer) quarterly in arrear, calculated by reference to the Principal Outstanding Balance of the Mortgage Assets as at the first day of the preceding Collection Period and payable by the Fund on such Interest Payment Date.

"**Signing Date**" means 06 June 2002.

"**Step-up Date**" means the Interest Payment Date falling in May 2009.

"**Subscription Agreement**" means a subscription agreement dated 06 June 2002 and made between the Issuer, the Originator, Deutsche Bank AG (in such capacity, the "**Lead Manager**") and ABN AMRO Bank N.V. and BCP Investimento-Banco Comercial Português de Investimento, S.A. (the "**Co-Managers**" and together with the Lead Manager, the "**Managers**") upon the terms and subject to the conditions contained therein.

"**Swap Agreement**" means the interest rate exchange agreement to be documented by an ISDA Master Agreement and Schedule together with the confirmation thereunder, dated as of the Closing Date and made between the Issuer, the Trustee and Deutsche Bank Aktiengesellschaft (in such capacity the "**Swap Counterparty**").

"**Transaction Management Agreement**" means an agreement to be entered into on the Signing Date between the Issuer, Deutsche Bank AG London (in such capacity the "**Transaction Manager**") and the Trustee pursuant to which the Issuer will appoint the Transaction Manager to carry out certain administrative tasks on behalf of the Issuer.

"**Transfer Agent**" means Deutsche Bank Luxembourg S.A.

"**Trustee Fees**" means the fees payable by the Issuer to the Trustee in accordance with the Trust Deed.

"**Trustee Liabilities**" means any liabilities due and payable by the Issuer to the Trustee in accordance with the terms of the Trust Deed together with interest payable in accordance with the terms of the Trust Deed accrued due in the immediately preceding Collection Period.

"**Unit Assignment Agreement**" means an agreement between the Issuer and Deutsche Bank AG London for the purchase of Units by the Issuer.

"**Unit Distributions**" means distributions in respect of the Units from the Fund Operating Account.

"**Unitholders**" means one or more entities or individuals whose entitlement to the Fund's assets are at all times limited to the nominal amount of the relevant subscribed securitisation units (*Unidades de Titularizacao de Creditos*) issued by the Fund (the "**Units**"), and credited by the Fund with an undivided ownership interest in respect of its assets.

"**Unit Purchase Agreement**" means an agreement between the Fund and Deutsche Bank AG London pursuant to which Deutsche Bank AG London acquires the Units.

"**Written-off Mortgage Asset**" means on any day, any Receivables in respect of a Mortgage Asset which:

(a) twelve or more monthly or four or more quarterly or two or more semi-annual instalments (as the case may be) have not been paid by the respective Instalment Due Dates relating thereto and are outstanding on such day of determination;

(b) the Liquidation Proceeds have been realised;

(c) enforcement proceedings have been commenced against the relevant Borrower for recovery of amounts outstanding under the Mortgage Asset Agreement or proceedings have been commenced by or against the relevant Borrower for such Borrower's bankruptcy or insolvency, in particular any proceedings against the relevant Borrower under the Code for the Bankruptcy and Recovery of Companies introduced by Decree Law 132/93 of 23 April; or

(d) a classification as a Written-off Mortgage Asset has been made by the Servicer.

There will appear at the foot of the Terms and Conditions endorsed on each Note in definitive form the names and specified offices of the Paying Agents as set out at the end of this Offering Circular.

Taxation

The following is a general description of certain tax considerations in Ireland, 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 and should be read in conjunction with the section entitled "**Risk Factors – No Gross-up for Taxes**". Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the United Kingdom, Portugal and Ireland of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Irish Taxation

The following is a summary of the principal Irish tax consequences of ownership of the Notes based on the laws and practices currently in force in Ireland. It deals with investors who beneficially own their Notes. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent), is required to be withheld from payments of Irish source interest which would include interest payable on the Notes. However, an exemption from withholding on interest payments exists for certain securities ("**quoted eurobonds**") issued by a body corporate (such as the Issuer) which are in bearer form, interest bearing and quoted on a recognised stock exchange (which would include the Luxembourg Stock Exchange).

Any interest paid on such quoted eurobonds can be paid free of withholding tax provided:

(a) the person by or through whom the payment is made is not in Ireland; or

(b) the payment is made by or through a person in Ireland, and either:

   (i) the quoted eurobond is held in a clearing system recognised by the Irish Revenue Commissioners; Euroclear, Clearstream, Luxembourg and the Depository Trust Company (DTC) are so recognised, or

   (ii) the person who is the beneficial owner of the quoted eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as an Irish paying agent) in the prescribed form.

