

**SUPPLEMENTAL OFFERING CIRCULAR  
DATED 10 DECEMBER 2004**

**AR FINANCE 1 plc**  
(incorporated in Ireland with limited liability  
under registered no 369396)

**€31,500,000 Further Class A Secured Floating Rate Notes due 2036**  
**€10,500,000 Further Class B Secured Guaranteed Floating Rate Notes due 2036**  
**€3,360,000 Further Class C Secured Fixed Rate Notes due 2036**

This supplemental offering circular (the "**Supplemental Offering Circular**") and the Offering Circular dated 15 December 2003 (the "**Original Offering Circular**") issued by AR Finance 1 plc (the "**Issuer**"), shall be read together and construed as a single document (the "**Offering Circular**"). Where there is a conflict between the provisions of the Original Offering Circular and the provisions of this Supplemental Offering Circular, the provisions of this Supplemental Offering Circular shall apply. Unless otherwise defined in this Supplemental Offering Circular, words and expressions used in this Supplemental Offering Circular shall have the meanings and constructions ascribed to them in the Original Offering Circular in connection with the Further Class A Notes, Further Class B Notes and the Further Class C Notes. A copy of the Original Offering Circular is annexed in Schedule 1 hereto.

€31,500,000 Class A Secured Floating Rate Notes due 2036 (the "**Further Class A Notes**"), €10,500,000 Class B Secured Guaranteed Floating Rate Notes due 2036 (the "**Further Class B Notes**") and, together with the Further Class A Notes, the "**Further Notes**") and €3,360,000 Class C Secured Fixed Rate Notes due 2036 (the "**Further Class C Notes**") and, together with the Further Notes, the "**Further Listed Notes**") will be issued on 16 December 2004 (the "**Closing Date**") at a respective issue price of 100.264 per cent. for the Further Class A Notes, 100 per cent. for the Further Class B Notes and 106.50 per cent. for the Further Class C Notes.

€75,000,000 Class A Secured Floating Rate Notes due 2036 (the "**Original Class A Notes**"), €25,000,000 Class B Secured Guaranteed Floating Rate Notes due 2036 (the "**Original Class B Notes**") and, together with the Original Class A Notes, the "**Original Notes**") and €8,000,000 Class C Secured Fixed Rate Notes due 2036 (the "**Original Class C Notes**") and, together with the Original Notes, the "**Original Listed Notes**") were issued on 19 December 2003.

The Original Notes and Further Notes shall together comprise the "**Notes**". The Original Listed Notes and the Further Listed Notes shall together comprise the "**Listed Notes**". The Further Class A Notes, Further Class B Notes and Further Class C Notes shall form a single series of notes, and shall carry the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and shall be consolidated on the date of exchange of the Temporary Global Note (as defined below) for the Permanent Global Note (as defined below), and rank *pari passu*, with each of the Original Class A Notes, the Original Class B Notes and the Original Class C Notes.

After the issuance of the Further Listed Notes, the aggregate principal amount of the Listed Notes outstanding will be €98,435,325 Class A Secured Floating Rate Notes due 2036, €35,500,000 Class B Secured Guaranteed Floating Rate Notes due 2036 and €11,360,000 Class C Secured Fixed Rate Notes due 2036.

The Further Listed 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 save that scheduled payments of interest and the ultimate payment of principal in respect of the Further Class B Notes will be guaranteed by the European Investment Fund ("**EIF**") pursuant to the terms of the Class B Deed of Undertaking (as described in "**Overview of Certain Transaction Documents**" in the Original Offering Circular). In particular, the Further Listed Notes will not be the obligations of, and will not be guaranteed by, the Originator, the Custodian, the Transaction Manager, the Fund Manager, the Fund, the Trustee or the Paying Agents (each as defined in the "**Summary of the Offering Circular**" set out in the Original Offering Circular), EIF (except in the case of the Further Class B Notes, to the extent provided under the Class B Deed of Undertaking), BNP PARIBAS or Espirito Santo Investment as Arrangers or as Lead Managers.

Interest on the Further Listed Notes will be payable quarterly in arrear on the 20th day of December, March, June and September in each year, subject to adjustment for non-Business Days, commencing on the Interest Payment Date falling in March 2005. The Further Notes will, for the period from the date of issue of the Further Notes to the Interest Payment Date falling in March 2005, bear interest at a rate obtained by the linear interpolation of EURIBOR for 3 month and 4 month Euro deposits plus the Relevant Margin.

The Further Listed Notes will be in bearer form and in the denomination of €10,000 and €100,000 each and will be governed by English law. The Further Listed 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 the Closing Date with a common depository 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 Further Listed 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 Further Listed 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 Further Listed 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 Further Class A Notes, Further Class B Notes or Further Class C Notes (as the case may be) in definitive form in the denomination of €10,000 or €100,000 each with interest coupons attached. See "**Description of Further Listed Notes**".

The Further 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 Inc. ("**Moody's**") and, together with S&P, the "**Rating Agencies**"). The Further Class C Notes will not be rated. It is a condition to the issuance of the Further Notes that the Further Notes receive the ratings set out below and that the ratings of the Original Notes will not be adversely affected by such issuance of Further Notes:

<b>Class</b>	<b>S&amp;P</b>	<b>Moody's</b>
Further Class A Notes	AAA	Aaa
Further Class B Notes	AAA	Aaa

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.

For a discussion of certain significant factors affecting investments in the Further Listed Notes, see "**Risk Factors**" in the Original Offering Circular.

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

The date of this Supplemental Offering Circular is 10 December 2004.

**Arrangers and Lead Managers**

**BNP PARIBAS**

**ESPIRITO SANTO INVESTMENT**

*A copy of this Supplemental Offering Circular, the Original Offering Circular, copies of each of the Issuer Documents and of the consent of Deloitte & Touche to the inclusion of their reports in this Supplemental Offering Circular (the “**Deloitte & Touche 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 the Original Offering Circular and this Supplemental Offering Circular. Particulars of the Deloitte & Touche Consent are set out on pages 28 and 30 of this Supplemental Offering Circular.*

*Except as mentioned below, the Issuer accepts responsibility for the information contained in this Supplemental Offering Circular 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 Supplemental Offering Circular contains all information which is material in the context of the issue of the Further Listed Notes, that such information contained in this Supplemental 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 Supplemental 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 Lead Managers that the Issuer accepts such responsibility.*

*The Originator accepts responsibility for the information in this Supplemental Offering Circular relating to itself and the description of its rights and obligations in respect of, and all information relating to, the Receivables, the Receivables Contracts, the Related Security, the Receivables Sale Agreement and the Receivables Servicing Agreement and all information relating to the Purchased Receivables in any Quarterly Report (as defined in the Original Offering Circular) (together, the “**Originator Information**”). To the best of the knowledge and belief of the Originator (which has taken all reasonable care to ensure that such is the case), the Originator Information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Originator does not accept any responsibility for any other information contained in this Supplemental Offering Circular. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Originator as to the accuracy or completeness of any other information contained in this Supplemental Offering Circular (other than the Originator Information) or any other information supplied in connection with the Further Listed Notes or their distribution.*

*The Fund Manager accepts responsibility for the information contained in this Supplemental Offering Circular relating to itself and the Fund in the sections headed “**Description of Further Listed Notes**” and “**AR Finance 1 Fundo - Further Information**” 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.*

*EIF accepts responsibility for the information included in this Supplemental Offering Circular in the section headed “**European Investment Fund**” and any other information contained in this document relating to itself. To the best of the knowledge and belief of EIF (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.*

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

*This Supplemental Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Originator, EIF, the Custodian, the Transaction Manager, the Fund Manager, the Trustee, the Fund, the Arrangers or the Lead Managers to subscribe or purchase any Further Listed 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 Further Listed 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 Further Listed Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Further Listed 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 Further Listed 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 Further Listed Notes are being offered outside the United States by the Lead Manager (as defined in “**Subscription And Sale**”) 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 Further Listed 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.

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 Further Listed Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, EIF, the Custodian, the Transaction Manager, the Fund, the Fund Manager, the Trustee, the Originator, the Servicer, the Back-up Servicer or the Lead 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.

In connection with this issue of the Further Notes, BNP PARIBAS (the “**Stabilising Agent**”), may over-allot or effect transactions with a view to supporting the market price of the Further 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.

No action has been taken by the Issuer or the Lead Managers other than as set out in this Offering Circular that would permit a public offer of the Further Listed Notes in any country or jurisdiction where action for that purpose is required. Accordingly, no Further Listed 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 Lead 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 Lead Managers or any person affiliated with the Lead 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 Further Listed 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 Lead 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 Further Listed Notes in certain jurisdictions is restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Further Listed Notes, and on distribution of this Offering Circular and other offering material relating to the Further Listed Notes, see “**Subscription And Sale**” herein.*

*In this Offering Circular, unless otherwise specified, references to “€”, “EUR” or “Euro” are to the lawful currency of the member states of the European Union participating in Economic and Monetary Union as contemplated by the Treaty 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.*

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## Description of Further Listed Notes

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

Issuer:	AR Finance 1 plc, a public limited liability company incorporated under the laws of Ireland and having its registered office at 4th Floor, 25-28 Adelaide Road, Dublin 2, Ireland. The Issuer has been established for the purpose of acquiring the Units issued by the Fund, issuing the Original Notes, the Original Class C Notes, the Residual Certificates, the Further Notes and the Further Class C Notes and entering into the Issuer Documents to which it is a party.
Originator:	The Receivables Contracts were originated by Banco Alves Ribeiro, S.A., a limited liability company organised under the laws of the Portuguese Republic. The Originator has its head office at Av. Eng° Duarte Pacheco, Torre 1 - 11° andar, 1070-101 Lisboa, Portugal (the " <b>Originator</b> ").
Servicer:	The Receivables (as defined in " <b>Overview of Certain Transaction Documents - Receivables Sale Agreement</b> " in the Original Offering Circular) will be serviced by Banco Alves Ribeiro, S.A. (in its capacity as servicer, the " <b>Servicer</b> ").
Back-up Servicer:	The Back-up Servicer of the Receivables is Banco Espírito Santo, S.A..
Fund:	AR Finance 1 Fundo (the " <b>Fund</b> "), a Portuguese securitisation fund ( <i>Fundo de Titularização de Créditos</i> ) organised under the laws of the Portuguese Republic to purchase a portfolio of mortgage loans, lease contracts and related loan contracts from the Originator and issue the Units. For more detailed information see " <b>Description of the Fund and the Fund Manager</b> " in the Original Offering Circular and " <b>AR Finance 1 Fundo - Further Information</b> " below.
EIF:	The European Investment Fund (" <b>EIF</b> "), as guarantor of scheduled payments of interest and the ultimate payment of principal in respect of the Further Class B Notes (see " <b>European Investment Fund</b> " below).
Further Listed Notes:	The Further Listed Notes will consist of the Further Class A Notes, the Further Class B Notes and the Further Class C Notes. On the Closing Date, each Class of Further Listed Notes will have the respective initial aggregate principal amounts as set forth on the cover page hereof.
Nominal amount on Closing Date and Issue Price:	€31,500,000 Class A Secured Floating Rate Notes; €10,500,000 Class B Secured Guaranteed Floating

Rate Notes; and

€3,360,000 Class C Secured Fixed Rate Notes,

will be issued on the Closing Date at a respective issue price of 100.264% for the Further Class A Notes, 100% for the Further Class B Notes and 106.50% for the Further Class C Notes in accordance with the terms of the Trust Deed and on the terms of and subject to the Conditions.

Form and Denomination:

The Further Listed Notes will be in bearer form and in the denomination of €10,000 and €100,000 each. The Further Listed Notes of each class will initially be in the form of a Temporary Global Note of such class, without interest coupons, which will be deposited on the Closing Date with a depository on behalf of Euroclear and Clearstream, Luxembourg. The Temporary Global Note of each class of Further Listed Notes will be exchangeable, in whole or in part, for interests in a permanent global note of that class of Further Listed Notes (each a “**Permanent Global Note**” and, together with a Temporary Global Note, the “**Global Notes**”), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. In certain circumstances Further Listed Notes in definitive form may be issued.

Status of Further Listed Notes:

(i) The Further Class A Notes shall form a series of Class A Notes and shall carry the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and shall be consolidated on the date of exchange of the relevant Temporary Global Note for the Permanent Global Note and rank *pari passu* with, and share the same security as, the Original Class A Notes; (ii) the Further Class B Notes shall form a series of Class B Notes and shall carry the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and shall be consolidated on the date of exchange of the relevant Temporary Global Note for the Permanent Global Note and rank *pari passu* with, and share the same security as, the Original Class B Notes; and (iii) the Further Class C Notes shall form a series of Class C Notes and shall carry the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and shall be consolidated on the date of exchange of the relevant Temporary Global Note for the Permanent Global Note and rank *pari passu* with, and share the same security as, the Original Class C Notes.

The Further Listed Notes represent the right to receive interest and principal payments from the

Issuer in accordance with the relevant Conditions and the Trust Deed.

Use Of Proceeds:

The Issuer will apply the proceeds of the Further Listed Notes, net of certain transaction expenses, for the purpose of (i) purchasing 42,000,000 Units (the "**Further Units**") pursuant to the Second Unit Purchase Agreement dated 16 December 2004 between the Fund and the Issuer (the "**Second Unit Purchase Agreement**") and (ii) increasing the balance of the Cash Reserve Account by €3,360,000.

The Further Units:

On the Closing Date, the Issuer will subscribe for the Further Units from the Fund at a purchase price equal to the Principal Amount Outstanding of the Further Notes on such day. The Further 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.

Collateral Determination Date:

In relation to the purchase of Receivables on the Closing Date, the Collateral Determination Date shall be 30 November 2004.

Ratings:

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

**S&P**

Further Class A Notes	–	AAA
Further Class B Notes	–	AAA

**Moody's**

Further Class A Notes	–	Aaa
Further Class B Notes	–	Aaa

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or 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 Dates:

Interest on the Further Listed Notes is payable quarterly in arrear on the 20th day of December, March, June and September 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).



Settlement:	Delivery of the Further Listed Notes is expected to be made on or about 16 December 2004.
Listing:	Application has been made to list the Further Listed Notes on the Luxembourg Stock Exchange.
Governing Law:	The Further Listed Notes and the documents to which the Issuer is a party (other than the Co-ordination Agreement, the Unit Purchase Agreement and the Second Unit Purchase Agreement) will be governed by English law. The Receivables Sale Agreement, the Receivables Servicing Agreement, the Custodian Agreement, the Co-ordination Agreement and the Fund Regulation (as defined in the Original Offering Circular) will be governed by the laws of the Portuguese Republic.

## Estimated Average Life of the Further Notes and Assumptions

### General

The yields to maturity on the Notes will be affected by the amount and timing of Obligor delinquencies and defaults resulting in Realised Losses (as defined in “**Distributions – Allocation of Realised Losses**” in the Original Offering Circular), the level of EURIBOR from time to time, the purchase price for the Further Notes, the timing of the principal repayments and other factors.

The amount available for payment on the Further Notes will depend on, among other things, the rate and timing of the payment in respect of the Principal Component (including prepayments, repurchases, defaults and liquidations) of the Purchased Receivables.

In the event that prepayments or liquidations of the Purchased Receivables result in payments of their Principal Component in advance of their related payment due dates, a shortfall in amounts available to meet interest payable in respect of the Further Notes may result. To the extent such shortfall, if any, is not covered by the Cash Reserve Account, such shortfall will be borne first, by the Further Class C Notes, second, by the Further Class B Notes and then, third, by the Further Class A Notes.

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 each Euro distributed in reduction of the principal of such security (assuming no losses) based on a 360 day year having 12 months of 30 days each. The weighted average life of the Further Notes will be influenced by the rate at which the Principal Component of the Purchased Receivables is paid, which may be in the form of scheduled amortisation, prepayments or enforcement proceeds.

The tables captioned “**Percentage of Principal Amount Outstanding on the Further Closing Date, of the Further Class A Notes and Further Class B Notes at the Specified CPRs**” have been prepared on the basis of certain assumptions as described below regarding the weighted average characteristics of the Purchased Receivables and the performance thereof. The tables assume, among other things, that:

- (a) as of the date of issuance of the Further Notes, the Receivables have been aggregated into a hypothetical pool having the following characteristics:

<b>Aggregate Principal Amount Outstanding (Euro)</b>	<b>Weighted Average Remaining Term (years) per annum)</b>	<b>Weighted Average Margin (per cent.)</b>
130,572,749	12.8	3.0

For clarity's sake, this amount is less than the total outstanding Class A and Class B Notes at the Further Closing Date because, since the Interest Payment Date falling in September 2004, the Receivables have amortised but the Notes have not.

- (b) the scheduled monthly or quarterly payments for each Purchased Receivable have been based on its Outstanding Principal Amount, interest rate and remaining term to maturity, such that the Purchased Receivables will amortise in amounts sufficient for repayment thereof over their remaining term to maturity;
- (c) the Originator does not repurchase any Purchased Receivables;
- (d) there are no delinquencies or losses on the Purchased Receivables, and the Principal Component of the Purchased Receivables will be timely received together with prepayments, if any, at the respective constant prepayment rates (“**CPRs**”) set forth in the table;

- (e) payments on the Further Notes will be received on the 20th day of December, March, June and September commencing in March 2004;
- (f) 3 months Euribor is 2.52 per cent.;
- (g) the Closing Date is 16 December 2004;
- (h) payments on the Receivables earn zero reinvestment return between each monthly or, as the case may be, quarterly payment and the Business Day preceding the next following payment date;
- (i) in the case of tables stating “**With Early Termination**” below, the Further Notes, if not redeemed earlier, are redeemed on the Interest Payment Date falling in September 2008; and
- (j) in the case of tables stating “**With Clean-up Call Only**”, the Further Notes are redeemed at their Principal Amount Outstanding on the Interest Payment Date following the Interest Payment Date on which the Aggregate Amount Outstanding of the Notes is less than or equal to 10 per cent. of the Initial Aggregate Principal Amount Outstanding of the Notes,

collectively, the “**Structuring Assumptions**”.

The actual characteristics and performances of the Purchased Receivables will differ from the assumptions used in constructing the tables set forth below, which 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 unlikely that the Receivables will prepay at a constant prepayment rate (“**CPR**”) until maturity, that all of the Purchased Receivables will prepay at the same CPR and that there will be no delinquencies or losses on the Purchased Receivables. Any difference between such assumptions and the actual characteristics and performance of the Purchased Receivables, or actual prepayment or loss experience, will affect the percentages of initial amount outstanding over time and the weighted average lives of the classes of Further Notes.