So long as the Notes continue to be in bearer form (whether as Temporary Global Notes or Permanent Global Notes or Definitive Notes), continue to be quoted on the Luxembourg Stock Exchange and are held in Euroclear and/or Clearstream, Luxembourg and/or the Depository Trust Company (DTC), interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

If, for any reason, the quoted eurobond exemption referred to above ceases to apply, the Issuer can pay interest on the Notes in the ordinary course of its business or trade free of withholding tax to a company which is resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double taxation agreement. For this purpose, residence is determined by reference to the law of the country in which the recipient claims to be resident. This exemption from withholding tax will not apply, however, if the interest is paid to that company in connection with a trade or business carried on by it through a branch or agency in Ireland. For other holders of Notes, interest may be paid free of withholding tax if clearance in the prescribed form has been received under the terms of an applicable double taxation agreement.

In certain circumstances, Irish tax will be required to be withheld at the standard rate from interest on any Note, where such interest is collected by a bank in Ireland on behalf of any Noteholder who is Irish resident.

Taxation of Noteholders

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax with respect to such interest. Interest paid on the Notes has an Irish source and therefore is within the charge to Irish income tax and levies. Ireland operates a self-assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There is an exemption from Irish tax on interest payments made by a company in the ordinary course of its trade or business provided the recipient of the interest is a company resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double tax treaty and provided it does not carry on a trade in Ireland through a branch or agency in Ireland. For this purpose, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. In addition, any interest which can be paid free of withholding tax under the quoted eurobond exemption is exempt from tax where the payment is made to a person resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double taxation treaty.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to Irish income tax. However, it is understood that the Irish Revenue Commissioners have, in the past, operated a practice not to take any action to pursue any liability to such tax in respect of persons who are not regarded as being resident in Ireland except where such persons:

(a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or

(b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or

(c) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Irish Revenue Commissioners will apply this practice in the case of the Noteholders.

Capital Gains Tax

A holder of Notes will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade in Ireland through a branch or agency in respect of which the Notes were used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

Stamp Duty

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) to the Irish Stamp Duties Consolidation Act, 1999 assuming the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

Value Added Tax

The entering into of the transaction by the Issuer is an exempt transaction for Value Added Tax purposes (VAT) under paragraph 1 of the first Schedule to the VAT Act of 1972. Accordingly, it will not be required to charge VAT on income received and will not be entitled to recover any Irish VAT charged on services purchased by it.

The Issuer will be required to account for Irish VAT on a "self supply" basis on certain services received from abroad which are deemed to have an Irish place of supply. However, most of the services which are potentially subject to this self supply VAT charge would be exempt services for Irish VAT purposes.

The payments under the Corporate Administration Agreement to the Corporate Administrator will be subject to Irish VAT at a rate of 21 per cent.

United Kingdom Taxation

UK withholding tax on interest payments by the Issuer

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Interest on the Notes may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax except in circumstances where such interest has a United Kingdom source. Interest on Notes may have a United Kingdom source where, for example, the Notes are secured on assets situate in the United Kingdom or the interest is paid out of funds maintained in the United Kingdom.

Interest which has a United Kingdom source ("**UK interest**") may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax if the Notes in respect of which the UK interest is paid constitute "**quoted Eurobonds**". Notes which carry a right to interest will constitute quoted Eurobonds provided they are and continue to be listed on a recognised stock exchange. Under a proposed United Kingdom Inland Revenue interpretation, Notes which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The Luxembourg Stock Exchange is a recognised stock exchange for these purposes.

All UK interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax where the Issuer reasonably believes that the person beneficially entitled to the interest is (i) a company resident in the United Kingdom, (ii) a partnership each member of which is a company resident in the United Kingdom or (iii) a company not resident in the United

Kingdom which carries on a trade in the United Kingdom through a branch or agency and which is required to bring the interest into account in computing its profits chargeable to United Kingdom corporation tax. This is subject to the proviso that the United Kingdom Inland Revenue does not give a direction that it has reasonable grounds for believing that it is likely that none of (i), (ii) or (iii) above will be satisfied at the time the payment is made.

In all other cases, UK interest on the Notes will be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double Taxation treaty.

Provision of information

Noteholders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

Proposed EU Savings Directive

On 18 July 2001 the European Commission published a proposal for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final, and may be subject to further amendment and/or clarification.

Portuguese Taxation

The following is a summary of the principal Portuguese tax issues relating to withholding tax, corporate tax, income tax, stamp duty and value added tax as regards the Units and the Notes. The Fund and its activity (as described in "**Description Of The Fund And The Fund Manager**") qualify as a securitisation transaction ("*operação de titularização de créditos*") for the purposes of the Securitisation Law. Portuguese tax-related issues for securitisation transactions under the Securitisation Law are, in general, governed by the Portuguese Securitisation Tax Law.