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

**Percentage of Principal Amount Outstanding on the Further Closing Date of the Further Class A Notes at the Specified CPRs Percentages (Without Early Termination or Clean-up Call Only)**

Date	Prepayment Assumption (CPR)				
	0.0%	2.5%	5.0%	7.5%	10.0%
Further Closing Date	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 05	93.09%	90.54%	88.02%	85.53%	83.08%
20 Sep 06	83.72%	78.46%	73.40%	68.54%	63.87%
20 Sep 07	73.91%	66.49%	59.55%	53.05%	46.97%
20 Sep 08	63.76%	54.75%	46.53%	39.03%	32.19%
20 Sep 09	54.16%	44.03%	35.02%	27.00%	19.89%
20 Sep 10	44.60%	33.82%	24.48%	16.38%	9.38%
20 Sep 11	35.10%	24.13%	14.86%	7.04%	0.45%
20 Sep 12	25.61%	14.89%	6.06%	0.00%	0.00%
20 Sep 13	16.19%	6.13%	0.00%	0.00%	0.00%
20 Sep 14	7.05%	0.00%	0.00%	0.00%	0.00%
20 Sep 15	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 16	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 17	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 18	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 19	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 20	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 21	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 22	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 23	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 24	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 25	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 26	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 27	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 28	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 29	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 30	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 31	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 32	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 33	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 34	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Life (in years)	5.38	4.54	3.88	3.37	2.97
Principal Window - from	Mar 05	Mar 05	Mar 05	Mar 05	Mar 05
-to	Sep 15	Sep 14	Jun 13	Sep 12	Dec 11
<b>(with Early Termination)</b>					
Weighted Average Life (in years)	3.16	2.97	2.80	2.63	2.48
Principal Window - from	Mar 05	Mar 05	Mar 05	Mar 05	Mar 05
-to	Sep 08	Sep 08	Sep 08	Sep 08	Sep 08
<b>(with Clean-up Call Only)</b>					

Weighted Average Life (in years)	5.38	4.54	3.88	3.37	2.97
Principal Window - from	Mar 05	Mar 05	Mar 05	Mar 05	Mar 05
-to	Sep 15	Sep 14	Jun 13	Sep 12	Dec 11

**Percentage of Principal Amount Outstanding on the Further Closing Date of the Further Class B Notes at the Specified CPRs Percentages (without Early Termination or Clean-up Call Only)**

Date	Prepayment Assumption (CPR)				
	0.0%	2.5%	5.0%	7.5%	10.0%
Further Closing Date	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 05	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 06	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 07	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 08	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 09	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 10	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 11	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 12	100.00%	100.00%	100.00%	96.43%	78.57%
20 Sep 13	100.00%	100.00%	94.21%	74.85%	59.38%
20 Sep 14	100.00%	94.02%	72.85%	56.35%	43.52%
20 Sep 15	95.32%	72.04%	54.34%	40.92%	30.75%
20 Sep 16	70.71%	52.01%	38.18%	27.97%	20.45%
20 Sep 17	50.86%	36.40%	26.00%	18.53%	13.17%
20 Sep 18	35.84%	24.96%	17.35%	12.02%	8.31%
20 Sep 19	24.85%	16.84%	11.38%	7.67%	5.16%
20 Sep 20	19.32%	12.74%	8.38%	5.50%	3.60%
20 Sep 21	13.93%	8.94%	5.73%	3.65%	2.33%
20 Sep 22	8.88%	5.55%	3.45%	2.14%	1.32%
20 Sep 23	6.03%	3.66%	2.22%	1.34%	0.80%
20 Sep 24	4.23%	2.50%	1.47%	0.86%	0.50%
20 Sep 25	3.37%	1.94%	1.11%	0.64%	0.36%
20 Sep 26	2.62%	1.47%	0.82%	0.46%	0.25%
20 Sep 27	1.93%	1.05%	0.57%	0.31%	0.17%
20 Sep 28	1.38%	0.73%	0.39%	0.20%	0.11%
20 Sep 29	0.86%	0.44%	0.23%	0.12%	0.06%
20 Sep 30	0.55%	0.27%	0.14%	0.07%	0.03%
20 Sep 31	0.30%	0.15%	0.07%	0.03%	0.02%
20 Sep 32	0.11%	0.05%	0.02%	0.01%	0.01%
20 Sep 33	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 34	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Life (in years)	13.82	12.77	11.80	10.91	10.08
Principal Window - from	Sep 15	Sep 14	Jun 13	Sep 12	Dec 11
-to	Sep 33	Sep 33	Jun 33	Mar 33	Dec 32
<b>(with Early Termination)</b>					
Weighted Average Life (in years)	3.78	3.78	3.78	3.78	3.78
Principal Window - from	Sep 08	Sep 08	Sep 08	Sep 08	Sep 08
-to	Sep 08	Sep 08	Sep 08	Sep 08	Sep 08
<b>(with Clean-up Call Only)</b>					

Weighted Average Life (in years)	12.72	11.83	10.88	10.04	9.25
Principal Window - from	Sep 15	Sep 14	Jun 13	Sep 12	Dec 11
-to	Sep 18	Dec 17	Dec 16	Mar 16	Jun 15

## Use of Proceeds

### Proceeds of the Further Listed Notes

The gross proceeds of the issue of the Further Listed Notes are €45,661,560. The proceeds of the issue of the Further Listed Notes, net of underwriting fees, are €45,534,090. The Issuer will apply the net proceeds of the Further Listed Notes solely for the purpose of (i) paying any up-front expenses of the Issuer, (ii) purchasing the Further Units pursuant to the Second Unit Purchase Agreement at a purchase price equal to the Principal Amount Outstanding of the Further Notes and (iii) increasing the balance of the Cash Reserve Account by €3,360,000. The gross proceeds of the issue of such Further Units, expected to amount to €42,000,000, will be used by the Fund to purchase the Receivables to be purchased by the Fund on the Closing Date pursuant to the Receivables Sale Agreement.



## AR Finance 1 Fundo - Further Information

The Fund's activity is subject to the on-going supervision of the *Comissão do Mercado de Valores Mobiliários*, the Portuguese Securities Commission (the "CMVM"). The Fund's accounting reference date is 31 December of each calendar year. The Fund is required on a monthly basis to provide to the CMVM its interim balance sheet, the Fund's Net Asset Value, as well as the amount of Unit Distributions.

The Fund's last annual report was dated 31 December 2003 and is available for inspection at the Paying Agent's office in Luxembourg. Details of the Fund's Net Asset Value will be included in the Investor Report produced by the Transaction Manager which will also be available at the Paying Agent's office in Luxembourg. The table below summarises the history of the Fund's Net Asset Value as well as the Unit Distributions paid to the Issuer on each Fund Distribution Date since 19 December 2003.

<b>Date</b>	<b>Net Asset Value</b>	<b>Unit Distributions (Fund Distribution Date)</b>
22/03/2004	EUR 100,007,912.36	EUR 2,973,814.33
21/06/2004	EUR 97,899,832.60	EUR 3,858,469.60
20/09/2004	EUR 95,168,741.93	EUR 4,346,073.99

## Characteristics of The Receivables Contracts

The information set out below has been prepared on the basis of all Receivables as of 31 October 2004. The Closing Date will be on or about 16 December 2004 and the pool may therefore vary from the tables below.

Paragraph 1 below contains information relating to both the further Receivables to be acquired and the aggregate of all Receivables after the Further Issue (the "Total Pool"). Paragraphs 2-15 contain information relating only to the Total Pool on the Closing Date.

### 1 Pool Summary

#### Further Receivables to be acquired

Total Current Balance	Euro 42,167,288.78
Total Original Balance	Euro 44,162,821.92
WA Spread	3.25 per cent.
WA Remaining Term	14.18 years

#### Total Pool after Further Issue

Total Current Balance	Euro 130,572,749.40
Total Original Balance	Euro 154,546,263.10
WA Spread	3.04 per cent.
WA Remaining Term	12.82 years

### 2 Contract Type

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
Lease Contract	498	56.85%	79,590,075.52	60.95%
Mortgage Loan	206	23.52%	41,538,391.55	31.81%
Related Loan	172	19.63%	9,444,282.33	7.23%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

### 3 Spread (% p.a.)

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
1.00 -1.50	28	3.20%	2,563,433.85	1.96%
1.51-2.00	19	2.17%	3,626,500.89	2.78%
2.01-2.50	63	7.19%	10,455,286.63	8.01%
2.51-3.00	299	34.13%	51,378,384.53	39.35%
3.01-3.50	374	42.69%	54,741,693.61	41.92%
3.51-4.00	93	10.62%	7,807,449.89	5.98%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

Minimum:	1.00
Maximum:	4.00
Weighted Average:	3.04

### 4 Original Amount

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
€0.01-€50,000.00	232	26.48%	5,676,797.85	4.35%

€50,000.01-€100,000.00	252	28.77%	14,813,168.92	11.34%
€100,000.01-€150,000.00	115	13.13%	12,341,896.13	9.45%
€150,000.01-€200,000.00	65	7.42%	9,554,623.27	7.32%
€200,000.01-€250,000.00	45	5.14%	9,200,872.78	7.05%
€250,000.01-€500,000.00	113	12.90%	35,712,258.83	27.35%
€500,000.01-€750,000.00	26	2.97%	14,028,326.13	10.74%
€750,000.01-€1,000,000.00	10	1.14%	7,121,932.98	5.45%
€1,000,000.01-€1,500,000.00	10	1.14%	9,878,341.26	7.57%
€1,500,000.01-€2,000,000.00	6	0.68%	7,966,927.90	6.10%
€2,000,000.01-€2,500,000.00	2	0.23%	4,277,603.35	3.28%
<b>Total</b>	<b>100.00%</b>	<b>876</b>	<b>130,572,749.40</b>	<b>100.00%</b>

Minimum: €5,000.00  
Maximum: €2,493,989.49  
Average: €176,422.67

### **5 Current Amount**

	<b>Number of Contracts</b>	<b>% Total by Number</b>	<b>Sum of Outstanding Balance</b>	<b>% Total by Value</b>
€0.01-€50,000.00	316	36.07%	8,786,022.43	6.73%
€50,000.01-€100,000.00	206	23.52%	14,488,169.74	11.10%
€100,000.01-€150,000.00	115	13.13%	14,047,131.63	10.76%
€150,000.01-€200,000.00	50	5.71%	8,674,183.94	6.64%
€200,000.01-€250,000.00	48	5.48%	10,871,064.92	8.33%
€250,000.01-€500,000.00	97	11.07%	34,574,336.46	26.48%
€500,000.01-€750,000.00	25	2.85%	15,480,756.09	11.86%
€750,000.01-€1,000,000.00	7	0.80%	5,666,854.99	4.34%
€1,000,000.01-€1,500,000.00	8	0.91%	10,405,386.12	7.97%
€1,500,000.01-€2,000,000.00	3	0.34%	5,288,082.85	4.05%
€2,000,000.01-€2,500,000.00	1	0.11%	2,290,760.23	1.75%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

Minimum: €422.03  
Maximum: €2,290,760.23  
Average: €149,055.65

### **6 Remaining Term (years)**

	<b>Number of Contracts</b>	<b>% Total by Number</b>	<b>Sum of Outstanding Balance</b>	<b>% Total by Value</b>
0.01-5.00	128	14.61%	7,756,237.30	5.94%
5.01-10.00	210	23.97%	23,307,345.24	17.85%
10.01-15.00	427	48.74%	72,354,864.45	55.41%
15.01-20.00	70	7.99%	22,498,951.57	17.23%
20.01-25.00	27	3.08%	2,863,740.44	2.19%
25.01-30.00	14	1.60%	1,791,610.40	1.37%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

Minimum: 0.10  
Maximum: 28.90  
Weighted Average: 12.82

## 7 Seasoning (years)

	Seasoning	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
	0.00-1.00	161	18.38%	38,058,779.57	29.15%
	1.01-2.00	133	15.18%	23,522,766.25	18.02%
	2.01-3.00	167	19.06%	26,170,878.42	20.04%
	3.01-4.00	129	14.73%	20,042,723.11	15.35%
	4.01-5.00	123	14.04%	8,642,980.42	6.62%
	5.01-6.00	84	9.59%	7,752,388.56	5.94%
	6.01-7.00	75	8.56%	6,247,095.21	4.78%
	7.01-8.00	4	0.46%	135,137.86	0.10%
<b>Total</b>		<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

Minimum: 0.00

Maximum: 7.11

Weighted Average: 2.32

## 8 Geographical Distribution

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
Aveiro	105	11.99%	20,501,358.89	15.70%
Braga	35	4.00%	7,574,340.52	5.80%
Bragança	11	1.26%	1,120,627.54	0.86%
Coimbra	4	0.46%	2,079,309.93	1.59%
Faro	1	0.11%	70,377.76	0.05%
Leiria	7	0.80%	976,690.44	0.75%
Lisboa	58	6.62%	8,671,407.36	6.64%
Porto	613	69.98%	80,675,590.57	61.79%
Santarém	2	0.23%	539,303.29	0.41%
Setúbal	8	0.91%	2,065,439.60	1.58%
Viana do Castelo	12	1.37%	1,674,263.15	1.28%
Vila Real	7	0.80%	1,482,265.50	1.14%
Viseu	13	1.48%	3,141,774.85	2.41%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

## 9 Property Type

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
Commercial Warehouse	108	12.33%	18,602,783.80	14.25%
Garage	4	0.46%	378,033.33	0.29%
Gymnasium	1	0.11%	641,625.68	0.49%
Hotel	1	0.11%	61,604.25	0.05%
Industry	98	11.19%	25,123,120.92	19.24%
Industry + Land	1	0.11%	796,195.57	0.61%
Land	69	7.88%	9,344,973.75	7.16%
Land + Hotel	1	0.11%	1,300,000.00	1.00%
Land + Residential	9	1.03%	2,796,443.14	2.14%
Land + Warehouse	2	0.23%	613,956.56	0.47%
Office	35	4.00%	2,359,986.82	1.81%
Parking Lot	1	0.11%	1,986,843.12	1.52%
Petrol Station	11	1.26%	4,828,567.18	3.70%

Pharmacy	22	2.51%	14,612,316.77	11.19%
Residential	129	14.73%	15,894,541.89	12.17%
Residential + Garage	1	0.11%	114,848.60	0.09%
Residential + Pharmacy	1	0.11%	723,825.18	0.55%
Residential for Renting	1	0.11%	379,088.10	0.29%
Retail	371	42.35%	28,352,067.85	21.71%
Retail + Garage	5	0.57%	286,750.30	0.22%
Retail + Warehouse	1	0.11%	384,688.18	0.29%
Retail + Warehouse + Office + Garage	1	0.11%	496,988.52	0.38%
Sports Park	2	0.23%	209,817.42	0.16%
Warehouse + Office	1	0.11%	283,682.47	0.22%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

### 10 Obligor Industry

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
Agriculture, livestock farming, hunting and related activities	2	0.23%	212,114.81	0.16%
Construction	32	3.65%	4,955,544.20	3.80%
Education	4	0.46%	527,377.46	0.40%
Employee	28	3.20%	2,563,433.85	1.96%
Extracting industries	1	0.11%	39,443.81	0.03%
Financials	3	0.34%	811,735.14	0.62%
Healthcare	16	1.83%	1,294,546.88	0.99%
Individual	367	41.89%	34,125,796.23	26.14%
Lodging and restaurants	23	2.63%	4,202,558.90	3.22%
Other services	12	1.37%	1,300,005.06	1.00%
Public administration, defence and social security	1	0.11%	219,458.28	0.17%
Real estate and services	96	10.96%	19,170,059.64	14.68%
Transforming industries	94	10.73%	21,340,685.35	16.34%
Transportation, storage and communications	12	1.37%	1,490,862.10	1.14%
Wholesale and retail	185	21.12%	38,319,127.69	29.35%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

### 11 Original LTV

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
0.01%-10.00%	0	0.00%	0.00	0.00%
10.01%-20.00%	4	0.46%	400,829.55	0.31%
20.01%-30.00%	15	1.71%	4,612,888.96	3.53%
30.01%-40.00%	29	3.31%	6,427,216.04	4.92%
40.01%-50.00%	41	4.68%	11,702,686.50	8.96%
50.01%-60.00%	56	6.39%	8,494,489.14	6.51%
60.01%-70.00%	77	8.79%	16,453,301.32	12.60%
70.01%-80.00%	126	14.38%	19,977,705.76	15.30%
80.01%-90.00%	151	17.24%	21,969,992.46	16.83%
90.01%-100.00%	276	31.51%	26,354,330.82	20.18%
>100.00%	101	11.53%	14,179,308.85	10.86%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

Minimum: 12.61%  
Maximum: 155.88%  
Weighted Average: 75.85%

### 12 Current LTV

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
0.01%-10.00%	6	0.68%	60,289.70	0.05%
10.01%-20.00%	15	1.71%	761,552.12	0.58%
20.01%-30.00%	26	2.97%	5,990,158.17	4.59%
30.01%-40.00%	56	6.39%	8,984,526.21	6.88%
40.01%-50.00%	78	8.90%	16,785,137.63	12.86%
50.01%-60.00%	119	13.58%	18,498,169.48	14.17%
60.01%-70.00%	127	14.50%	18,130,111.16	13.89%
70.01%-80.00%	191	21.80%	25,339,201.75	19.41%
80.01%-90.00%	175	19.98%	23,745,470.04	18.19%
90.01%-100.00%	75	8.56%	11,568,117.56	8.86%
>100.00%	8	0.91%	710,015.58	0.54%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

Minimum: 2.70%  
Maximum: 125.16%  
Weighted Average: 65.39%

### 13 Residual Value

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
0.00%-2.00%	746	85.16%	115,729,832.98	88.63%
2.01%-5.00%	86	9.82%	8,411,818.28	6.44%
5.01%-10.00%	36	4.11%	4,481,497.44	3.43%
>10.00%	8	0.91%	1,949,600.70	1.49%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

Minimum: 0.00%  
Maximum: 25.00%  
Weighted Average: 1.96%

### 14 Delinquent and Defaulted Receivables

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
Not delinquent	784	89.50%	119,920,499.11	91.84%
2 delinquent instalments	37	4.22%	5,040,510.58	3.86%
3 delinquent instalments	22	2.51%	2,089,336.49	1.60%
4 delinquent instalments	17	1.94%	1,342,569.84	1.03%
5 delinquent instalments	7	0.80%	739,637.37	0.57%
Defaulted receivables	9	1.03%	1,440,196.01	1.10%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

**15 Obligor Type**

	<b>Number of Contracts</b>	<b>% Total by Number</b>	<b>Sum of Outstanding Balance</b>	<b>% Total by Value</b>
Corporate	481	54.91%	93,883,519.32	71.90%
Employee	28	3.20%	2,563,433.85	1.96%
Individual	367	41.89%	34,125,796.23	26.14%
<b>Total</b>	<b>876</b>	<b>100.00%</b>	<b>130,572,749.40</b>	<b>100.00%</b>

## Ratings

The Rating Agencies' rating of any class of the Further Class A Notes and Further Class B Notes addresses the likelihood that Noteholders of such class of Notes 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 and the structural, legal and tax aspects associated with the Further Class A Notes and Further Class B Notes. However, the ratings assigned to the Further Class A Notes and Further Class B 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 Further Class A Notes and Further Class B 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 Further Class A Notes and Further Class B 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 Further Class A Notes and Further Class B 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 Further Class A Notes and Further Class B 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 2 April 2003 as AR Finance 1 plc, under the Irish Companies Acts 1963 to 2003 (as amended) and having its registered office at 4th Floor, 25-28 Adelaide Road, Dublin 2, Ireland (registered number 369396). The Issuer has no subsidiaries or affiliates.

## Business Activity

The principal objects of the Issuer are set out in Clause 2.1 of its Memorandum of Association and permit, *inter alia*, the issuance of the Listed Notes, the Further Listed Notes and the Residual Certificates, the entering into of the Issuer Documents, the purchase of the Units and Further 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 and the Further Units, issuing the Listed Notes, the Further Listed Notes and the Residual Certificates and entering into the Issuer Documents.

The Issuer has covenanted 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 and the Cash Reserve 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 also represented that it is the sole owner of the Units issued by the Fund.

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

## Capital and Shares

The authorised share capital of the Issuer is €38,100 divided into 38,100 ordinary shares of €1 each.

The Issuer has issued 38,100 ordinary shares with a nominal value of €1 each, all of which are fully paid. The issued shares are divided equally between Badb Charitable Trust Limited, Medb Charitable Trust Limited and Eurydice Charitable Trust Limited (the “AR Finance Shareholders”) and four

nominees who hold their shares on behalf of the AR Finance Shareholders. The AR Finance Shareholders are companies incorporated under the laws of Ireland as companies limited by guarantee and have charitable objects. The AR Finance 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 Supplemental Offering Circular, adjusted for the issue of the Further Notes, is as follows:

#### Share Capital

Issued and fully called up 38,100 shares of €1 each	€38,100
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#### Loan Capital <sup>1</sup>

Notes	€133,935,325
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Class C Notes	€11,360,000
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Residual Certificates	€1,200,000
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Total Capitalisation	€146,495,325
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<sup>1</sup> *The value of each Class C Note and the Residual Certificates is contingent upon future events*

### Indebtedness

The Issuer has no indebtedness as at the date of this document other than that which the Issuer has incurred or shall incur in relation to the transactions contemplated herein.

### Directors

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

Name	Business Address	Principal Occupation
Adrian Masterson	4th Floor, 25-28 Adelaide Road, Dublin 2, Ireland	Company Director
Stephen Hodgins	4th Floor, 25-28 Adelaide Road, Dublin 2, Ireland	Company Director/ Senior Account Manager

### Secretary

The company secretary of the Issuer is Marsh Management Services (Dublin) Limited, 4th Floor, 25-28 Adelaide Road, Dublin 2, Ireland.

### Employees

The Issuer has no employees. Stephen Hodgins is an officer of the Corporate Services Provider and Adrian Masterson is an independent consultant to 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 has appointed Marsh Management Services (Dublin) Limited as corporate services provider (the “**Corporate Services Provider**”) to provide corporate secretarial and administrative

services pursuant to a corporate administration agreement dated 19 December 2003 between the Issuer, the Corporate Services Provider and the Trustee (the “**Corporate Services Agreement**”). The register of members is maintained by the Corporate Services Provider at its office.

### **Auditors**

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

### **Financial Year**

The financial year end of the Issuer is 31 December.

### **Accounts**

The first non-consolidated annual audited accounts of the Issuer have been prepared in respect of the period from 2 April 2003 to 31 December 2003 (see “**Reports and Financial Statements of the Issuer from 2 April 2003 to 31 December 2003**” below). The Issuer will prepare non-consolidated annual audited accounts in respect of the period to 31 December 2004 and each year thereafter to 31 December. The Issuer will not prepare an interim financial statement.

### **Recent Developments**

Since the Reports and Financial Statements of the Issuer from 2 April 2003 to 31 December 2003 there have been no developments reasonably likely to involve any material adverse change in the condition (financial or otherwise) of the Issuer.

### **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.

### **Commission and Expenses**

The amount payable as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions for the Further Notes will amount to EUR 127,470, which will be deducted from the aggregate issue price of the Further Notes but will be paid separately. It is estimated that the expenses (including legal expenses, listing expenses and expenses of the service providers) associated with the issue of the Further Notes will not exceed 2 per cent. of the aggregate nominal amount of the Further Notes. The expenses will be payable by the Issuer.

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

## **Accountant's Report**

MEF/am

10 December 2004

The Directors  
AR Finance 1 plc  
4th Floor  
25-28 Adelaide Road  
Dublin 2  
Ireland

### **Issue of Euro 31,500,000 Further Class A Secured Floating Rate Notes and Euro 10,500,000 Further Class B Secured Guaranteed Floating Rate Notes and Euro 3,360,000 Further Class C Secured Fixed Rate Notes.**

Dear Sirs,

**Re: AR Finance 1 plc**

We report on the financial information set out in paragraphs 1 to 2.2 below. This financial information has been prepared for inclusion in the Offering Circular dated 10 December 2004. The financial information set out in this report is based on the audited financial statements of AR Finance 1 plc (the "Company") for the period from incorporation on 2 April 2003 to 31 December 2003 to which no adjustments were considered necessary

### ***Responsibility***

Such financial statements are the responsibility of the Directors of the Company. The Directors of the Company are responsible for the contents of the Offering Circular dated 10 December 2004 in which this report is included. It is our responsibility to compile the financial information set out in our report from the audited financial statements, 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 Investments 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. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

## Opinion

The financial information has been extracted from the audited financial statements of the Company for the period from incorporation on 2 April 2003 to 31 December 2003 for the purposes of inclusion in the Supplemental Offering Circular dated 10 December 2004. We expressed a true and fair opinion on the financial statements on 15 October 2004.

## Financial Information

### 1. Balance Sheet at 31 December 2003 \*

	Euro
<b>Current Assets</b>	
Investments	99,718,416
Cash	9,087,886
Debtors	<u>1,159,572</u>
	109,965,874
Creditors: (Amounts falling due within one year)	<u>(727,774)</u>
	109,238,100
Creditors: (Amounts falling due after one year)	<u>(109,200,000)</u>
<b>NET ASSETS</b>	<u>38,100</u>

### Capital and reserves

Called up share capital	38,100
Profit and loss account	<u>-</u>
Shareholders' funds – equity	<u>38,100</u>

\* See notes in paragraph 2 below.

### 2. Notes

2.1. The company was incorporated on 15 July 2003.

2.2. The audited financial statements are prepared in accordance with generally accepted accounting principles in Ireland.

Yours faithfully,

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**DELOITTE & TOUCHE**

## **Reports and Financial Statements of the Issuer from 2 April 2003 to 31 December 2003**

*The following is the text of the Reports and Financial Statements of the Issuer which include a report received by the Directors of the Issuer from Deloitte & Touche, who have given, and not withdrawn their consent to the inclusion of their report in this Supplemental Offering Circular.*

### **REPORTS AND FINANCIAL STATEMENTS**

**AR FINANCE 1 PLC**

**FOR THE PERIOD FROM 2 APRIL 2003  
(DATE OF INCORPORATION) TO  
31 DECEMBER 2003**

**AR FINANCE 1 PLC**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD FROM**  
**2 APRIL 2003 (DATE OF INCORPORATION)**  
**TO 31 DECEMBER 2003**

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## AR FINANCE - 1 PLC

### DIRECTORS AND OTHER INFORMATION

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#### **DIRECTORS**

Stephen Hodgins (appointed 29/04/2003)  
Adrian Masterson (appointed 29/04/2003)  
Chris Quinn (resigned 29/04/2003)  
Anthony Walsh (resigned 29/04/2003)

#### **SECRETARY AND REGISTERED OFFICE**

Marsh Management  
3<sup>rd</sup> Floor, St James House  
Adelaide Road  
Dublin 2.

#### **AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2.

#### **SOLICITORS**

Matheson Ormsby Prentice  
30 Herbert Street  
Dublin 2.

#### **BANKERS**

J P Morgan Chase  
Trinity Tower  
9 Thomas More Street  
London E1W 1YT  
England.



# AR FINANCE 1 PLC

## DIRECTORS' REPORT

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The directors present their report and the financial statements of AR Finance 1 Plc (the "Company") for the period from incorporation 2 April 2003 to 31 December 2003.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Company has been established to issue secured floating rate asset backed notes (Classes "A" and "B") and secured fixed rate notes (Class "C") (the "Notes"). The Notes are exposed to the market risk of units issued by AR Finance 1 Fundo ("The Fund") which in turn is exposed to a portfolio of mortgage loans, lease contracts and related loan contracts advanced by Banco Alves Ribeiro S.A..

The net proceeds of the Notes (€108,000,000) have been used by the Company to purchase securitisation units issued by the Fund. On the Closing Date, the initial principal amount of the Collateral equalled the aggregate Initial Principal Amount of the Notes.

In connection with the issue of the notes, the company also issued 20 residual certificates for €1,200,000.

### **RESULTS AND DIVIDENDS FOR THE PERIOD**

The profit and loss and balance sheet for the period ended 31 December 2003 are set out on pages 8 and 9 respectively. The profit before taxation amounted to Nil. The directors do not recommend the payment of a dividend.

### **CHANGES IN DIRECTORS**

On 2 April 2003, Mr Chris Quinn and Mr Anthony Walsh were appointed as directors of the Company. On 29 April 2003, Mr Stephen Hodgins and Adrian Masterson were appointed as directors of the Company. On the same date, Mr Chris Quinn and Mr Anthony Walsh resigned as directors of the Company.

### **DIRECTORS, SECRETARY AND THEIR INTERESTS**

The directors and secretary who held office on 31 December 2003 do not hold any shares in the Company at that date, or during the period.

### **KEEPING OF BOOKS OF ACCOUNT**

The directors have ensured that the proper books and record requirements under Section 202 of the Companies Act, 1990 have been complied with by outsourcing this function to a specialised provider of such services. The books of account are held at the Company's registered office at 3<sup>rd</sup> Floor, St James House, Adelaide Road, Dublin 2.

### **AUDITORS**

The auditors, Deloitte & Touche, Chartered Accountants, were appointed during the period and will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Signed on behalf of the Board

**ADRIAN MASTERSON** )  
**STEPHEN HODGINS** ) DIRECTORS

Date: **30-SEP-04**

## AR FINANCE 1 PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2003. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AR FINANCE 1 PLC**

We have audited the financial statements of Ar Finance 1 plc for the period from 2 April 2003 (date of incorporation) to 31 December 2003 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Accounting Policies and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as set out in the Statement of Directors' Responsibilities, the preparation of the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, auditing standards as promulgated by the Auditing Practices Board in Ireland and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2003. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company's balance sheet and income and expense account are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not given and, where practicable, include such information in our report. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

### **Basis of audit opinion**

We conducted our audit in accordance with the auditing standards issued by the Auditing Practices Board and generally accepted in Ireland. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

*Continued on the next page/*

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AR FINANCE 1 PLC**

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its result for the period then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet and its profit and loss account are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2003 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

### ***DELOITTE & TOUCHE***

Chartered Accountants and Registered Auditors  
Dublin

***15 October 2004***

# AR FINANCE 1 PLC

## STATEMENT OF ACCOUNTING POLICIES

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The financial statements have been prepared under the historical cost convention and the principal accounting policies adopted by the company are as follows:

### **BASIS OF PREPARATION**

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2003.

Because of the nature of the company's business and the type of transactions the company is engaged in, the Directors have adapted the profit and loss account to suit the circumstances of the business in accordance with Section 4(13) of the Companies (Amendment) Act, 1986. The financial statements are expressed in Euro (€).

The ultimate realisation of the portfolio and payment of interest and principal to noteholders is uncertain.

### **OPERATING INCOME AND EXPENSES**

All income and expenses are accounted for on an accruals basis.

### **TAXATION**

Corporation tax is provided on taxable profits at current rates applicable to the Company's activities.

### **INVESTMENTS**

The investment in fund units are stated at historical cost adjusted for any permanent diminution in value.

### **CREDITORS**

Notes held as creditors are stated at cost adjusted for the amortisation of issue costs on a straight-line basis over the period to maturity.

### **DEFERRED COSTS**

The amortisation of issue costs is included in the profit and loss account.

# AR FINANCE 1 PLC

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 2 APRIL 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

	Notes	Period ended 31 December 2003 €
<b>INCOME</b>		
Interest income	1	239,336
Other income		5,791
Interest payable and similar charges	2	(227,531)
<b>OPERATING PROFIT</b>		<u>17,596</u>
Administrative expenses	3	(17,596)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-
Taxation	4	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>-</u>
Profit and loss account at beginning of period		-
Profit and loss account at end of period		<u><u>-</u></u>

The company had no recognised gains or losses in the financial period other than those dealt with in the profit and loss account. All items related to continuing operations.

The financial statements were approved by the Board of Directors on **30-SEP-04** and signed on its behalf by :

**ADRIAN MASTERSON** )  
 ) DIRECTORS  
**STEPHEN HODGINS** )





# AR FINANCE 1 PLC

## CASH FLOW STATEMENT FOR THE PERIOD FROM 2 APRIL 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

	Notes	Period ended 31 December 2003 €
<b>NET CASH OUTFLOW FROM</b>		
<b>OPERATING ACTIVITIES</b>	12	(431,798)
<b>CAPTIAL EXPENDITURE AND</b>		
<b>FINANCIAL INVESTMENT</b>		
Purchase of investments	5	(100,000,293)
Principal repayments		281,877
<b>CASH OUTFLOW BEFORE FINANCING ACTIVITIES</b>		(100,150,214)
<b>FINANCING ACTIVITIES</b>		
Ordinary shares issued at par	10	38,100
Issuance of notes	9	109,200,000
<b>INCREASE IN CASH</b>		9,087,886
<b>RECONCILIATION OF NET CASH FLOW TO NET DEBT</b>		
<b>FOR THE PERIOD ENDED 31 DECEMBER 2003</b>		
Increase in cash		9,087,886
Increase in total debt		(109,200,000)
<b>MOVEMENT IN NET DEBT IN THE PERIOD</b>		(100,112,114)
<b>NET DEBT AT THE END OF THE PERIOD</b>		(100,112,114)

# AR FINANCE 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 2 APRIL 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

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<b>1. INTEREST RECEIVABLE</b>	Period ended 31/12/2003 €
Interest on investment fund	171,608
Swap interest income	67,728
	<hr/>
	239,336
	<hr/> <hr/>
<b>2. INTEREST PAYABLE AND SIMILAR CHARGES</b>	Period ended 31/12/2003 €
Interest payable on Class A notes	61,650
Interest payable on Class B notes	18,633
Interest payable on Class C notes	49,973
Note expense on residual certificates	28,408
Swap interest payable	68,867
	<hr/>
	227,531
	<hr/> <hr/>
<b>3. OPERATING EXPENSES</b>	Period ended 31/12/2003 €
Auditors fees	10,890
Directors' fees	-
	<hr/>

The company is administered by Marsh Management Services Limited (Dublin) and accordingly has no employees.

#### **4. TAX ON PROFIT ON ORDINARY ACTIVITIES**

The company is charged corporation tax at a rate of 12½%. The company had no taxable profits in the period, and thus had no corporation tax charge.

# AR FINANCE 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 2 APRIL 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

<b>5.</b>	<b>INVESTMENTS</b>	31/12/2003 €
	Fund units	99,718,416
		99,718,416
	<p>The company has invested in AR Finance 1 Fundo, a Portuguese securitisation fund which has purchased a portfolio of mortgage loans, lease contracts and related loan contracts.</p>	
<b>6.</b>	<b>CASH AT BANK</b>	31/12/2003 €
	Cash at bank – issuer account	525,858
	- cash reserve account	8,562,028
		9,087,886
<b>7.</b>	<b>DEBTORS</b>	31/12/2003 €
	Unamortised issue costs	1,047,953
	Accrued bank interest receivable	5,791
	Swap interest receivable	67,728
	Share capital	38,100
		1,159,572
<b>8.</b>	<b>CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	31/12/2003 €
	Swap interest payable	68,867
	Accrued interest payable on notes	130,256
	Accruals	427,869
	Prepaid interest on investment fund	72,374
	Note expense payable	28,408
		727,774

# AR FINANCE 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 2 APRIL 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

### 9. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

#### NOTES

CLASS	DESCRIPTION	COUPON	31/12/2003 €
A	Secured floating rate	Euribor plus 0.32%	75,000,000
B	Secured guaranteed floating rate	Euribor plus 0.09%	25,000,000
C	Secured fixed rate	19%	8,000,000
	Residual certificates	Residual expense	1,200,000
			109,200,000

All of the notes were issued on 19 December 2003. Interest on the notes is payable quarterly in arrears on 20 March, 20 June, 20 September and 20 December in each year. The final maturity date of the notes is November 2036.

The company's ability to meet its obligations in respect of the notes is wholly dependent upon collections and recoveries made from the asset portfolio by the servicer and consequently, unit distributions.

The repayment of the notes and related interest by the company is conditional upon the performance of the reference pool. The notes are exposed to the credit risk of a securitised fund which in turn is exposed to the credit risk of a portfolio of mortgage loans, lease contracts and related loan contracts advanced by Banco Alves Ribeiro S.A. There is no guarantee that the noteholder will receive the full principal amount of the notes and interest thereon.

### 10. SHARE CAPITAL – EQUITY

2003  
€

#### Authorised

38,100 ordinary shares of €1 each	38,100
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#### Issued and fully paid

38,100 ordinary shares of €1 each	38,100
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# AR FINANCE 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 2 APRIL 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

<b>11.</b>	<b>RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>		2003 €	
	Shareholders' funds at the beginning of the period		-	
	Transactions with shareholders : shares issued at par		38,100	
	Total recognised gains and losses for the period		-	
	Shareholders' funds at the end of the period		38,100	
<b>12.</b>	<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATION ACTIVITIES</b>		Period ended 31/12/2003 €	
	Operating profit		-	
	Increase in debtors		(1,159,572)	
	Increase in creditors		727,774	
	Net cash outflow from operating activities		(431,798)	
<b>13.</b>	<b>ANALYSIS OF CHANGES IN NET DEBT</b>	<b>At beginning of period</b> €	<b>Movements</b> €	<b>At end of period</b> €
	Cash at bank and in hand	-	9,087,886	9,087,886
	Debt due within one year	-	-	-
	Debt due after one year	-	(109,200,000)	(109,200,000)
	Total	-	(100,112,114)	(100,112,114)

# AR FINANCE 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 2 APRIL 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

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### 14. CHARGES

The Notes issued by the Company are secured by way of mortgage over the investments purchased by the Company.

### 15. DERIVATIVE AND FINANCIAL INSTRUMENTS

#### Financial instruments

The Notes are designed to allow holders of the notes to invest in a floating rate investment (notes A and B) or fixed rate investment (notes C) through the Collateral while receiving a premium in return for assuming the default risk on €108,000,000 of the listed notes.

Class A noteholders will have higher priority in repayment to Class B noteholders. Class B noteholders will have higher priority in repayment to Class C noteholders and Class C noteholders will have higher priority in repayment to residual certificate holders.

#### Credit risk

The Company is exposed to credit defaults by third parties in the reference portfolio. The Company has passed this Credit risk onto the noteholders, who are exposed to the first losses of the Reference Portfolio up to an amount of €108,000,000. The noteholders are also exposed to the credit risk of the BAR in its capacity as issuer of the Collateral.

#### Market risk

The noteholders are exposed to the market risk on the Reference Portfolio.

#### Operational risk exposure

The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All administration functions are outsourced to Marsh Management Services (Dublin) Limited.

# AR FINANCE 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 2 APRIL 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

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### 15. DERIVATIVE AND FINANCIAL INSTRUMENTS (CONTINUED)

#### **Fair value of financial assets and financial liabilities**

The Company has estimated the value of its financial assets and liabilities. Various techniques have been developed to estimate what the approximate fair value of such assets and liabilities might be. These estimation techniques are reasonably subjective in nature and involve assumptions which are based on management's view of market conditions at 31 December 2003 and which may not necessarily be indicative of any subsequent fair value. Furthermore, minor changes in the assumptions could have a negative impact on the resulting estimated fair values, and, as a result, readers of these financial statements are advised to use caution when using this note to evaluate the Company's financial position.

#### **Investments – fair value**

In the opinion of the directors, the fair value of the units equates to the historical cost.

## European Investment Fund

The European Investment Fund (“EIF”) is an international financial institution whose main activity is to support the creation, growth and development of small and medium-sized enterprises (“SMEs”). Within the European Investment Bank (“EIB”) Group, it is the specialised financial institution for guarantees and venture capital instruments, which it provides using either its own resources or those available within the framework of mandates entrusted to it by the EIB or the European Community and other third parties, currently the German Government. EIF has also recently developed an independent advisory service as a new and complementary activity.

The EIF is owned by the EIB (59.15%), the European Community (30%) and 33 European financial institutions (10.7%).

EIF has a rating assigned to its unguaranteed, unsubordinated and unsecured long term debt obligations of AAA by Fitch, Aaa by Moody’s and AAA by S&P.

EIF has its seat in the Grand Duchy of Luxembourg at 43, Avenue J.F Kennedy, L-2968 Luxembourg. It acts independently and under market conditions, and conducts its activities in the European Union as well as in the countries that have applied to become a member of the European Union and in respect of which the accession process has commenced (acceding/accession countries). According to its statutes, the EIF “shall...contribute to the pursuit of Community objectives” working “to generate an appropriate return on its resources”, while selecting independently the operations it supports. Its role in promoting growth, employment, a knowledge-based economy, entrepreneurship, innovation, and regional development has been underscored by the European Council and by the European Parliament.

Financial institutions benefiting from EIF guarantees are allowed to allocate regulatory capital at a reduced rate of 20% in accordance with the EIF classification of Multilateral Development Bank under the European Community’s solvency ratio directive. Furthermore, under the current Basel Accord, national supervisors are permitted to apply a 20 per cent. risk weighting to EIF.

As at 31 December 2003, EIF subscribed capital amounted to Euro 2 billion, with a paid in capital of Euro 400 million and reserves for about 147.5 million. The net profit for 2003 amounted to Euro 19.7 million, generated from its own risk activities, as well as from management of third party’s funds.

As at 31 December 2003, EIF has (i) on its own resources, guarantee commitments for Euro 3 billion and venture capital commitments for Euro 192 million; (ii) on behalf of the European Community, guarantee commitments for Euro 4.4 billion; and (iii) on behalf of the EIB and the European Community, venture capital commitments for Euro 2.3 billion. Asset under management as at 31 December 2003, including cash managed under the mandates, approaches Euro 7 billion.

EIF has participated in 35 securitisations of SME Financing.

Further information on EIF activities is available on its website at [www.eif.org](http://www.eif.org), but such information does not form part of this Offering Circular.



## Capitalisation of EIF

The following table shows the capitalisation in Euro of EIF as at 31 December 2003 (audited figures) and 30 June 2004 (unaudited figures).

	<b>31 December 2003</b>	<b>30 June 2004</b>
	<i>(Euro)</i>	<i>(Euro)</i>
Net short-term debt (credit)	-24,897,534	-25,119,166
Medium/long-term debt	-	-
<b>Total debt (A)</b>	<b>-24,897,534</b>	<b>-25,119,166</b>
Shareholders' Equity:		
Capital stock called, nominal value EUR 1 million each	400,000,000	400,000,000
Share premium account	12,770,142	12,770,142
Statutory reserve	58,367,050	62,314,590
Profit brought forward	76,402,471	84,298,631
Profit for the financial year	19,737,700	16,944,529
<b>Total Shareholders' Equity (B)</b>	<b>567,277,363</b>	<b>576,327,892</b>
<b>Total Capitalisation (A) + (B)</b>	<b>542,379,829</b>	<b>551,208,726</b>

There have been no material changes in the total capitalisation of EIF since 30 June 2004.