Withholding Tax

Under the Portuguese Securitisation Tax Law, the payments made by the Fund to the Originator upon the purchase by the Fund of the Receivables are exempt from withholding tax.

The payment of Collections in respect of Receivables by the Servicer to the Fund is not subject to withholding tax.

Corporate Income Tax

The Fund is generally subject to the Portuguese corporate income tax regime, which applies to those entities whose principle activity is of a commercial, industrial or agricultural nature. For the purpose of determining the Fund's taxable profits, any amounts payable to the Unitholders will be treated as a cost for the relevant tax year.

The Issuer's income will only be subject to Portuguese corporate income tax if the head office or effective place of management of the Issuer is situated on Portuguese territory or if a permanent establishment to which the income is allocated is maintained by the Issuer in Portugal. A permanent establishment exists in Portugal when a company possesses any fixed installation or permanent representation through which a commercial, industrial or agricultural activity is carried out or when any person (other than an agent of an independent status) acts on behalf of such company in Portugal and has, and habitually exercises, an authority to intermediate and to conclude contracts in the name of the company.

Double taxation treaties which have been entered into by Portugal provide that certain conditions must be satisfied before a company is treated as having a permanent establishment in Portugal.

Unitholder's Income Tax

Unit Distributions to Unitholders or capital gain generated upon the transfer of Units by Unitholders is generally subject to the Portuguese tax regime for debt securities ("*obrigações*"). As the Units will be held by the Issuer, which is not Portuguese resident and does not have a permanent establishment in Portugal, any income or Unit Distributions to the Issuer or capital gains generated by the Issuer upon the transfer of Units will be exempt from Portuguese income tax. The exemption from income tax does not apply to non-resident companies if: (i) more than 25 per cent. of the company's share capital is held, either directly or indirectly, by Portuguese residents, or (ii) the company's country of residence is designated by the Portuguese Ministry of Finance as not qualifying for the exemption. To qualify for the exemption, the Issuer will be required to provide the Fund Manager with a certificate of residence or an equivalent document issued by the tax authorities or another official entity of its country of residence or with a document issued by the Portuguese Consulate in its country of residence certifying its residence in such country.

Noteholder's Income Tax

In the event that there is withholding tax in Ireland in relation to the interest payments under the Notes, and that those interest payments are made to an effective beneficiary which is a Portuguese resident individual, the taxation in Ireland will not exceed 15 per cent. by virtue of the double taxation treaty between Portugal and the Republic of Ireland.

Under current Portuguese law, interest payments in respect of the Notes made to Portuguese individuals are subject to income tax. Interest payments on the Notes made by a Portuguese paying agent (acting on behalf of non-residential entities) to individuals are subject to withholding tax at the current definitive rate of 20 per cent.

Stamp Duty

No stamp duty will be imposed on the sale or assignment of the Receivables by the Originator to the Fund or on the commissions paid by the Fund to the Servicer and to the Custodian pursuant to the Securitisation Law.

Value Added Tax

No VAT will apply to the administration and management of the Fund or to the servicing or custody activities referred to in the Securitisation Law.

Subscription And Sale

General

Deutsche Bank AG London (the "**Lead Manager**") and BCP Investimento–Banco Comercial Português de Investimento, S.A. and ABN AMRO Bank N.V. (the "**Co-Managers**" and, together with the Lead Manager, the "**Managers**") have, in a subscription agreement dated 06 June 2002 (the "**Subscription Agreement**") and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for (a) the Class A Notes at their issue price of 100 per cent. of their principal amount less a management fee of 0.125 per cent. and an underwriting commission of 0.125 per cent. of their principal amount; (b) the Class B Notes at their issue price of 100 per cent. of their principal amount less a management fee of 0.125 per cent. and an underwriting commission of 0.125 per cent. of their principal amount and (c) the Class C Notes at their issue price of 100 per cent. of their principal amount less a management fee of 0.25 per cent. and an underwriting commission of 0.25 per cent. of their principal amount. The Issuer has also agreed to reimburse the Managers for certain of its expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the US Securities Act 1933 and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Closing Date of the Notes, 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 restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has further represented to and agreed with the Issuer that:

(a) it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Ireland

Each Manager has agreed that the Notes may not lawfully be offered for sale to persons in Ireland except in circumstances where such offer constitutes an offer of a type described in Article 2 of Council Directive No. 89/298/EEC of 17 April 1989.