## Financial Information relating to EIF

The financial statements of EIF as at, and for the years ended on, 31 December 2001, 31 December 2002 and 31 December 2003 are incorporated by reference into this Offering Circular. Copies of the above-mentioned financial statements incorporated into this Offering Circular are available at the seat of EIF in the Grand Duchy of Luxembourg at 43 Avenue J. F. Kennedy, L-2968 Luxembourg.

The annual report of EIF as at and for the year ended 31 December 2003 has been audited by PriceWaterhouseCoopers Luxembourg. EIF does not issue interim audited financial statements.

The following tables present summary financial data of EIF as at, and for the years ending on, 31 December 2001, 31 December 2002 and 31 December 2003 (audited figures), derived from, to be read in conjunction with, and qualified in its entirety by reference to, the financial statements of EIF as at and for the periods then ending, and summary financial data as at 30 June 2004 (unaudited figures).

## European Investment Fund Balance Sheet

	As at 31 December 2001	As at 31 December 2002	As at 31 December 2003	As at 30 June 2004(*)
	(Euro)	(Euro)	(Euro)	(Euro)
<b>ASSETS</b>				
<b>A) CURRENT ASSETS</b>				
Current accounts	39,079,199	11,195,881	24,123,231	30,566,945
Term deposits	10,000,000	15,000,000	30,000,000	57,000,000
Debtors	2,255,558	646,585	3,376,011	4,898,589
Fixed-Income securities	52,578,086	74,862,446	31,000,000	18,000,000
<b>TOTAL CURRENT ASSETS</b>	<b>103,912,843</b>	<b>101,704,912</b>	<b>88,499,242</b>	<b>110,465,534</b>
<b>B) FIXED ASSETS</b>				
Debt securities and other fixed-income securities held as fixed assets	452,321,997	431,852,442	447,934,830	433,836,585
Investments in venture capital enterprises	48,428,308	49,305,307	59,870,013	66,020,247
Tangible and other fixed assets	5,169,047	4,940,132	5,708,061	6,081,315
<b>TOTAL CURRENT ASSETS</b>	<b>505,919,352</b>	<b>486,097,881</b>	<b>513,512,904</b>	<b>520,366,280</b>
<b>C) PREPAYMENTS AND ACCRUED INCOME</b>	<b>15,202,680</b>	<b>14,482,767</b>	<b>15,163,313</b>	<b>14,428,133</b>
<b>TOTAL ASSETS</b>	<b>625,034,875</b>	<b>602,285,560</b>	<b>617,175,459</b>	<b>630,831,814</b>

(\*)Interim unaudited results.

	As at 31 December 2001	As at 31 December 2002	As at 31 December 2003	As at 30 June 2004(*)
	(Euro)	(Euro)	(Euro)	(Euro)
<b>LIABILITIES</b>				
<b>A) CREDITORS</b>	<b>31,863,938</b>	<b>3,438,016</b>	<b>1,758,283</b>	<b>2,551,267</b>
<b>B) ACCRUALS AND DEFERRED INCOME</b>	<b>15,545,636</b>	<b>15,955,426</b>	<b>16,006,738</b>	<b>18,355,151</b>
<b>C) PROVISIONS FOR LIABILITIES AND CHARGES</b>				
Provisions relating to guarantees	24,311,610	25,522,421	27,454,593	28,954,421
Other provisions	1,444,167	2,330,033	4,678,482	4,643,083
<b>TOTAL PROVISIONS</b>	<b>25,755,777</b>	<b>27,852,454</b>	<b>32,133,075</b>	<b>33,597,504</b>
<b>D) SHAREHOLDERS' EQUITY</b>				
Capital subscribed	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Capital uncalled	-1,600,000,000	-1,600,000,000	-1,600,000,000	-1,600,000,000
Share premium account	12,770,142	12,770,142	12,770,142	12,770,142
Statutory reserve	39,464,505	54,613,022	58,367,050	62,314,590
Profit brought forward	23,892,297	68,886,360	76,402,471	84,298,631
Profit for the financial period	75,742,580	18,770,140	19,737,700	16,944,529
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>551,869,524</b>	<b>555,039,664</b>	<b>567,277,363</b>	<b>576,327,892</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>625,034,875</b>	<b>602,285,560</b>	<b>617,175,459</b>	<b>630,831,814</b>
<b>OFF-BALANCE SHEET ITEMS</b>				
<b>A) GUARANTEES IN RESPECT OF LOANS GRANTED BY THIRD PARTIES</b>				
Drawn	2,260,093,563	2,642,723,393	2,768,008,277	2,980,912,444
Undrawn	529,552,812	420,280,619	204,503,824	169,264,915
<b>TOTAL GUARANTEES IN RESPECT OF LOANS GRANTED BY THIRD PARTIES</b>	<b>2,789,646,375</b>	<b>3,063,004,012</b>	<b>2,972,512,101</b>	<b>3,150,177,359</b>
<b>B) COMMITMENTS</b>	<b>51,777,298</b>	<b>75,512,464</b>	<b>82,747,480</b>	<b>85,373,372</b>
<b>C) ASSETS HELD FOR THIRD PARTIES</b>	<b>130,745,377</b>	<b>210,683,007</b>	<b>227,920,889</b>	<b>194,144,720</b>
<b>D) FIDUCIARY OPERATIONS</b>	<b>3,852,182,292</b>	<b>5,109,410,869</b>	<b>6,714,836,258</b>	<b>6,671,651,877</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>	<b>6,824,351,342</b>	<b>8,458,610,352</b>	<b>9,998,016,728</b>	<b>10,101,347,328</b>

(\*)Interim unaudited results.

## INCOME STATEMENT

	As at 31 December 2001	As at 31 December 2002	As at 31 December 2003	As at 30 June 2004(*)
	(Euro)	(Euro)	(Euro)	(Euro)
<b>INCOME STATEMENT</b>				
<b>A) INCOME</b>				
Net Interest and similar income	24,759,424	23,837,716	22,451,050	10,834,040
Income from investment in venture capital enterprises	6,332,804	1,943,526	126,868	721,812
Commission income	15,872,131	20,575,145	24,463,235	14,028,477
Net profit/(loss) on financial operations	-491,187	-403,108	-1,632,761	1,511,944
Other operating income	3,897	24,780	221,713	82,408
<b>TOTAL INCOME</b>	<b>46,477,069</b>	<b>45,978,059</b>	<b>45,630,105</b>	<b>27,178,681</b>
<b>B) EXPENSES</b>				
Staff costs	-5,989,863	-7,094,406	-7,515,465	-4,057,923
Other administrative expenses	-2,277,584	-4,216,928	-3,219,950	-1,767,580
<b>TOTAL EXPENSES</b>	<b>-8,267,447</b>	<b>-11,311,334</b>	<b>-10,735,415</b>	<b>-5,825,503</b>
<b>C) VALUE ADJUSTMENTS IN RESPECT OF TANGIBLE AND INTANGIBLE ASSETS</b>	<b>-377,774</b>	<b>-384,189</b>	<b>-348,031</b>	<b>-168,921</b>
<b>D) VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS</b>	<b>-2,924,364</b>	<b>-11,340,972</b>	<b>-10,922,598</b>	<b>-2,476,017</b>
<b>E) TRANSFER TO/FROM THE PROVISION RELATING TO GUARANTEES</b>	<b>20,335,096</b>	<b>-3,621,424</b>	<b>-3,736,361</b>	<b>-1,688,711</b>
<b>F) TRANSFER TO PROVISION FOR STAFF PENSION PLAN</b>	<b>0</b>	<b>-550,000</b>	<b>-150,000</b>	<b>-75,000</b>
<b>G) EXTRAORDINARY RESULT</b>	<b>20,500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>75,742,580</b>	<b>18,770,140</b>	<b>19,737,700</b>	<b>16,944,529</b>

(\*)Interim unaudited results.

## **Selected Aspects of the Laws of the Portuguese Republic Relevant to the Receivables and the Transfer of the Receivables**

References in the Original Offering Circular to the Code for the Bankruptcy and Recovery of Companies introduced by Decree Law 132/93 of 23 April should be read as references to the Code for the Insolvency and Recovery of Companies, introduced by Decree-Law 53/2004 of March 18.

Those parts of the “**Selected Aspects of the Laws of the Portuguese Republic Relevant to the Receivables and the Transfer of the Receivables**” section in the Original Offering Circular entitled “**Securitisation Legal Framework**”, “**Securitisation Funds**”, “**Nature of Credits**”, “**Risk of Set-Off by Obligors**” (paragraph (a) “General”) and “**Data Protection Law**”, set out on pages 88 to 90 of the Original Offering Circular shall be deemed to be incorporated in this Supplemental Offering Circular.

That part of the “**Selected Aspects of the Laws of the Portuguese Republic Relevant to the Receivables and the Transfer of the Receivables**” section in the Original Offering Circular entitled “**Risk of Set-Off by Obligors**” (part (b) “Set-Off on Bankruptcy”) is entirely replaced by the following:

(b) Set-Off on Bankruptcy

Under article 99 of the new *Código de Insolvência e Recuperação de Empresas* (the Code for the Insolvency and Recovery of Companies), implemented by Decree-Law 53/2004 of 18 March, applicable to bankruptcy proceedings commenced on or after 15 September 2004, a debtor will only be able to exercise any right of set-off against a creditor after a declaration of bankruptcy of such creditor provided that, prior to the declaration of bankruptcy, (i) such set-off right existed, and (ii) the circumstances allowing set-off, as described in article 847 of the Portuguese Civil Code were met.

## Taxation

Those parts of the “**Taxation**” section in the Original Offering Circular relating to Portuguese and Irish Taxation, set out on pages 105 to 108 of the Original Offering Circular shall be deemed to be incorporated in this Supplemental Offering Circular.

The “**Taxation**” section in the Original Offering Circular in relation to United Kingdom Taxation and the Council of the European Community Directive on the Taxation of Savings Income in the Original Offering Circular is entirely replaced by the following:

### 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 Listed Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Listed Notes. The following is a general guide and should be treated with appropriate caution. Listed Noteholders who are in any doubt as to their tax position should consult their professional advisers. Listed Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Listed 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 Listed Notes. In particular, Listed 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 Listed 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 Listed 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 Listed Notes may have a United Kingdom source where, for example, the Listed 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 Listed Notes in respect of which the UK interest is paid constitute “**quoted Eurobonds**”. Listed 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 United Kingdom Inland Revenue interpretation, Listed 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 a member of the European Free Trade Association and has ratified the European Economic Area Agreement 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 Listed 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 either a company resident in the United Kingdom or a company not resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which is required to bring the interest into account in computing its profits chargeable to United Kingdom corporation tax or (iii) a company not resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment 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 most cases, UK interest on the Listed 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*

Listed Noteholders who are individuals should note that where any interest on Listed 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 Listed 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 Listed Noteholder (including the Listed 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 Listed Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Listed 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 Listed Noteholder is resident for taxation purposes.

#### **Council of the European Community Directive on the Taxation of Savings Income**

On 3 June 2003, the Council of European Community adopted a Directive on the taxation of savings income under which Member States of the European Community ("**Member States**") will be required, if a number of important conditions are met and from a date not earlier than 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State except that, however, Austria, Belgium and Luxembourg will be required (unless during that period they direct otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries).

## Subscription And Sale

BNP PARIBAS and Banco Espírito Santo de Investimento, S.A. ("**Espírito Santo Investment**") (each a "**Lead Manager**") have, in a second subscription agreement dated 10 December 2004 (the "**Second Subscription Agreement**") made between the Issuer, EIF and the Lead Managers upon the terms and subject to the conditions contained therein, agreed to subscribe, severally, and pay for (a) the Further Class A Notes at their issue price of 100.264 per cent. of their principal amount less a combined management, selling and underwriting fee of 0.265 per cent. of their principal amount; and (b) the Further Class B Notes at their issue price of 100 per cent. of their principal amount less a combined management and underwriting fee of 0.419 per cent. of their principal amount. The Issuer has also agreed to reimburse the Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Further Notes. The Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Second Subscription Agreement prior to the closing of the issue of the Further Notes.

The Class C Notes Purchaser, pursuant to the Second Class C Note Purchase Agreement entered into between the Issuer and the Class C Notes Purchaser on 16 December 2004 (the "**Second Class C Note Purchase Agreement**"), has agreed to subscribe and pay €3,578,400 for the Further Class C Notes on the Closing Date at their issue price of 106.5 per cent.

### United States

The Further Listed Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Further Listed 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 Lead Manager has agreed that, except as permitted by the Second Subscription Agreement, it will not offer, sell or deliver the Further Notes, and the Class C Notes Purchaser and the Issuer have each represented to and agreed with each other that, except as permitted by the Second Class C Note Purchase Agreement, the Further Class C Notes will not be offered, sold or delivered (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 relevant Further Listed 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 the relevant Further Listed Notes during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Further Listed 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 Further Listed Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### United Kingdom

In relation to the Further Notes each Manager has further represented to and agreed with the Issuer, and in relation to the Further Class C Notes, the Class C Notes Purchaser and the Issuer have each represented to and agreed with each other 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 of the relevant Further Listed 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 (as amended) or the Financial Services and Markets Act 2000 (the "**FSMA**");



- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any of the relevant Further Listed Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or EIF as the guarantor; 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 relevant Further Listed Notes in, from or otherwise involving the United Kingdom.

### **Ireland**

The Further Listed Notes may not lawfully be offered for sale to persons in Ireland except in circumstances where (i) such offer constitutes an offer of a type described in Article 2 of Council Directive No. 89/298/EEC of 17 April, 1989 (ii) is in compliance with the provision of Part III of the Irish Companies Act, 1963 and (iii) the Further Listed Notes will not, to the extent applicable, be underwritten or placed otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended).

### **Portugal**

In relation to the Further Notes, each Manager has agreed, and in relation to the Further Class C Notes, the Class C Notes Purchaser and the Issuer have each represented to and agreed with each other 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 of the relevant Further Listed Notes in circumstances which could qualify as a public offer pursuant to the *Código dos Valores Mobiliários* (the Portuguese Capital Markets Code) or in circumstances which could qualify the issue of the relevant Further Listed Notes as an issue in the Portuguese market 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.

### **General**

No action has been or will be taken in any jurisdiction by the Issuer or the Lead Managers or the Class C Notes Purchaser that would, or is intended to, permit a public offering of the Further Listed Notes, or possession or distribution of this Supplemental Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Supplemental Offering Circular comes are required by the Issuer, the Lead Managers and the Class C Notes Purchaser to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Further Listed Notes or have in their possession, distribute or publish this Supplemental Offering Circular or any other offering material relating to the Further Listed Notes, in all cases at their own expense.

## General Information

- (1) BNP PARIBAS and Espírito Santo Investment are both Arrangers and Lead Managers in respect of the Further Listed Notes.
- (2) The creation and issue of the Further Listed Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 9 December 2004.
- (3) Save as disclosed in this Supplemental Offering Circular, there are no litigation or arbitration proceedings against or affecting the Issuer or EIF or any of their assets, nor is the Issuer or EIF aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Further Listed Notes.
- (4) Save as disclosed in this Supplemental 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 or EIF since the date of their respective incorporation or establishment that is material in the context of the issue of the Further Listed Notes. The Issuer shall procure that the Servicer shall produce a Monthly Report no later than 5 Lisbon Business Days after the beginning of each calendar month, and a Quarterly Report no later than 5 Lisbon Business Days after the end of each relevant Collection Period and the Transaction Manager shall produce an Investor Report, no later than 6 Business Days after each Interest Payment Date. Copies of each Investor Report will be freely available at the specified offices of the Trustee and of the Paying Agent in Luxembourg.
- (5) EIF has obtained all approvals and authorisations in connection with its participation as a guarantor in the transaction.
- (6) The definition of “**Swap Agreement**” on page 125 of the Original Offering Circular is entirely replaced by the following:

“**Swap Agreement**” means the ISDA Master entered into on the Closing Date together with the two confirmations thereunder dated the Closing Date and the Further Closing Date respectively, and, in each case, made between the Issuer, the Trustee and BNP PARIBAS (in such capacity the “**Swap Counterparty**”).
- (7) For so long as any of the Further Listed Notes are outstanding, copies of the following documents may be inspected during normal business hours at the specified office of each Paying Agent (and, in relation to item (s) below, copies will be freely available):
  - (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 Second Subscription Agreement;
  - (g) the Issuer Account Agreement;
  - (h) the Unit Purchase Agreement;
  - (i) the Second Unit Purchase Agreement;
  - (j) the Fund Regulation;
  - (k) the Co-ordination Agreement;

- (l) the Class C Note Purchase Agreement;
  - (m) the Second Class C Note Purchase Agreement;
  - (n) the Residual Certificate Agreement;
  - (o) the Class B Deed of Undertaking;
  - (p) the EIF Counter-Indemnity;
  - (q) the Corporate Services Agreement;
  - (r) the Swap Agreement; and
  - (s) the then current Investor Report.
- (8) For so long as any of the Further Listed 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 were published in respect of the period from the date of incorporation of the Issuer to 31 December 2003. Thereafter the Issuer will prepare audited accounts to 31 December of each year. These financial statements will be available at the specified office of the Paying Agent in Luxembourg. Interim financial statements of the Issuer, audited or otherwise, will not be prepared.
- (9) EIF's annual reports as at and for the years ended 31 December 2001, 2002 and 2003 incorporated by reference into this Supplemental Offering Circular will be available at the registered office of the Listing Agent. EIF does not issue interim financial statements. So long as any of the Further Class B Notes remain listed on the Luxembourg Stock Exchange and are outstanding, copies of EIF's annual reports shall, upon publication, be made available free of charge at the registered office of the Listing Agent.
- (10) In connection with the application for the Further Listed 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 Further Listed Notes will be deposited prior to listing with the *Registre de Commerce et de Sociétés à Luxembourg*, where they may be inspected and copies obtained upon request.
- (11) According to Chapter VI, Article 3, point A/II/2 of the Rules and Regulations of the Luxembourg Stock Exchange, the Further Listed Notes of each class shall be freely transferable. No transaction made on the Luxembourg Stock Exchange after the Closing Date shall be cancelled.
- (12) The Further Listed Notes have been accepted for clearance by Euroclear and Clearstream, Luxembourg.

Upon issue of the Further Listed Notes, Common Codes and ISINs of the Further Listed Notes will be:

<b>Class of Further Listed Notes</b>	<b>Temporary Common Code</b>	<b>Temporary ISIN</b>
Class A Notes	020820756	XS0208207562
Class B Notes	020820870	XS0208208701
Class C Notes	020820942	XS0208209428

Following the exchange of the Temporary Global Notes for Permanent Global Notes the Common Codes and ISINs of the Further Listed Notes will be as follows:

<b>Class of Further Listed Notes</b>	<b>Permanent Common Code</b>	<b>Permanent ISIN</b>
Class A Notes	018164426	XS0181644260
Class B Notes	018164434	XS0181644344
Class C Notes	018164515	XS0181645150

- (13) Allotments of the Further Notes will not be made before 9.00 am on 16 December 2004 (which is, for the purpose of the Irish Companies Act, 1963, the time of the opening of the subscription lists).
- (14) Deloitte & Touche chartered accountants have given and not withdrawn their consent to the inclusion of their reports relating to the Issuer in the form and context in which they are included in the section entitled "The Issuer".

**Schedule 1**  
**ORIGINAL OFFERING CIRCULAR**

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**OFFERING CIRCULAR  
DATED 15 DECEMBER 2003**

**AR FINANCE 1 plc**

*(a public limited company incorporated in the Republic of Ireland with limited liability  
under registered no 369396)*

**Issue of up to:**

**Asset Backed Notes**

**€150,000,000 Class A Secured Floating Rate Notes due 2036**

**€50,000,000 Class B Secured Guaranteed Floating Rate Notes due 2036**

**€16,000,000 Class C Secured Fixed Rate Notes due 2036**

The Class A Secured Floating Rate Notes (the "Class A Notes" which expression shall include any further Class A Notes issued and forming a single series with the Class A Notes (as described herein)) and the Class B Secured Guaranteed Floating Rate Notes (the "Class B Notes" which expression shall include any further Class B Notes issued and forming a single series with the Class B Notes (as described herein)), are together referred to hereafter as the "Notes". The Class C Secured Fixed Rate Notes (the "Class C Notes" which expression shall include any further Class C Notes issued and forming a single series with the Class C Notes (as described herein)) will be purchased by the Class C Note Purchaser (as defined in "SUBSCRIPTION AND SALE") on the Closing Date pursuant to a Class C Note Purchase Agreement (the "Class C Note Purchase Agreement"). The Notes and the Class C Notes of AR Finance 1 plc (the "Issuer") are together referred to hereafter as the "Listed Notes".

€75,000,000 Class A Notes and €25,000,000 Class B Notes will be issued on 19 December 2003 (the "Closing Date") at an issue price of 100 per cent. of the nominal amount of each Class of Notes. €8,000,000 Class C Notes will be issued on the Closing Date at an issue price of 100 per cent. of the nominal amount of the Class C Notes. Subject to certain conditions being satisfied (as set out in "DESCRIPTION OF THE LISTED NOTES"), during a period commencing on (and including) the Closing Date and ending on the earlier of (a) (but excluding) the date on which a Stop Purchase Event (as defined below in "OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS") occurs or (b) (and including) the date falling twelve (12) months from the Closing Date (the "Issue Period"), the Issuer may on a single occasion (the "Further Closing Date") elect to issue further Class A Notes up to a maximum nominal amount of €75,000,000 (the "Further Class A Notes"), further Class B Notes up to a maximum nominal amount of €25,000,000 (the "Further Class B Notes"), and further Class C Notes up to a maximum nominal amount of €8,000,000 (the "Further Class C Notes" and, together with the Further Class A Notes and the Further Class B Notes, the "Further Listed Notes").

The issue prices which are to apply to the Further Notes which may be issued pursuant to this Offering Circular ("Further Issue Prices") shall be determined by the Issuer on the Further Closing Date.

The Listed 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 save that scheduled payments of interest and the ultimate payment of principal in respect of the Class B Notes will be guaranteed by the European Investment Fund ("EIF") pursuant to the terms of the Class B Deed of Undertaking (as described in "OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS"). In particular, the Listed Notes will not be the obligations of, and will not be guaranteed by, the Originator, the Custodian, the Transaction Manager, the Fund Manager, the Fund, the Trustee or the Paying Agents (each as defined below in "SUMMARY OF THE OFFERING CIRCULAR"), EIF (except in the case of the Class B Notes, to the extent provided under the Class B Deed of Undertaking), BNP PARIBAS or Espirito Santo Investment as arrangers (the "Arrangers") or as Lead Managers (as defined in "SUBSCRIPTION AND SALE").

Interest on the Listed Notes will be payable quarterly in arrear on the 20th December, 20th March, 20th June, and 20th September in each year, subject to adjustment for non-Business Days (each an "Interest Payment Date"), commencing on the Interest Payment Date falling in March 2004. The Notes will bear interest at the European Interbank Offered Rate ("EURIBOR") 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 March 2004 at a rate obtained by the linear interpolation of EURIBOR for 3 month and 4 month Euro deposits plus, prior to the Interest Payment Date falling in September 2008 (the "Step-up Date"), in respect of the Class A Notes 0.32 per cent. per annum and 0.64 per cent. per annum on or after the Step-up Date and in respect of the Class B Notes prior to the Step-up Date 0.09 per cent. per annum and 0.18 per cent. per annum on or after the Step-up Date. The Class C Notes will bear interest fixed at 19 per cent. per annum.

The Listed Notes will be in bearer form and in the denomination of €10,000 and €100,000 each and will be governed by English law. The Listed 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 the Closing Date with a common depository 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 Listed 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 Listed 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 Listed 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 €10,000 or €100,000 each and with interest coupons attached. See "DESCRIPTION OF THE LISTED NOTES – Form of the Listed Notes" herein.

Payments on the Listed Notes will be made in Euro after deduction for or on account of income taxes (including withholding taxes) or other taxes. The Listed Notes will not provide for additional payments by way of gross-up in the case that interest payable under the Listed Notes is or becomes subject to income taxes (including withholding taxes) or other taxes. For the avoidance of doubt, none of the Issuer, EIF or any other party will be obliged to pay any additional amounts as a consequence. See "DESCRIPTION OF THE LISTED NOTES – Taxes" herein.

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 Inc. ("Moody's") (together, the "Rating Agencies"). The Class C Notes will not be rated. It is a condition to the issuance of the Notes that the Notes receive the ratings set out below:

<b>Class</b>	<b>S&amp;P</b>	<b>Moody's</b>
Class A Notes	AAA	Aaa
Class B Notes	AAA	Aaa

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.

For a discussion of certain significant factors affecting investments in the Listed Notes, see "RISK FACTORS" herein.

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

The date of this Offering Circular is 15 December 2003.

**Arrangers and Lead Managers**

**BNP PARIBAS**

**ESPIRITO SANTO INVESTMENT**

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The Listed Notes will be redeemed at their principal amount outstanding on the Interest Payment Date falling in September 2036, to the extent not previously redeemed. The Class A Notes and, once the Class A Notes have been redeemed in full, the Class B Notes and, once the Notes have been redeemed in full, the Class C Notes will be subject to mandatory 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 Listed Notes in accordance with the terms and conditions of the relevant class of Listed Notes, see “**DESCRIPTION OF THE LISTED NOTES**” and “**DISTRIBUTIONS**” herein.

The Listed Notes will be subject to early redemption (in whole but not in part) at their Principal Amount Outstanding together with accrued interest (subject to the satisfaction of certain conditions) on any Interest Payment Date: (a) at the option of the Issuer, following the occurrence of certain tax changes concerning, inter alia, the Issuer, the Fund and/or the Listed Notes; or (b) following the Interest Payment Date on which the Aggregate Outstanding Principal Amount of the Purchased Receivables is equal to or less than 10 per cent. of the sum of i) the Aggregate Outstanding Principal Amount of the Purchased Receivables purchased on the Closing Date, as determined on the Collateral Determination Date relating to the Closing Date and ii) the Aggregate Outstanding Principal Amount of all Purchased Receivables purchased on the Further Purchase Date, as determined on the Collateral Determination Date immediately preceding such Further Purchase Date; or (c) falling on or after September 2006 (see “**DESCRIPTION OF THE LISTED NOTES – Redemption in whole**” herein).

EIF has, under the terms of the Class B Deed of Undertaking, irrevocably undertaken to pay to the Trustee, for the benefit of the Class B Noteholders (a) on each Interest Payment Date any shortfall in the Available Interest Distribution Amount that is available towards payment in full of interest due and payable on the Class B Notes; and (b) on the Class B Redemption Date, such shortfall in the Available Principal Distribution Amount that is available towards repayment in full of the Principal Amount Outstanding on the Class B Notes.

The source of funds for the payment of principal and interest on the Listed Notes will be the right of the Issuer to receive Unit Distributions (as defined in “**SUMMARY OF THE OFFERING CIRCULAR – Distributions in respect of the Units**”) in respect of certain securitisation units (Unidades de Titularização de Créditos) (the “**Units**”) issued by AR Finance 1 Fundo, a Portuguese securitisation fund (Fundo de Titularização de Créditos) organised under the laws of the Portuguese Republic (the “**Fund**”).

The Fund will make Unit Distributions in respect of the Units from interest and principal collections which the Fund will be entitled to receive from a portfolio of mortgage loans, lease contracts and related loan contracts sold to it by the Originator (as defined in “**SUMMARY OF THE OFFERING CIRCULAR – Originator**”).

A copy of this Offering Circular and copies of each of the Issuer Documents (to the extent that the same have been entered into on or before the date of this Offering Circular) and of the consent of Deloitte & Touche, Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland to the inclusion of their report in this Offering Circular (the “**Deloitte & Touche 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 Deloitte & Touche Consent are set out on page 74 hereof.

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 Listed 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 Lead Managers named under “**SUBSCRIPTION AND SALE**” that the Issuer accepts such responsibility.

Banco Alves Ribeiro S.A. (“**BAR**”) 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 Receivables, the Receivables Contracts, the Related Security, the Receivables Sale Agreement and the Receivables Servicing Agreement (each as described in “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS**”), the Originator’s Standard Business Practices, Servicing and Credit

Assessment and all information relating to the Purchased Receivables in any Quarterly Report (as defined in “**SUMMARY OF THE OFFERING CIRCULAR**”) (together the “**BAR Information**”). To the best of the knowledge and belief of BAR (which has taken all reasonable care to ensure that such is the case), the BAR Information is in accordance with the facts and does not omit anything likely to affect the import of such information. BAR 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 BAR as to the accuracy or completeness of any information contained in this Offering Circular (other than the BAR Information) or any other information supplied in connection with the Listed Notes or their distribution.

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.

EIF accepts responsibility for the information included in this document in the sections headed “**EUROPEAN INVESTMENT FUND**”, “**CAPITALISATION OF THE EIF**”, “**FINANCIAL INFORMATION RELATING TO THE EIF**” and any other information contained in this document relating to itself. To the best of the knowledge and belief of EIF (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer Account Bank accepts responsibility for the information contained in this document relating to itself in the section headed “**DESCRIPTION OF THE ISSUER ACCOUNT BANK**” and to the best of the knowledge and belief of the Issuer Account Bank (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Swap Counterparty accepts responsibility for the information contained in this document relating to itself in the section headed “**DESCRIPTION OF THE SWAP COUNTERPARTY**” and to the best of the knowledge and belief of the Swap Counterparty (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.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Listed 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, EIF, the Custodian, the Transaction Manager, the Fund Manager, the Trustee, the Fund, the Arrangers or the Lead Managers to subscribe or purchase any of the Listed 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 Listed 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 Listed Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Listed 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 Listed 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 Listed Notes are being offered outside the United States by the Lead Managers (as defined in “**SUBSCRIPTION AND SALE**”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and the Listed Notes 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 Listed 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.*

*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 Listed 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, EIF, the Custodian, the Transaction Manager, the Fund, the Fund Manager, the Trustee, the Originator, the Servicer or the Lead 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.*

*In connection with this issue of the Notes, BNP PARIBAS (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.*

*No action has been taken by the Issuer or the Lead Managers other than as set out in this Offering Circular that would permit a public offer of the Listed Notes in any country or jurisdiction where action for that purpose is required. Accordingly, no Listed 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 Lead 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 Lead Managers or any person affiliated with the Lead 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 Listed 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 Lead 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 Listed Notes in certain jurisdictions is restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Listed Notes and on distribution of this Offering Circular and other offering material relating to the Listed Notes, see “**SUBSCRIPTION AND SALE**” herein.*

*In this Offering Circular, unless otherwise specified, 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.*

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## SUMMARY OF THE OFFERING CIRCULAR

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

<b>Issuer:</b>	AR Finance 1 plc, a public limited liability company incorporated under the laws of Ireland and having its registered office at 3rd Floor, St James House, Adelaide Road, Dublin 2, Ireland. The Issuer has been established for the purpose of acquiring the Units issued by the Fund, issuing the Notes, the Class C Notes and the Residual Certificates and entering into the Issuer Documents to which it is a party.
<b>Corporate Services Provider:</b>	Marsh Management Services (Dublin) Limited, as corporate services provider to the Issuer (the “ <b>Corporate Services Provider</b> ”) in accordance with the terms of the Corporate Services Agreement through its office at 3rd Floor, St. James House, Adelaide Road, Dublin 2, Ireland.
<b>Originator:</b>	The Receivables Contracts (as defined below) were originated by Banco Alves Ribeiro, S.A. (the “ <b>Originator</b> ”). For more detailed information see “ <b>THE ORIGINATOR</b> ”.
<b>Fund:</b>	AR Finance 1 Fundo, a Portuguese securitisation fund ( <i>Fundo de Titularização de Créditos</i> ) organised under the laws of the Portuguese Republic (the “ <b>Fund</b> ”) to purchase a portfolio of mortgage loans, lease contracts and related loan contracts from the Originator and issue the Units. For more detailed information see “ <b>DESCRIPTION OF THE FUND AND THE FUND MANAGER</b> ”.
<b>Fund Manager:</b>	Navigator, SGFTC, S.A., a securitisation fund management company ( <i>Sociedade Gestora de Fundos de Titularização de Créditos</i> ) organised under the laws of the Portuguese Republic (the “ <b>Fund Manager</b> ”) to manage the Fund on behalf of the holders of the Units pursuant to the Securitisation Law. For more detailed information see “ <b>DESCRIPTION OF THE FUND AND THE FUND MANAGER</b> ”.
<b>Custodian:</b>	Deutsche Bank (Portugal), S.A., in its capacity as custodian (the “ <b>Custodian</b> ”) to the Fund in accordance with the terms of the Custodian Agreement.
<b>Transaction Manager:</b>	JPMorgan Chase Bank, in its capacity as transaction manager (the “ <b>Transaction Manager</b> ”) to the Issuer in accordance with the terms of the Transaction Management Agreement.
<b>Trustee:</b>	Mourant & Co. Trustees Limited, in its capacity as trustee (the “ <b>Trustee</b> ”) for the Noteholders (as defined in “ <b>DESCRIPTION OF THE LISTED NOTES</b> ”) and the Class C Noteholder and other secured creditors in accordance with the terms of the Trust Deed through its office at 22 Grenville Street, St Helier, Jersey, JE4 8PX, Channel Islands.
<b>Agent Bank:</b>	JPMorgan Chase Bank, in its capacity as the agent bank in respect of the Listed Notes (the “ <b>Agent Bank</b> ”) in accordance with the terms of the Paying Agency Agreement through its office at 125 London Wall, London EC2Y 5AJ, United Kingdom.
<b>Principal Paying Agent:</b>	JPMorgan Chase Bank, in its capacity as principal paying agent (the “ <b>Principal Paying Agent</b> ”) in respect of the Listed Notes in accordance with the terms of the Paying Agency Agreement through its office at 125 London Wall, London EC2Y 5AJ, United Kingdom.
<b>Paying Agent:</b>	So long as the Listed Notes are listed on the Luxembourg Stock Exchange, Crédit Agricole Investor Services Bank Luxembourg acting through its office

at 39 Allee Scheffer L-2520 Luxembourg (the “**Paying Agent**” and, together with the Principal Paying Agent, the “**Paying Agents**”).

**Registrar:** Crédit Agricole Investor Services Bank Luxembourg acting through its offices at 39 Allee Scheffer L-2520 Luxembourg (the “**Registrar**”).

**Transfer Agent:** Crédit Agricole Investor Services Bank Luxembourg acting through its offices at 39 Allee Scheffer L-2520 Luxembourg (the “**Transfer Agent**”).

**Rating Agencies:** S&P and Moody’s.

**Servicer:** The Receivables (as defined in “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS – Receivables Sale Agreement**”) will be serviced by Banco Alves Ribeiro, S.A. (in its capacity as servicer, the “**Servicer**”).

**Back-up Servicer** The back-up servicer of the Receivables is Banco Espírito Santo, S.A. (the “**Back-up Servicer**”).

**Issuer Account Bank:** JPMorgan Chase Bank, acting through its office at 125 London Wall, London EC2Y 5AJ, United Kingdom (in such capacity, the “**Issuer Account Bank**”).

**Fund Operating Account Bank:** JPMorgan Chase Bank, acting through its office at 125 London Wall, London EC2Y 5AJ, United Kingdom (in such capacity, the “**Fund Operating Account Bank**”).

**Cash Reserve Account Bank:** JPMorgan Chase Bank, also acting through its office at 125 London Wall, London EC2Y 5AJ, United Kingdom (in such capacity, the “**Cash Reserve Account Bank**”).

**Swap Counterparty:** BNP PARIBAS, acting through its London Branch at 10 Harewood Avenue, London NW1 6AA (in such capacity, the “**Swap Counterparty**”).

**EIF:** The European Investment Fund (“**EIF**”), as guarantor of scheduled payments of interest and the ultimate payment of principal in respect of the Class B Notes (see “**EUROPEAN INVESTMENT FUND**”).

**Listing Agent:** Crédit Agricole Investor Services Bank Luxembourg (the “**Listing Agent**”).

**Maximum nominal amount of each class of Listed Notes:** Up to:  
€150,000,000 Class A Secured Floating Rate Notes due September 2036  
€50,000,000 Class B Secured Guaranteed Floating Rate Notes due September 2036  
€16,000,000 Class C Secured Fixed Rate Notes due September 2036  
to be issued in accordance with the terms of the Trust Deed and on the terms of and subject to the terms and conditions applicable to the Notes (the “**Conditions**”).

**Nominal amount on Closing Date:** €75,000,000 Class A Secured Floating Rate Notes;  
€25,000,000 Class B Secured Guaranteed Floating Rate Notes; and  
€8,000,000 Class C Secured Fixed Rate Notes  
to be issued in accordance with the terms of the Trust Deed and on the terms of and subject to the terms and conditions applicable to the Listed Notes (the “**Conditions**”).

EIF will, under the terms of the Class B Deed of Undertaking, irrevocably undertake to pay to the Trustee, for the benefit of Class B Noteholders (a) on

each Interest Payment Date any shortfall in the Available Interest Distribution Amount that is available towards payment in full of interest due and payable on the Class B Notes; and (b) on the Class B Redemption Date, such shortfall in the Available Principal Distribution Amount that is available towards repayment in full of the Principal Amount Outstanding on the Class B Notes (see “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS**”).

**Class C Notes:**

All amounts payable by the Issuer under the Class C 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 such purpose. If the Issuer has insufficient funds available for the purpose to redeem the Class C Notes in full, so much of the amounts under the Class C Notes as is equal to such insufficiency shall be due on the next Interest Payment Date on which the Issuer has sufficient funds available for such purpose.

**Residual Certificates:**

The Issuer also intends to issue 20 residual certificates due September 2036 (the “**Residual Certificates**”) on the Closing Date. The Residual Certificates are not offered in this Offering Circular. The Notes, the Class C Notes and the Residual Certificates are together referred to herein as the “**Instruments**”.

**Further Listed Notes:**

The Issuer may, without the consent of the Noteholders (as defined below) or the Trustee, issue Further Listed Notes up to the maximum nominal amount of each class of Listed Notes as set out above on the Further Closing Date. Each class of Further Listed Notes shall have the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) and shall be consolidated and rank *pari passu* with, and share the same security as, the relevant class of Listed Notes.

The proceeds of the issue of Further Listed Notes (net of certain expenses) will be applied by the Issuer in acquiring the benefit of further Units. It shall be a condition precedent to the issue of any Further Listed Notes that:

- (a) the Further Class A Notes and Further Class B Notes shall be assigned the same ratings as are then applicable to the Class A Notes or the Class B Notes, as the case may be;
- (b) the respective ratings of the Class A Notes and the Class B Notes at that time are not adversely affected by such issue;
- (c) in respect of the Further Class B Notes, EIF will undertake to pay each and any shortfall on interest and principal payments in respect of all such Further Class B Notes;
- (d) in respect of the Further Class A Notes only, the Issuer will create and issue Further Class B Notes and Further Class C Notes in such proportions as may be required by the Rating Agencies for the Further Class A Notes to be assigned the requisite rating;
- (e) in respect of the Further Class B Notes only, the Issuer will create and issue Further Class C Notes and Residual Certificates in such proportions as may be required by the Rating Agencies for the Further Class B Notes to be assigned the requisite rating;
- (f) the amount standing to the credit of the Cash Reserve Account and the Cash Reserve Account Required Balance are each increased to such levels as agreed in advance with the Rating Agencies as may be required for the Further Listed Notes to be assigned the requisite rating; and
- (g) the Issuer will enter into such other arrangements as may be necessary to obtain the requisite rating of the Further Listed Notes. Any Further

Listed Notes will be constituted by or pursuant to the Trust Deed and have the benefit of the security as described under “**Description Of The Notes – Security Arrangement**”.

**Form and Denomination:** The Listed Notes will be in bearer form and in the denomination of €10,000 and €100,000 each. The Listed Notes of each class will initially be in the form of a Temporary Global Note of such class, without interest coupons, which will be deposited on the Closing Date with a depositary on behalf of Euroclear and Clearstream, Luxembourg. The Temporary Global Note of each class of Listed Notes will be exchangeable, in whole or in part, for interests in a permanent global note of that class of Listed Notes (each a “**Permanent Global Note**” and, together with a Temporary Global Note, the “**Global Notes**”), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. In certain circumstances Listed Notes in definitive form may be issued.

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

The Listed 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, all payments of interest due on the Class C Notes will rank in priority to amounts paid in respect of the Residual Certificates.

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, all payments of principal due on the Class C Notes will rank in priority to amounts paid in respect of the Residual Certificates.

The Class B Notes may, in certain circumstances under the Class B Deed of Undertaking, be redeemed prior to the redemption in full of the Class A Notes. See “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS**”.