Portugal

Each Manager has agreed that (i) it has not directly or indirectly taken any action or offered, advertised or sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer pursuant to the *Código dos Valores Mobiliários* (the Portuguese Securitisation Code) and in circumstances which could qualify the issue of the Notes as an issue in the Portuguese market or otherwise than in accordance with all applicable laws and regulations and (ii) it has not directly or indirectly distributed and will not directly or indirectly distribute any document, circular, advertisements or any offering material except in accordance with all applicable laws and regulations.

Public Offers Generally

Save for applying for admission of the Notes to trading on the Luxembourg Stock Exchange, no action has been or will be taken in any jurisdiction by the Issuer or any Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

Investor Compliance

Persons into whose hands this Offering Circular comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

General Information

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 06 June 2002.

2. Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting the Issuer or any of its assets, nor is the Issuer aware of any pending or threatened proceedings which are or might be material in the context of the issue of the Notes.

3. Save as disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer since 10 April 2002 that is material in the context of the issue of the Notes. The Issuer shall procure that BNC as Servicer shall produce a Quarterly Report no later than 7 days after the end of each relevant Collection Period, and the Transaction Manager shall produce an Investor Report no later than 2 London and Lisbon Business Days prior to each Interest Payment Date. The Investor Report shall be available at the Specified Offices of the Trustee and of the Paying Agent in Luxembourg.

4. For so long as any of the Notes are outstanding, copies of the following documents may be inspected during normal business hours at the specified office of each Paying Agent:

   (a) the Paying Agency Agreement;
   (b) the Trust Deed;
   (c) the Master Framework Agreement;
   (d) the Transaction Management Agreement;
   (e) the Subscription Agreement;
   (f) the Issuer Account Agreement;
   (g) the Cash Reserve Account Agreement;
   (h) the Unit Assignment Agreement;
   (i) the Fund Regulation;
   (j) the Co-ordination Agreement;
   (k) the Class D Note Purchase Agreement;
   (l) the Corporate Services Agreement;
   (m) the Swap Agreement;
   (n) the then current Investor Report; and
   (o) the Liquidity Facility Agreement.

5. For so long as any of the Notes are outstanding, a copy of the audited financial statements of the Issuer for the period since its incorporation may be obtained during normal business hours at the specified office of each Paying Agent. The first set of audited financial statements will be published in respect of the period from the date of incorporation of the Issuer to 31 December 2002 and every twelve months thereafter. These financial statements will be available at the specified office of the Paying Agent in Luxembourg. It is not intended that any interim financial statements of the Issuer, audited or otherwise, will be prepared.

6. In connection with the application for the Notes to be listed on the Luxembourg Stock Exchange, copies of the Certificate of Incorporation and Memorandum and Articles of Association of the Issuer and a legal notice relating to the issue of the Notes will be deposited prior to listing with the Greffier en Chef du Tribunal d'Arrondissement de et á Luxembourg, where they may be inspected and copies obtained upon request.

   According to Chapter VI, Article 3, point A/11/2 of the Rules and Regulations of the Luxembourg Stock Exchange, the Notes of each class shall be freely transferable. No transaction made on the Luxembourg Stock Exchange after the Closing Date shall be cancelled.

7. The Notes have been accepted for clearance by Euroclear and Clearstream, Luxembourg. The Common Code for the Class A Note is 014860924 and the ISIN is XS0148609240 and in respect of the Class B Notes, the Common Code is 014860959 and the ISIN is XS0148609596 and in respect of the Class C Notes the Common Code is 014860967 and the ISIN is XS0148609679.

Defined Terms

REGISTERED OFFICE OF THE ISSUER

Navigator Mortgage Finance No. 1 plc
Guild House
Guild Street
International Financial Services Centre
Dublin 1, Ireland

THE LEAD MANAGER AND ARRANGER

PRINCIPAL PAYING AGENT

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

PAYING AGENT

Deutsche Bank Luxembourg
2 boulevard Konrad Adenauer
L-1115 Luxembourg

TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

LEGAL ADVISERS

To the Managers and the Issuer as to Irish Law

Matheson Ormsby Prentice
30 Herbert Street
North Wall Quay
Dublin 2
Ireland

To the Managers as to English Law

Norton Rose
Kempson House
Camomile Street
London EC3A 7AN
England

To the Managers as to Portuguese Law

F. Castelo Branco, P Rebelo de Sousa & Associados
Rua Castilho, no. 32-9
1250-070
Lisbon, Portugal

To the Trustee and the Transaction Manager as to English Law

Norton Rose
Kempson House
Camomile Street
London EC3A 7AN
England

AUDITORS TO THE ISSUER

PricewaterhouseCoopers
P.O. Box 1283
George's Quay,
Dublin 2, Ireland

LISTING AGENT

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

printed by **eprint*financial*.com**
tel: + 44 (0) 20 7613 1800   document number 2131