**Note Rate of Interest:** 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:

	<b>Prior to the Step-up Date</b>	<b>On or after the Step-up Date</b>
Class A Notes	0.32 per cent.	0.64 per cent.
Class B Notes	0.09 per cent.	0.18 per cent.

**Incorporation by reference:** The annual reports of EIF including the unconsolidated financial statements at and for the years ended 31 December 2001 and 2002 are incorporated by reference into this Offering Circular. Copies are available free of charge at the registered office of EIF and, so long as any Class B Note remains listed on the Luxembourg Stock Exchange, at the registered office of the Listing Agent.

**Use Of Proceeds:** The Issuer will apply the proceeds of the Listed Notes, net of certain transaction expenses, for the purpose of purchasing the Units and in establishing the Cash Reserve Account (as described under “**DISTRIBUTIONS – Distributions from the Cash Reserve Account**”).



<b>Receivables:</b>	The Receivables consist of monetary obligations of individuals and corporates (together the “ <b>Obligors</b> ”) under mortgage loans, lease contracts and related loan contracts (the “ <b>Receivables Contracts</b> ”), a specified pool of which is expected to be sold by the Originator to the Fund on the Closing Date and on one subsequent occasion during the Issue Period (as defined in “ <b>OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS – Issue Period</b> ”, in each case without recourse and in accordance with the Securitisation Law (as described in “ <b>SELECTED ASPECTS OF LAWS OF THE PORTUGUESE REPUBLIC RELEVANT TO THE RECEIVABLES AND THE TRANSFER OF THE RECEIVABLES</b> ”).
<b>Consideration for Purchase of the Receivables:</b>	In consideration for the assignment of the Receivables and the Related Security, the Fund will pay the Purchase Price (as defined in “ <b>OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS – Receivables Sale Agreement</b> ”) to the Originator for the Receivables and the Related Security to be assigned to the Fund.
<b>Servicing of the Receivables:</b>	Pursuant to the terms of the Receivables Servicing Agreement, the Servicer has agreed to administer and service the Receivables on behalf of the Fund and, in particular, to: <ul style="list-style-type: none"> <li>(a) collect amounts due in respect thereof; and</li> <li>(b) undertake Enforcement Proceedings in respect of any Obligors which may default on their obligations under the relevant Receivables.</li> </ul>
<b>Servicer Reporting:</b>	<p>BAR, in its capacity as Servicer, is required (i) no later than 5 Lisbon Business Days after the beginning of each calendar month to deliver to the Fund Manager, the Back-up Servicer and the Custodian a monthly report containing all such information that is available to the Servicer and is required to meet the information requirements of the CMVM (the “<b>Monthly Report</b>”); and (ii) no later than 5 Lisbon Business Days after the end of each relevant Collection Period to deliver to the Transaction Manager, the Back-up Servicer and the Custodian a report in a form reasonably acceptable to the Transaction Manager (the “<b>Quarterly Report</b>”) relating to the period from the last date covered by the previous Quarterly Report.</p> <p>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 “<b>Investor Report</b>”) to be delivered by the Transaction Manager to, <i>inter alia</i>, the Rating Agencies, the Trustee and the Paying Agents.</p>
<b>The Units:</b>	<p>On the Closing Date, the Issuer will subscribe for the Units at a purchase price equal to the Principal Amount Outstanding of the Notes. 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.</p> <p>On the Further Closing Date, the Issuer will subscribe for Further Units at a purchase price equal to the Principal Amount Outstanding of the Further Notes.</p>
<b>Collection Arrangements in Respect of the Receivables:</b>	<p>The Servicer will on each Lisbon Business Day estimate the aggregate amount that has been credited to the Originator’s collection accounts (each a “<b>Collection Account</b>” and together the “<b>Collection Accounts</b>”) on the immediately preceding Lisbon Business Day and transfer to the credit of the Fund Operating Account the portion of such amount that relates to the Purchased Receivables (the “<b>Estimated Collection Proceeds</b>”).</p> <p>No later than the 3rd Business Day in any month, the Servicer shall determine the amount by which the Estimated Collection Proceeds transferred to the Fund Operating Account during the previous month was greater or less than</p>

the actual amount of Collections (as defined in “**DISTRIBUTIONS – Unit Distributions**”) received by the Servicer which was attributable to the Purchased Receivables in respect of such period. Any shortfall shall be paid by the Servicer to the credit of the Fund Operating Account on such day and any excess shall be notified to the Fund, the Custodian and the Transaction Manager and then paid by the Fund to the Servicer on the following Lisbon Business day.

**Cash Reserve Account:**

On the Closing Date, a cash reserve account will be established with the Cash Reserve Account Bank in the name of the Issuer (the “**Cash Reserve Account**”) into which an amount equal to €8,000,000 from the proceeds of the issue of the Class C Notes and Residual Certificates net of upfront costs 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.

Should the Issuer issue Further Listed Notes during the Issue Period and, as a result subscribe for Further Units using the proceeds of such Further Listed Notes, the amount standing to the credit of the Cash Reserve Account will be increased. 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 Units**” herein.

**Distributions from the Issuer Account**

The Transaction Manager, on behalf of the Issuer will make distributions from the Issuer’s account with the Issuer Account Bank (the “**Issuer Account**”) on each Interest Payment Date, as more fully described in “**DISTRIBUTIONS**” herein.

**Trust Deed:**

The Issuer will, on the Closing Date, 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 C Noteholders (as defined in “**DESCRIPTION OF THE LISTED NOTES – Status**”) and the holders of the Residual Certificates.

**Class B Deed of Undertaking:**

EIF will, on the Closing Date, provide a deed of undertaking (the “**Class B Deed of Undertaking**”) pursuant to which it will irrevocably and unconditionally as a primary obligation undertake to pay to the Trustee, for the benefit of each Class B Noteholder, any shortfall in the scheduled payments of interest and the ultimate payment of principal in respect of the Class B Notes (see “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS – Class B Deed of Undertaking**”). EIF’s obligations under the Class B Deed of Undertaking will terminate on the Class B Redemption Date. For the avoidance of doubt, EIF is not required to gross up or otherwise compensate any holder of Listed Notes for any deduction or withholding imposed on any payments made by the Issuer under such Listed Notes.

**Withholding Tax:**

Payments of interest and principal under the Listed Notes will be subject to income taxes, including applicable withholding taxes (if any), and other taxes (if any) and neither the Issuer nor EIF will be obliged to pay additional amounts in relation thereto. See “**DESCRIPTION OF THE LISTED NOTES – Taxes**” herein.

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

**S&P**

Class A Notes – AAA

Class B Notes – AAA

**Moody's**

Class A Notes – Aaa

Class B Notes – Aaa

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or 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 Dates:** Interest on the Listed Notes is payable quarterly in arrear on the 20th day of December, March, June and September 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, Lisbon and Luxembourg, the next succeeding TARGET Day on which banks are open for business in London, Lisbon and Luxembourg (a “**Business Day**”).

**Lisbon Business Day:** Any day on which banks are open for business in Lisbon (a “**Lisbon Business Day**”).

**Redemption in Whole:** The Listed Notes will be subject to early redemption in whole (but not in part) at their Principal Amount Outstanding (as defined below under “**DESCRIPTION OF THE LISTED NOTES – General**”) together with accrued interest, following receipt by the Trustee of evidence to its satisfaction that the Issuer will be able to satisfy all of its obligations under the Trust Deed and the Listed Notes on the date of such early redemption, on any Interest Payment Date:

- (a) at the option of the Issuer, following the occurrence of certain tax changes affecting the Issuer, any payments in respect of the Receivables, or payments in respect of the Units or payments in respect of the Listed Notes (as specified in Condition 5(a));
- (b) following the Interest Payment Date on which the Aggregate Outstanding Principal Amount of the Purchased Receivables is equal to or less than 10 per cent. of the sum of i) the Aggregate Outstanding Principal Amount of the Purchased Receivables purchased on the Closing Date, as determined on the Collateral Determination Date relating to the Closing Date and ii) the Aggregate Outstanding Principal Amount of all Purchased Receivables purchased on the Further Purchase Date, as determined on the Collateral Determination Date immediately preceding the Further Purchase Date; or

(c) falling on or after September 2006.

**Final Redemption:**

Unless the Listed Notes have previously been redeemed in full as described in the Conditions, the Listed Notes will be redeemed by the Issuer on the Final Legal Maturity at the Principal Amount Outstanding.

**Final Legal Maturity:**

The Interest Payment Date falling in September 2036.

**Swap Agreement:**

The Issuer will enter into an interest rate swap agreement (as defined in “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS – Swap Agreement**”) with the Swap Counterparty under which (a) the Issuer will pay to the Swap Counterparty on the day falling two Business Days prior to each Interest Payment Date certain amounts calculated by reference to the weighted average of the interest rates of the Purchased Receivables (whether stated or implied in the relevant Receivables Contracts) on a notional amount equal to the lesser of (i) an amortising schedule of amounts determined at the outset of the Swap Agreement in respect of the Listed Notes and (ii) the actual Outstanding Principal Amount of the Purchased Receivables as of the first day of the relevant Collection Period excluding Defaulted Receivables, Delinquent Receivables and Written-off Receivables as of the first day of the Collection Period and (b) the Swap Counterparty will pay to the Issuer on the day falling two Business Days prior to each Interest Payment Date certain amounts calculated by reference to EURIBOR, on a notional amount equal to the lesser of (i) an amortising schedule of amounts determined at the outset of the Swap Agreement in respect of the Listed Notes and (ii) the actual Outstanding Principal Amount of the Purchased Receivables as of the first day of the relevant Collection Period excluding Defaulted Receivables, Delinquent Receivables and Written-off Receivables as of the first day of the relevant Collection Period (as defined in “**DISTRIBUTIONS – Distributions from the Issuer Account**”). If the Swap Agreement is terminated prior to the redemption of the Listed Notes in full, a termination payment may be due between the parties thereunder. See “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS – Swap Agreement**”, the Fund Operating Account Agreement herein.

**Settlement:**

Delivery of the Listed Notes is expected to be made on or about 19 December 2003.

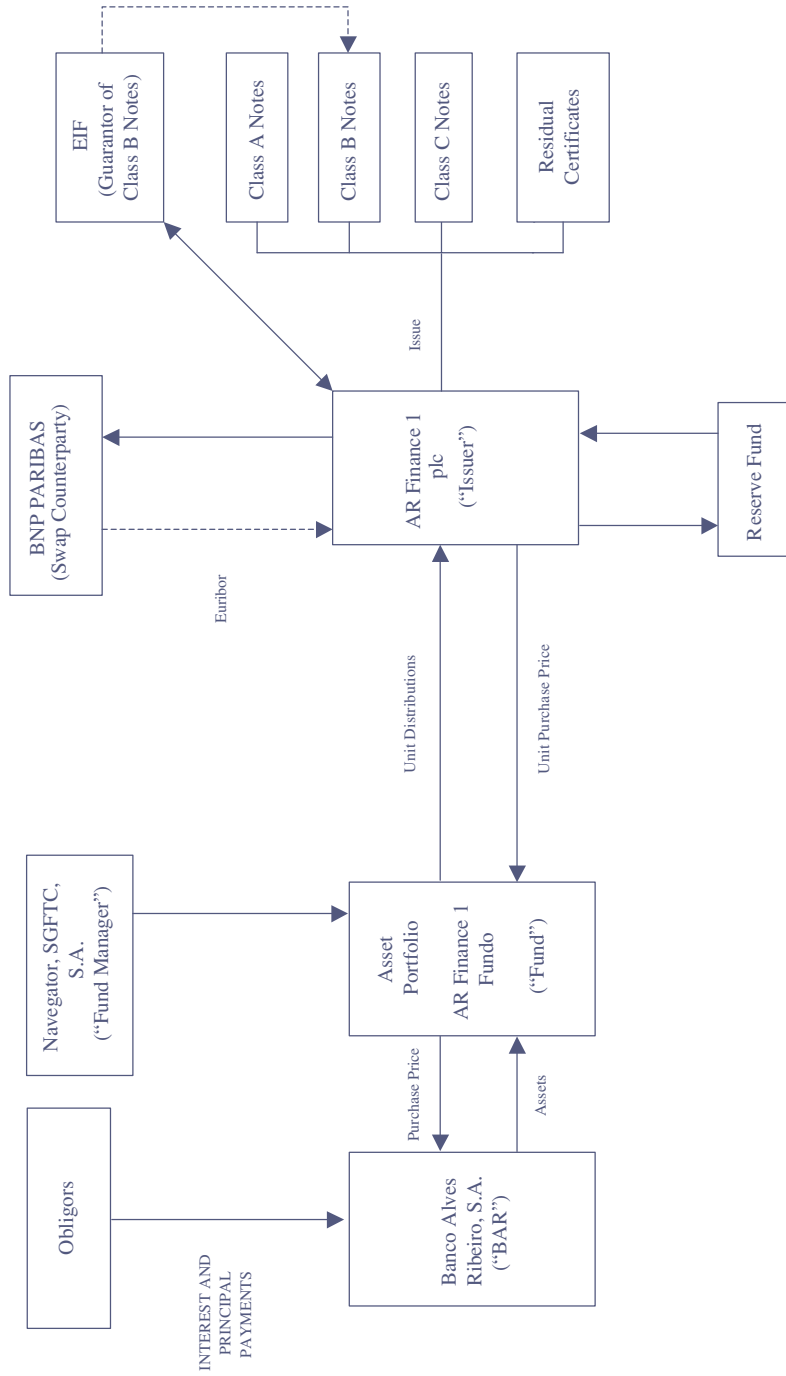
**Listing:**

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

**Governing Law:**

The Listed Notes, the Fund Operating Account Agreement and the documents to which the Issuer is a party (other than the Unit Purchase Agreement and the Co-ordination Agreement) will be governed by English law. The Receivables Sale Agreement, the Custodian Agreement, the Co-ordination Agreement, the Fund Regulation, the Unit Purchase Agreement and the Receivables Servicing Agreement (as defined in “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS**”) will be governed by the laws of the Portuguese Republic.

# STRUCTURE



## RISK FACTORS

Prior to making an investment decision, prospective purchasers of the Listed 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

There is currently no market for the Listed Notes. While the Lead 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 Listed Notes will develop or, if a secondary market does develop, that it will provide the holders of such Listed Notes with liquidity of investment or that it will continue for the life of the Listed Notes. Consequently, any purchaser of the Listed Notes must be prepared to hold the Listed 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 Listed Notes could be subject to fluctuation in response to, among other things, variations in the value of the Receivables (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 Listed Notes on the Luxembourg Stock Exchange.

### Restrictions of Transfer

The Listed 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 Listed 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 Listed Notes under the Securities Act or any state securities laws. Accordingly, offers and sales of the Listed Notes are subject to the restrictions described under “SUBSCRIPTION AND SALE”.

### Liability for the Listed Notes

The Listed 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, EIF (except in the case of the Class B Notes), 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 Arrangers, the Lead Managers, the Swap Counterparty, the Registrar, the Transfer Agent, the Trustee, the Corporate Services Provider or any Paying Agent under the Listed 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 Listed Notes.

No holder of any Listed Notes will be entitled to proceed directly or indirectly against the Fund Manager, the Fund, the Originator, EIF (except, in the case of the Class B Notes, the Trustee acting on behalf of the Class B Noteholders), 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 Arrangers, the Lead Managers, the Registrar, the Transfer Agent, the Swap Counterparty, the Trustee, the Corporate Services Provider or any Paying Agent under the Listed 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 Listed Notes other than, in respect of the Class B Notes only, EIF, in accordance with the terms of the Class B Deed of Undertaking.

### Limited Resources of the Issuer

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

- (i) Collections and recoveries made from the Receivables and the Related Security by the Servicer and, consequently, the Unit Distributions;
- (ii) the Cash Reserve Account, the Fund Operating Account and the Issuer Account arrangements;
- (iii) the performance by all of the parties mentioned in this Offering Circular (other than the Issuer) of their respective obligations under the Transaction Documents;
- (iv) the hedging arrangements entered into under the Swap Agreement; and
- (v) in the case of the Class B Notes only, any payments made by EIF under the Class B Deed of Undertaking.

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

#### **Limited Recourse Nature of the Listed Notes**

The Listed Notes will be direct limited recourse obligations solely of the Issuer and therefore the Listed Noteholders (as defined in “**DESCRIPTION OF THE LISTED NOTES – Status**”) will have a claim under the Listed Notes against the Issuer only to the extent of the Unit Distributions which are derived from cashflows generated by the Receivables 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 Listed 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 Listed Notes at the Final Legal Maturity or upon acceleration following delivery of an Enforcement Notice or upon early redemption in part or in whole as permitted under the Conditions, then the Listed 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 Listed 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, EIF, the Custodian, the Servicer, the Transaction Manager, the Issuer Account Bank, the Fund Operating Account Bank, the Lead Managers, the Swap Counterparty, the Cash Reserve Account Bank, the Agent Bank, the Registrar, the Transfer Agent, the Trustee, 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 other than, in respect of the Class B Notes only, EIF, in accordance with the terms of the Class B Deed of Undertaking. 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 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 Obligor in respect of the Receivables and payment of Unit Distributions. There can be no assurance that the levels or timeliness of (i) payments of Collections and recoveries received from the Receivables 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 Receivables**

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

#### **No Gross-up for Taxes**

If required by law, payments under the Listed 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, EIF, the Servicer, the Transaction Manager, the Issuer Account Bank, the Fund Operating Account Bank, the Cash Reserve Account Bank, the Agent Bank, the Registrar, the Transfer Agent, the Lead Managers, the Swap Counterparty, the Trustee, the Corporate Services Provider or any Paying Agent under the Listed 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 Listed Notes other than, in respect of the Class B Notes only, EIF, in accordance with the terms of the Class B Deed of Undertaking. For the avoidance of doubt, EIF is not obliged to gross up or otherwise compensate holders of any Listed Notes for any deduction or withholding imposed on any payments made by the Issuer under the Listed 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 Representations and Warranties**

If the Purchased Receivables partially or totally fail to conform to the representations and warranties of the Originator in the Receivables Purchase Agreements or any offer of such Receivables, the Originator undertakes to repurchase such Receivable for an amount equal to the Outstanding Principal Amount of such Receivable or to substitute or procure the substitution of a similar receivable in replacement for any Receivable in respect of which any such representation or warranty 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 Receivable 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 Fund 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 representation or warranty relating to a Receivable is breached and the Originator is unable to repurchase the relevant Receivable. This could potentially cause the Issuer to default under the Listed Notes.

### **Limited Liquidity of the Receivables 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 Receivables, 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 in "**DESCRIPTION OF THE FUND AND THE FUND MANAGER – Description of the Fund**"). 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 Listed Notes in full at their then Principal Amount Outstanding. In addition, the Fund may not be able to sell its assets to a third party as there is not, at present, an active and liquid secondary market for Receivables of this type in Portugal.

### **Weighted Average Lives of the Listed Notes**

Upon any early payment by the Obligors in respect of the Purchased Receivables and, during the Issue Period, in the absence of the moneys available for such purchase being applied in the further purchase of Receivables, the principal repayment of the Listed Notes may be earlier than expected and, therefore, the yield on the Listed Notes may be lower. See "**ESTIMATED AVERAGE LIFE OF THE NOTES AND ASSUMPTIONS**" herein.

### **Underwriting Standards**

The Receivables were underwritten generally in accordance with underwriting standards described in "Originator's Standard Business Practices, Servicing And Credit Assessment". These underwriting standards consider, among other things, an Obligor's credit history, (in the case of an individual) employment history and status, repayment ability and debt-to-income ratio and the need for guarantees or other collateral. There can be no assurance that the underwriting standards will not be varied during the Issue Period. However, these underwriting standards may only be materially varied with the consent of the Rating Agencies. See also "**DESCRIPTION OF THE RECEIVABLES CONTRACTS**" herein.

### **Reliance on Performance by Servicer**

The Fund has engaged the Servicer to administer the Purchased Receivables pursuant to the Receivables Servicing Agreement. While the Servicer is under contract to perform certain services under the Receivables Servicing Agreement there can be no assurance that it will be willing or able to perform in the future. In the event the appointment of the Servicer is terminated by reason of the occurrence of a Termination Event (as defined in "**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS**"), 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 Purchased Receivables can be maintained by any replacement of the Servicer as many of the servicing and collections techniques currently employed were developed by the Servicer. See “**ORIGINATOR’S STANDARD BUSINESS PRACTICES, SERVICING AND CREDIT ASSESSMENT**” herein.

If the appointment of the Servicer is terminated, the Back-up Servicer’s duties shall commence under the Receivables Servicing Agreement. If the appointment of the Back-up Servicer is terminated, 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.

Neither the Servicer nor the Back-up Servicer may resign its appointment without a justified reason and furthermore pursuant to the Receivables Servicing Agreement such resignation shall only be effective if the Fund Manager has appointed a substitute servicer.

The appointment of any substitute servicer (other than the Back-up Servicer) is subject to the prior approval of the CMVM and the Bank of Portugal 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 Receivables**

Although the Obligors are located throughout Portugal, these Obligors may be concentrated in certain locations, such as densely populated areas. See “**CHARACTERISTICS OF THE RECEIVABLES CONTRACTS – Region**”. Any deterioration in the economic condition of the areas in which the Obligors are located, or any deterioration in the economic condition of other areas that causes an adverse affect on the ability of the Obligors to repay the Receivables could increase the risk of losses on the Receivables. A concentration of Obligors 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 Listed 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 Manager 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 adversely impact 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 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.

The *Lei das Cláusulas Contratuais Gerais* specifically encompasses standard general conditions of contracts and therefore is applicable to the general conditions of consumer loan contracts. Pursuant to the *Lei das Cláusulas Contratuais Gerais*, clauses that limit or exclude responsibility for damages caused by one party to the counterparty or third parties, or clauses that provide for exclusive right of interpretation of any clause of a contract in favour of one of the parties are deemed to be null and void.

Decree Law 359/91 of 21 September, as amended by Decree Law 101/2000 of 2 June, which governs consumer loan contracts sets forth relevant regulations for consumer protection by establishing that a contract is deemed to be null and void if (i) it does not establish the annual global costs rate (the *Taxa Anual de Encargos Efectiva Global*) related to the loan in question; and (ii) it does not contain an analysis period provision pursuant to which

a contract is only effective within seven working days from signature thus allowing the consumer to revoke the contract during such period.

### **The Swap Agreement**

Interest payable on the Notes is in Euro at a EURIBOR-related floating rate, whilst amounts receivable by the Fund under the Receivables Contracts are in Euro calculated by reference to the weighted average of the interest rates of the Purchased Receivables (whether stated or implied in the relevant Receivables Contracts). 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 Obligors' performance of their obligations under the Purchased Receivables for its ability to meet its obligations under the Notes.

If the Issuer fails to make any payment when due to the Swap Counterparty under the Swap Agreement then the Swap Counterparty shall cease to be obliged to make any corresponding or future payments to the Issuer until the Issuer resumes making payments in which case the Swap Counterparty shall only be obliged to make any corresponding payments (including any overdue payments in full) in respect of amounts actually paid by the Issuer.

The Swap Agreement may be terminated if, among other things, (a) any certain bankruptcy events occur in relation to the Swap Counterparty; (b) an Enforcement Notice is delivered in accordance with the Conditions (see "**TERMS AND CONDITIONS OF THE LISTED NOTES – Events of Default**" herein); or (c) it becomes unlawful for either party to perform its obligations thereunder; or (d) the redemption of the Listed Notes occurs pursuant to Condition 5(a). 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 Listed 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, secure its obligations under the Swap Agreement or deliver a notice from both of the Rating Agencies confirming that the then current rating of the Notes will not be downgraded. Failure to do so within a specified period will give the Issuer the right to terminate the Swap Agreement.

### **Book-Entry Registration**

The Listed Notes will be represented by Global Notes deposited with a common depository 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 Listed Notes in definitive form are issued, beneficial owners will not be recognised by the Issuer or the Trustee as Listed 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 Listed 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 Listed Notes only if and to the extent provided by Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participating organisations.

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

In accordance with the terms of the Fund Regulation (as defined in "**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS**"), 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 (the “**Issuer’s Assets**”). The Issuer has no direct proprietary interest in the Receivables or monies deriving therefrom except as that which arises in accordance with the terms of the Units. Both before and after an Insolvency Event (as defined in the “**TERMS AND CONDITIONS OF THE LISTED 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 and the Conditions, 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.

### **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 Instrumentholders 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 Listed 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 Listed 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 Listed Notes and an enforcement of the Security, the Trustee may, in order to obtain amounts to repay the obligations of the Issuer to the Listed 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 Receivables. However, there is not, at present, an active and liquid secondary market for units in securitisation funds backed by Receivables 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 Receivables, it may give notice thereof to the Fund Manager and 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 Receivables of this type in Portugal, the Fund may not be able to liquidate the Receivables on appropriate terms should it be required to do so. The value at which the Fund seeks to dispose of the Receivables 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 Receivables Sale Agreement and issue no Units other than those purchased on the Closing Date or Further Closing Date by the Issuer, in each case 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 Receivables 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 Receivables Sale Agreement, the Fund's rights against the Servicer and the Back-up Servicer under the Receivables 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 Listed 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 Receivables) 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"** herein.

### **Enforcement of Security**

The terms on which the Security for the Listed 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 Listed Notes is enforced, no amounts will be paid in respect of any class of Listed Notes until all amounts owing in respect of any class of Listed Notes ranking in priority to such Listed Notes (if any) and any other amounts ranking in priority to payments in respect of such Listed Notes have been paid in full.

### **Assignment of Receivables Not Affected by Originator's Bankruptcy**

In the event of the Originator becoming bankrupt, the Receivables Sale Agreement, and the sale of the Receivables and the Related Security conducted pursuant to it, will not be affected and therefore will neither be terminated nor will such Receivables and the Related Security 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.

In the case of the Lease Receivables the ownership of the Property to which the Lease Contract relates is not transferred to the Fund under the Receivables Sale Agreement but remains with the Originator. In the event of the bankruptcy of the Originator that Property will form part of the bankrupt estate of the Originator and the Fund will not be entitled to take possession of the relevant Property where an Obligor under a Lease Contract is in default of its obligations. While the Fund is entitled, under the Receivables Sale Agreement, following the occurrence of a Notification Event with respect to the Originator, to require the Originator to transfer such Property to any entity (including the Fund) or to create a fully perfected, first ranking legal security over that Property in favour of the Fund, there can be no assurance that such rights will be enforceable following the bankruptcy of the Originator.

### **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 Receivables and the Related Security 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 **"Reliance on Performance by Servicer"** above will then apply.

### **Assignment and Obligor Set-Off Risks**

The assignment of the Receivables and the Related Security to the Fund under the Securitisation Law is not dependent upon the awareness or acceptance of the relevant Obligors or notice to them by the Originator, the Fund or the Servicer to become effective. Therefore, the assignment of the Receivables and the Related Security

becomes effective, from a legal point of view, both between the parties and towards the Obligors as from the moment on which it is effective between the Originator and the Fund.

Set-off issues in relation to the Receivables are essentially those associated with the Obligor's possibility of exercising against the Fund any set-off rights the Obligor held against the Originator prior to the assignment of the relevant Receivables to the Fund. Such set-off issues will not arise where the Originator was solvent at the time of assignment of the relevant Receivables to the Fund or otherwise had no obligations then due and payable to the relevant Obligor 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 Obligors in relation to the Purchased Receivables including sums in the possession of the Originator and Servicer arising from set-off effected by an Obligor. 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 RECEIVABLES AND THE TRANSFER OF THE RECEIVABLES**" herein.

### **Pharmacy Related Receivables**

The loans made by the Originator to finance the acquisition of a pharmacy are secured by a pledge over the pharmacy business (*estabelecimento comercial de farmácia*), that is, the business itself including all of its assets, employees, and the pharmacy licence (see "**DESCRIPTION OF THE RECEIVABLES CONTRACTS**"). By contrast, the Mortgage Loans made by the Originator are secured by way of a first ranking legal mortgage over the relevant Property.

Under Portuguese law, there are certain restrictions on the enforcement of a pledge, namely that enforcement may only be made through a court. In addition, the pharmacy business can only be transferred to an individual who holds a degree in pharmacy or a private limited liability company whose shareholders are pharmacists that do not, at the time of transfer, already own a pharmacy. This means that neither the Originator nor the Fund as beneficiary of a pledge over a pharmacy business will be entitled to obtain title to the pharmacy business.

However, there is a potential market of duly qualified purchasers who may be interested in acquiring such a pharmacy business and who would meet the relevant criteria. Therefore the Originator or the Fund may be able to sell the rights to enforce the pledge to such a party in the event of a default by the relevant Obligor.

In any event, in all pharmacy financing loans included in the portfolio, the Originator owns the property that the pharmacist uses to carry out the relevant pharmacy business and enters into a lease of that property to the pharmacist, or the Originator takes additional security in the form of a mortgage over the relevant property. In that case, there are no constraints regarding the enforcement of the mortgage or transfer / sale of the property itself.

### **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 Listed 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 Listed Noteholders, especially if such proposals included a writing down to the value of amounts due by the Issuer to the Listed

Noteholders. The primary risks to the holders of Listed Notes if an examiner were to be appointed to the Issuer are as follows:

- (a) the potential for a scheme of arrangement being approved involving the writing down of the debt due by the Issuer to the Listed Noteholders as secured by the Trust Deed;
- (b) the potential for the examiner to seek to set aside any negative pledge in the Listed 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 Listed Notes or the Issuer Documents.

#### **Council of the European Community Directive on the Taxation of Savings Income**

On 3 June 2003, the Council of the European Community adopted a Directive on the taxation of savings income under which member states of the European Community ("Member States") will generally be required to provide to the tax authorities of another Member State details of interest or other similar income paid by a person within its jurisdiction to or for an individual resident in that other Member State. Exceptionally (and for a transitional period only which will end after agreement on exchange of information is reached between the European Community and certain non-European Community states) Belgium, Luxembourg and Austria will instead be required to withhold tax from such payments unless the bondholder authorises the person making the payment to report the payment, or presents a certificate from the relevant tax authority establishing exemption therefrom. The directive will, subject to certain conditions being satisfied, apply from 1 January 2005.

#### **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, as amended by Decree Law 109B/2001 of 27 December (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.

#### **Limited Provision of Information**

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

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

## DESCRIPTION OF THE LISTED NOTES

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

### General

The Listed Notes will consist of the Class A Notes, the Class B Notes and the Class C Notes. On the Closing Date, each class of Listed 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 Listed 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 Listed Notes is referred to herein as the “**Aggregate Principal Amount Outstanding**” of the Listed Notes.

The issue of the Listed Notes was authorised by a resolution of the board of directors of the Issuer passed on 12 December 2003. The Listed Notes will be issued subject to, and have the benefit of, the Trust Deed.

In accordance with a paying agency and agent bank agreement (the “**Paying Agency Agreement**”), dated the Closing Date between the Issuer, the Trustee, JPMorgan Chase Bank (in such capacity the Principal Paying Agent and the Agent Bank), EIF and Crédit Agricole Investor Services Bank Luxembourg (in such capacity the Paying Agent) (which expression shall include their respective successors as paying agents and any other paying agent appointed as such pursuant to the Paying Agency Agreement), payments in respect of the Listed 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 the Closing Date and executed by, inter alios, the Issuer and the Trustee (the “**Master Framework Agreement**”). The Listed 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.

### Further Listed Notes

In addition to the issue of the Notes on the Closing Date, on one occasion during the Issue Period the Issuer may, without the consent of the Noteholders (as defined below) or the Trustee, issue Further Class A Notes up to a maximum nominal amount of €75,000,000, Further Class B Notes up to a maximum nominal amount of €25,000,000 and Further Class C Notes up to a maximum nominal amount of €8,000,000.

The Further Issue Prices shall be determined by the Issuer at the Further Closing Date and shall be specified by the Issuer in the relevant Supplemental Offering Circular.

The proceeds of any issue of Further Listed Notes will be applied by the Issuer in acquiring the benefit of further Units from the Fund. It shall be a condition precedent to the issue of any Further Listed Notes that:

- (a) they shall be assigned the same rating as is then applicable to the Class A Notes or the Class B Notes as the case may be;
- (b) the respective ratings of the Class A Notes and the Class B Notes at that time are not adversely affected by such issue;
- (c) in respect of the Further Class B Notes, EIF will undertake to pay each and any shortfall on interest and principal payments in respect of all such Further Class B Notes;
- (d) in respect of the Further Class A Notes only, the Issuer will create and issue Further Class B Notes and Further Class C Notes in such proportions as may be required by the Rating Agencies for the Further Class A Notes to be assigned the requisite rating;
- (e) in respect of the Further Class B Notes only, the Issuer will create and issue Further Class C Notes and Residual Certificates in such proportions as may be required by the Rating Agencies for the Further Class B Notes to be assigned the requisite rating;



- (f) amounts standing to the credit of the Cash Reserve Account and the Cash Reserve Account Required Balance are each increased to such levels as may be required for the Further Listed Notes to be assigned the requisite rating; and
- (g) the Issuer will enter into such other arrangements as may be necessary to obtain the requisite rating of the Further Listed Notes. Any Further Listed Notes will be constituted by or pursuant to the Trust Deed and have the benefit of the security as described under “**Security Arrangements**” below.

### **The Class C Notes and the Residual Certificates**

The Issuer intends to issue the Class C Notes by way of private placement pursuant to the Class C Note Purchase Agreement. All amounts payable by the Issuer under the Class C Notes will be subordinated to payments then due under the Notes, but shall rank in priority to amounts due under the Residual Certificates, and will only be payable to the extent that the Issuer has sufficient funds available for this purpose. If the Issuer has insufficient funds available for the purpose of redeeming the Class C Notes in full following redemption in full of the Notes, so much of the outstanding amounts under the Class C Notes as is equal to such insufficiency shall be deferred and will bear no interest.

On the Closing Date, the Issuer intends to issue 20 Residual Certificates due September 2036 (the “**Residual Certificates**”) by way of private placement pursuant to a residual certificate agreement (the “**Residual Certificate Agreement**”). All amounts payable by the Issuer under the Residual Certificates will be subordinated to payments then due under the Notes and the Class C Notes and will only be payable to the extent that the Issuer has sufficient funds available for this purpose. If the Issuer has insufficient funds available for the purpose of redeeming the Residual Certificates in full, so much of the outstanding amounts under the Residual Certificates as is equal to such insufficiency shall be waived.

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

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

The Issuer may, on the Further Closing Date, issue Further Class C Notes and Further Residual Certificates.

### **Status**

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

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

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

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

EIF will, under the terms of the Class B Deed of Undertaking, irrevocably undertake to pay to the Trustee, for the benefit of the Class B Noteholders (a) on each Interest Payment Date any shortfall in the Available Interest Distribution Amount that is available towards payment in full of interest due and payable on the Class B Notes; and (b) on the Class B Redemption Date, such shortfall in the Available Principal Distribution Amount that is available towards repayment in full of the Principal Amount Outstanding on the Class B Notes (See “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS**”).

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**”) and the holders of the Class B Notes (“**Class B Noteholders**” and, together with the Class A Noteholders, the “**Noteholders**”) (or, following the making of any payment by EIF under the Class B Deed of Undertaking, EIF as guarantor to the extent of such payment), the holders of the Class C Notes (“**Class C Noteholders**” and, together with the Noteholders, the “**Listed Noteholders**”) and the holders of the Residual Certificates (“**RC Holders**” and, together with the Listed Noteholders, the “**Instrumentholders**”) 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 (or, following the making of any payment by EIF under the Class B Deed of Undertaking, EIF as guarantor to the extent of such payment) and/or Class C Noteholders and/or RC Holders, (b) if no Class A Notes are outstanding, to have regard only to the interests of the Class B Noteholders (or, following the making of any payment by EIF under the Class B Deed of Undertaking, EIF as guarantor to the extent of such payment) if, in the Trustee’s opinion, there is a conflict between the interests of the Class B Noteholders (or, following the making of any payment by EIF under the Class B Deed of Undertaking, EIF as guarantor to the extent of such payment) and those of the Class C Noteholders and/or RC Holders and, (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 RC Holders.

The Conditions of the Listed Notes provide that the Trustee will not be bound to institute proceedings to enforce its rights under the Trust Deed in respect of the Listed 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 LISTED NOTES**”) of the Class A Noteholders or, if no Class A Notes are then outstanding, an Extraordinary Resolution of the Class B Noteholders (or, following the making of any payment by EIF under the Class B Deed of Undertaking, EIF as guarantor to the extent of such payment), 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, following the making of any payment by EIF under the Class B Deed of Undertaking, EIF as guarantor to the extent of such payment) 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 Listed Notes*

The Listed Notes will be obligations of the Issuer only. Pursuant to the Trust Deed, the Listed 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 the Issuer Account, the Cash Reserve Account and any other bank or other accounts in which the Issuer may at any time have or acquire any benefit;
- (c) an assignment by way of first fixed security of the benefit of each Issuer Document (other than the Trust Deed, the Instruments and the Coupons); and
- (d) 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.

“**Couponholders**” means the holders for the time being of the coupons appertaining to the Listed Notes.

“**Secured Creditors**” means the Trustee in its capacity as a creditor of the Issuer, the Noteholders, the Class C Noteholders, the RC Holders, the Couponholders, any receiver or liquidator of the Issuer (in its capacity as creditor of the Issuer), the Transaction Manager, the Swap Counterparty, the Corporate Services Provider, the Registrar, the Transfer Agent, the Paying Agents, the Agent Bank, EIF, the Issuer Account Bank and the Cash Reserve 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 Listed Notes and the Trust Deed.

Only the Security shall be available to satisfy the Issuer’s obligations under the Listed Notes. 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 Trust Deed and the Listed 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 of, 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.

#### **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 distribution of interest on the Listed Notes and to reduce the Aggregate Principal Amount Outstanding of the Listed Notes to zero no later than the Interest Payment Date falling in September 2036 (the “**Final Legal Maturity**”). The actual final redemption date of the Listed Notes may be earlier, and could be substantially earlier, than the Final Legal Maturity.

#### **Redemption in Whole**

The Issuer may, at its option and, in relation to paragraphs (d) and (e) below, shall, subject to and in accordance with the Conditions and the Trust Deed, with 30 days’ prior notice in accordance with Condition 14, apply the Available Distribution Amount to redeem all (but not some only) of the Listed Notes at their Principal Amount Outstanding together with interest accrued thereon prior to the date fixed for redemption on any Interest Payment Date:

- (a) after the date on which the Issuer is to make any payment in respect of the Listed 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 any tax in respect of such relevant payment; or
- (b) after the date on which the Issuer would, by virtue of a change in the tax law of the Issuer’s jurisdiction of incorporation (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
- (c) 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 any amount payable in respect of any Unit Distributions to cease to be receivable by the Issuer including as a result of any of the Obligors being obliged to make a deduction or withholding on account of any tax in respect of any payment in relation to any Receivable 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

- (d) following the Interest Payment Date on which the Aggregate Outstanding Principal Amount of the Purchased Receivables is equal to or less than 10 per cent. of the sum of i) the Aggregate Outstanding Principal Amount of the Purchased Receivables purchased on the Closing Date, as determined on the Collateral Determination Date relating to the Closing Date and ii) the Aggregate Outstanding Principal Amount of all Purchased Receivables purchased on the Further Purchase Date, as determined on the Collateral Determination Date (the “**Clean-Up Call**”); or
- (e) falling on or after September 2006.

The Class B Notes may, in certain circumstances under the Class B Deed of Undertaking, be redeemed prior to the redemption in full of the Class A Notes. See “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS**”.

“**Fund Documents**” means the Receivables Sale Agreement, the Receivables Servicing Agreement, the Custodian Agreement, the Fund Regulation, the Co-ordination Agreement, the Fund Operating Account Agreement and the Unit Purchase 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 the Fund pursuant thereto or under which the Issuer and/or the Fund directly or indirectly acquires or exchanges or may acquire or exchange funds for the purpose of financing the purchase or holding of Receivables or any part thereof under the Receivables Purchase Agreements.

### **Form of the Listed Notes**

In certain circumstances Listed Notes in definitive form may be issued. The Listed 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 depository for Euroclear and Clearstream, Luxembourg. The Temporary Global Note of each class of Listed Notes will be exchangeable in whole or in part for interests in a Permanent Global Note of each class of Listed 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 Listed Notes is improperly withheld or refused. In addition, interest payments in respect of the Listed Notes of any class cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note of each class of Listed Notes will become exchangeable in whole, but not in part, for Listed Notes of such class in definitive form (“**Definitive Notes**”) in the denomination of €10,000 and €100,000 each at the request of the bearer of the Permanent Global Note of such class of Listed Notes against presentation and surrender of the Permanent Global Note of such class of Listed Notes to the Principal Paying Agent or the 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 Listed Notes occurs.

Whenever the Permanent Global Note of either class of Listed Notes is to be exchanged for Definitive Notes of such class of Listed 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 specified office of the Principal Paying Agent or the Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

### **Provisions Applicable to the Listed Notes while in Global Form**

So long as all the Listed 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 Listed 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 Conditions, provided that, so long as the Listed 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 Listed Note represented by a Global Note will be effected by reduction in the principal amount of that Global Note.

In considering the interests of Listed 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 Listed Notes represented by such Global Note.

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

#### *Payments*

All payments in respect of the Temporary Global Notes and the Permanent Global Notes will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of a Temporary Global Note or (as the case may be) a Permanent Global Note at the specified office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Listed 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 Listed Notes are represented by the relevant Global Notes, the Listed 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 Listed 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 Listed Notes for all purposes, other than with respect to the payment of interest and repayment of principal on such Listed 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 Listed Notes will require appropriate entries in securities accounts. Transfers of Listed 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 Listed 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 Listed Notes requiring additional payments to be made in respect thereof in the event that any such deduction or withholding is imposed. For the avoidance of doubt, EIF is not obliged to “gross-up” or otherwise compensate holders of any Listed Notes for any deduction or withholding imposed on any payments of principal or interest made by the Issuer in respect of such Listed Notes.

#### **Paying Agents**

The Issuer will appoint JPMorgan Chase Bank, acting through its office at 125 London Wall, London, EC2Y 5AJ, United Kingdom as Principal Paying Agent with respect to payments due under the Listed Notes and, so long as the Listed Notes are listed on the Luxembourg Stock Exchange, will appoint Crédit Agricole Investor Services Bank Luxembourg, acting through its office at 39 Allee Scheffer, L-2520 Luxembourg, as Paying Agent. The Issuer will procure that, for so long as any Listed 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 in accordance with Condition 14, replace the Paying Agent by one or more banks or other financial institutions

which will assume such functions although while the Listed 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 Listed Notes on the Luxembourg Stock Exchange.

**Notices**

So long as the Listed 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 Listed Notes and the Trust Deed will be governed by English law. The courts of England will have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

## DISTRIBUTIONS

### The Units

On the Closing Date, the Issuer will subscribe for the Units from the Fund by way of a Unit purchase agreement (the “**Unit Purchase Agreement**”) at a purchase price equal to the Principal Amount Outstanding of the Notes. The Units are issued with a nominal value of €1 each on the Closing Date. The nominal value of the Units is subject to amortisation from time to time in accordance with the provisions of the Fund Regulation. The Units will be in book-entry form and the interest of the Issuer as Unitholder will, on the Closing Date, be registered on the register of Unitholders maintained by the Custodian.

### Distributions in respect of the Units

#### *Payments of Fund Expenses from Fund Operating Account*

On any Fund Distribution Date, the Custodian on behalf of the Fund will be entitled to make payment of, or make a provision for payment of, the Fund Expenses in accordance with the Unit Distribution Payments Priorities (as defined below).

“**Cash Reserve Account Agreement**” means an agreement dated on the Closing Date between the Issuer, the Cash Reserve Account Bank, the Transaction Manager and the Trustee.

“**Cash Reserve Account Fees**” means the fees and expenses, if any, payable to the Cash Reserve Account Bank in consideration of the services provided (and related expenses incurred) by the Cash Reserve Account Bank in accordance with the Cash Reserve Account Agreement.

“**Custodian’s Fee**” 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 (relating to the cost of funds) 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 Fee, the Fund Manager’s Liabilities, the Custodian’s Fee, the Custodian’s Liabilities, the Fund Operating Account Fees (if any), the Servicer Fee, the Back-up 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 Purchased Receivables, 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 Distribution Date**” means each date which is two Business Days prior to each Interest Payment Date.

“**Fund Manager’s Fee**” 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 Fees**” means the fees and expenses, if any, 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 on the Closing Date between the Fund, the Fund Operating Account Bank and the Custodian.

“**Servicer Expenses**” means the amounts payable to the Servicer:

- (1) in connection with the enforcement of any Receivable and/or the protection or enforcement of the Fund’s rights and remedies in relation to such enforcement in a Collection Period (other than those payments deducted from the proceeds of realisation of the Related Security); 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 Receivables 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 Clause 16 of the Receivables Servicing Agreement.

“**Servicer Fee**” means the fee due and payable to the Servicer (and/or, if applicable, a replacement Servicer) quarterly in arrear pursuant to the Receivables Servicing Agreement in an amount equal to a maximum of 0.35 per cent. per annum (or such amount as is agreed with a replacement servicer) of the Outstanding Principal Amount of the Receivables as at the first day of the preceding Collection Period payable by the Fund on such Interest Payment Date.

### **Unit Distributions**

On each Fund Distribution Date, the Collections (as defined below) received during the respective Collection Period plus any interest accrued and credited to the Fund Operating Account 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;
- (b) in or towards payment of the Fund Expenses;
- (c) in payment of Unit Distributions.

“**Aggregate Outstanding Principal Amount**” means, with respect to all Purchased Receivables at any time the aggregate amount of the Outstanding Principal Amount (as defined below) of each Purchased Receivable.

“**Collateral Determination Date**” means, in relation to the Closing Date, 28 November 2003 and, thereafter, in respect of the Further Purchase Date, the date on which the relevant Receivables are offered for sale by the Originator.

“**Collections**” means in relation to any Purchased Receivable all cash collections, and other cash proceeds thereof including any and all (a) principal, interest, fees, late payment, insurance claims, 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 Purchased Receivable, (b) Liquidation Proceeds, (c) Repurchase Proceeds and (d) the proceeds of realisation of any Related Security (each as defined below).

“**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 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 Interest Component (as defined below) of the Purchased Receivables.

The “**Interest Component**” of a Receivable means:

- (a) all interest accrued and to accrue thereon (and collected and to be collected thereunder) from the relevant Collateral Determination Date which shall be determined, in respect of the Receivables Contracts, on the basis of the rate of interest specified in the relevant Receivables Contract (the “**Contract Rate**”);
- (b) all late payment penalties, prepayment penalties and similar charges;
- (c) all Liquidation Proceeds (in respect of Receivables which are not Written-off Receivables, as defined below) allocated to interest;



(d) all Collections in respect of Written-off Receivables; and

(e) all Repurchase Proceeds allocated to interest.

“**Issuer Commitments**” means the aggregate sum to be applied by the Issuer on an Interest Payment Date in or towards payment of the amounts referred to in paragraphs (a) to (e), (g), (i) and (k) of the Pre-Enforcement Interest Payments Priorities (as defined below).

The “**Liquidation Proceeds**” of a Receivable means net proceeds of realisation of the Related Security (as defined in “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS – Receivables Sale Agreement**”).

The “**Outstanding Principal Amount**” of a Receivable means, with respect to any Receivable, at any time and from time to time the aggregate of the outstanding principal amount of monthly instalments scheduled to be made in respect thereof but excluding, for the avoidance of doubt, any payments that are due and owing but are unpaid at the relevant Purchase Date.

The “**Principal Component**” of a Receivable means:

(a) all cash collections and other cash proceeds of such Purchased Receivable in respect of principal including repayments and prepayments of principal thereunder and similar charges allocated to principal;

(b) all Liquidation Proceeds in respect of such Purchased Receivable (other than Written-off Receivables as defined below) allocated to principal;

(c) all Repurchase Proceeds allocated to principal; and

(d) in respect of a Lease Receivable, all payments of Residual.

The “**Repurchase Proceeds**” of a Receivable means such amounts as are received by the Fund pursuant to the sale thereof by the Fund to the Originator pursuant to the Receivables Sale Agreement.

“**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 Purchased Receivables.

## **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 as notified to the Fund from time to time in writing (which shall, in the case of the Issuer, always be the Issuer Account).

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 the Cash Reserve Account**

The Cash Reserve 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 initial balance of the Cash Reserve Account will be €8,000,000. 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.

Any proceeds received in respect of Further Class C Notes will be paid into the Cash Reserve Account in order to increase the balance thereof to the level of 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 in the event the cashflow from the Unit Distributions is insufficient.

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 redemption in whole of the

Listed Notes, will be credited to the Issuer Account on an Interest Payment Date, on the Final Legal Maturity of the Listed Notes or on the date on which all of the Listed Notes are subject to any redemption, as applicable.

“**Cash Reserve Account Required Balance**” means an amount equal to the sum of:

- (a) 8 per cent. of the aggregate of the Principal Amount Outstanding of the Notes as at the Closing Date; and
- (b) such percentage amount of the aggregate Principal Amount Outstanding of the Further Notes issued on the Further Closing Date as is agreed between the Rating Agencies and the Issuer at the Further Closing Date (if any); and
- (c) if any Receivable due from any of the top 10 Obligor (measured, in terms of concentration, by reference to the pool of Receivables sold on the Closing Date and on the Further Purchase Date, if any) becomes a Defaulted Receivable, the Outstanding Principal Amount of such Receivable at the time such Receivable became a Defaulted Receivable, such amount being subject to adjustment (i) in the event that such Receivable ceases to be a Defaulted Receivable, other than by reason of becoming a Written-off Receivable and (ii) to reflect any reduction in recovery of the Outstanding Principal Amount of the relevant Receivable prior to such Receivable becoming a Written-off Receivable,

provided that if on the later of the day falling (A) 18 months after (but excluding) the last day of the Issue Period and (B) any Interest Payment Date when the percentage calculated as the Cash Reserve Account Required Balance divided by the Principal Amount Outstanding of the Listed Notes becomes equal to or higher than 1.5 times the sum of (a) and (b) above, the Cash Reserve Account Required Balance will be recalculated so that it equals the higher of:

- (x) 1 per cent. of the aggregate of the Principal Amount Outstanding of the Notes as at the Closing Date plus the aggregate Principal Amount Outstanding of the Further Notes issued on the Further Closing Date (if any); and
- (y) an amount equal to 1.5 times the sum of (a) and (b) above multiplied by the aggregate of the Principal Amount Outstanding of the Listed Notes as at the relevant Interest Payment Date

plus, in each case, if any Receivable due from any of the top 10 Obligor (measured, in terms of concentration, by reference to the pool of Receivables sold on the Closing Date and on the Further Purchase Date, if any) becomes a Defaulted Receivable, the Outstanding Principal Amount of such Receivable at the time such Receivable became a Defaulted Receivable, such amount being subject to adjustment (1) in the event that such Receivable ceases to be a Defaulted Receivable, other than by reason of becoming a Written-off Receivable and (2) to reflect any reduction in recovery of the Outstanding Principal Amount of the relevant Receivable prior to such Receivable becoming a Written-off Receivable. The foregoing proviso shall not take effect or, if it has taken effect, shall cease to apply for so long as at any time (aa) the ratio (expressed as a percentage) of the Outstanding Principal Amount of Written-off Receivables to the aggregate Principal Amount Outstanding of the Notes as at the Closing Date plus the aggregate Principal Amount Outstanding of the Further Notes issued on the Further Closing Date (if any) exceeds 5.5 per cent. and / or (bb) S&P is of the opinion that any reduction in the Cash Reserve Account Required Balance by virtue of the application of such proviso would have an adverse effect on the then current ratings of the Notes and / or (cc) the ratio (expressed as a percentage) of the Outstanding Principal Amount of Delinquent Receivables to the aggregate Principal Amount Outstanding of the Notes as at the Closing Date plus the aggregate Principal Amount Outstanding of the Further Notes issued on the Further Closing Date (if any) exceeds 10 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. The Transaction Manager will no later than the sixth Business Day preceding an Interest Payment Date calculate, based on information provided by the Servicer, the Swap Counterparty and the Custodian, the Available Distribution Amount (as defined below).

The period commencing on (and including) the first Collateral Determination Date and ending on (but excluding) 1 March 2004 and thereafter the period commencing on (and including) the first day of the calendar month in which each Interest Payment Date falls to (but excluding) the first day of the calendar month in which the next consecutive Interest Payment Date falls due and each consecutive period of three calendar months thereafter is a “**Collection Period**”.

The “**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.

The “**Available Interest Distribution Amount**” means, in respect of any Collection Period, an amount equal to the sum of (a) the amount of any Interest Collection Proceeds received by the Issuer as Unit Distributions on the relevant Fund Distribution Date; (b) payment (if any) received from the Swap Counterparty in respect of such Collection Period; (c) any amounts standing to the balance of the Cash Reserve Account (including interest accrued thereon and credited thereto); and (d) interest accrued and credited to the Issuer Account.

The “**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.

### **Interest**

Payment of interest on the Listed Notes will commence on the Interest Payment Date falling in March 2004 and thereafter occur quarterly in arrear in accordance with the Conditions on the 20th day of December, March, June and September in each calendar 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 (each such date an “**Interest Payment Date**”). 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 and the Class B Notes is payable at an annual rate equal to the sum of EURIBOR (determined as described in Condition 4) and the Relevant Margin (as defined below) on the basis of a 360 day year and the actual number of days elapsed. The “**Relevant Margin**” will be as follows:

Class A Notes, 0.32 per cent. per annum or, after the Step-up Date, 0.64 per cent. per annum; and

Class B Notes, 0.09 per cent. per annum or, after the Step-up Date, 0.18 per cent. per annum.

Interest on the Class C Notes is payable at a fixed rate of 19 per cent. per annum on the basis of the actual number of days in the relevant period for which the calculation is being performed divided by the actual number of days in the relevant Interest Period (without adjustment to such Interest Period for non-Business Days).

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, all payments of interest due on the Class C Notes will rank in priority to any RC Distribution Amount due on the Residual Certificates.

To the extent that the Available Interest Distribution Amount is insufficient to pay the interest accrued on any Listed Notes (including any interest which accrued prior to the beginning of the Interest Period ending on that Interest Payment Date), the shortfall (the “**Interest 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 Interest Shortfall irrespective of the period for which it remains outstanding.

### **Business Days**

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

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

### **Lisbon Business Day**

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

### **Pre-Enforcement 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 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, up to an amount equal to that portion of the Available Interest Distribution Amount as shall have been allocated towards providing for the Issuer Expenses up to the Expenses Cap, in or towards payment only when due and *pari passu* with each other on a *pro rata* basis of the Issuer Expenses;
- (d) fourth, 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);
- (e) fifth, 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);
- (f) sixth, in or towards reduction of the debit balance on the Class A Principal Deficiency Ledger (as defined below) to zero;
- (g) seventh, 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;
- (h) eighth, in or towards payment of the EIF Fee;
- (i) ninth, to repay to EIF an amount equal to the aggregate of all Class B Interest Payments in respect of the Class B Notes paid by EIF pursuant to the Class B Deed of Undertaking on the Interest Payment Date(s) preceding such Interest Payment Date together with any interest accrued thereon, less the aggregate of all amounts repaid by the Issuer to EIF in respect of such payments prior to such Interest Payment Date;
- (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 to the credit of the Cash Reserve Account until the balance thereof is equal to the Cash Reserve Account Required Balance;
- (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);
- (m) thirteenth, in or towards payment *pari passu* on a *pro rata* basis of any Issuer Expenses not otherwise paid under sub paragraph (c) above;
- (n) fourteenth, 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;
- (o) fifteenth, subject to the proviso below, in or towards payment of the RC Distribution Amounts (if any); and
- (p) sixteenth, in release of the balance (if any) to the Issuer or to its order.

Provided that if on any Interest Payment Date the Cash Reserve Account Required Balance is reduced before any payment of an RC Distribution Amount is made under paragraph (o) above, an amount up to the amount of such reduction in the Cash Reserve Account Required Balance shall be paid *pari passu* on a *pro rata* basis in respect of

the Class C Notes and shall be treated as reducing the Principal Amount Outstanding of the Class C Notes *pro tanto* until the Class C Notes have been redeemed in full.

#### **Pre-Enforcement 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 or, the Class B 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 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 of those items listed in (a) to (e) above in the Pre-Enforcement Interest Payments Priorities to the extent not satisfied by the Available Interest Distribution Amount;
- (b) second, 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;
- (c) third, 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;
- (d) fourth, commencing on the Interest Payment Date immediately following the Class B Redemption Date, to repay to EIF an amount equal to the aggregate of all Class B Principal Payments in respect of the Class B Notes paid by EIF pursuant to the Class B Deed of Undertaking on the Class B Redemption Date together with any interest accrued thereon, less the aggregate of all amounts repaid by the Issuer to EIF in respect of such payments prior to such Interest Payment Date;
- (e) fifth, 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;
- (f) sixth, in or towards payment of the RC Distribution Amounts.

#### **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 *pari passu* on a *pro rata* basis of any fees or liabilities 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 other third party expenses;
- (c) third, 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);
- (d) fourth, *pari passu* on a *pro rata* basis (i) in or towards payment of accrued interest on the Class A Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due and (ii) in or towards payment 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);
- (e) fifth, 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;
- (f) sixth, in or towards payment of accrued interest on the Class B Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;

- (g) seventh, in or towards payment of the EIF Fee;
- (h) eighth, to repay to EIF an amount equal to the aggregate of all Class B Interest Payments in respect of the Class B Notes paid by EIF pursuant to the Class B Deed of Undertaking on the Interest Payment Date(s) preceding such Interest Payment Date together with any interest accrued thereon, less the aggregate of all amounts repaid by the Issuer to EIF in respect of such payments prior to such Interest Payment Date;
- (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, commencing on the Interest Payment Date immediately following the Class B Redemption Date, to repay to EIF an amount equal to the aggregate of all Class B Principal Payments in respect of the Class B Notes paid by EIF pursuant to the Class B Deed of Undertaking on the Class B Redemption Date together with any interest accrued thereon, less the aggregate of all amounts repaid by the Issuer to EIF in respect of such payments prior to such Interest Payment Date;
- (k) eleventh, in or towards payments of amounts due to the Swap Counterparty in connection with 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);
- (l) twelfth, 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;
- (m) thirteenth, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class C Notes until all the Class C Notes have been redeemed in full;
- (n) fourteenth, in or towards payment of the RC Distribution Amounts (if any).

“**Issuer Documents**” means the Master Framework Agreement, this Offering Circular, the Subscription Agreement, the Class C Note Purchase Agreement, the Residual Certificate Agreement, the Trust Deed, the Notes, the Class C Notes, the Residual Certificates, the Coupons, the Transaction Management Agreement, the Paying Agency Agreement, the Issuer Account Agreement, the Cash Reserve Account Agreement, the Swap Agreement, the Co-ordination Agreement, the Class B Deed of Undertaking, the EIF Counter-Indemnity 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 two sub-ledgers (the “**Class A Principal Deficiency Ledger**” and the “**Class B Principal Deficiency Ledger**” and together the “**Principal Deficiency Ledgers**”) will be established in order to record any Realised Loss (as defined below) on the Purchased Receivables (each a “**Principal Deficiency**”) in an amount equal to the Realised Loss on a Purchased Receivable as at the date of which such Purchased Receivable becomes a Written-off Receivable. Any Principal Deficiency will be deemed debited to 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.

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

A “**Written-off Receivable**” means on any day, any Receivable in respect of which:

- (a) twelve or more monthly or, as the case may be, four or more quarterly instalments have not been paid by the respective Instalment Due Dates (as defined in the “**OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS – Receivables Sale Agreement**”) relating thereto and are outstanding on such day of determination;
- (b) Enforcement Proceedings have been commenced against the relevant Obligor for recovery of amounts outstanding under the Receivables Contract or proceedings have been commenced by or against the relevant Obligor for such Obligor’s bankruptcy or insolvency, in particular any proceedings against the

relevant Obligor under Decree Law 30689 of 27 August 1940, Decree Law 298/92 of 31 December and/or under the Code for the Bankruptcy and Recovery of Companies introduced by Decree Law 132/93 of 23 April;

- (c) the Liquidation Proceeds have been realised; or
- (d) a classification as a Written-off Receivable has been made by the Originator or the Servicer.

## ESTIMATED AVERAGE LIFE OF THE NOTES AND ASSUMPTIONS

### General

The yields to maturity on the Notes will be affected by the amount and timing of Obligor delinquencies and defaults resulting in Realised Losses (as defined in “**DISTRIBUTIONS – Allocation of Realised Losses**”), the level of EURIBOR from time to time, the purchase price for the Notes, the timing of the principal repayments and other factors.

The amount available for payment on the Notes will depend on, among other things, the rate and timing of the payment in respect of the Principal Component (including prepayments, repurchases, defaults and liquidations) of the Purchased Receivables.

In the event that prepayments or liquidations of the Purchased Receivables result in payments of their Principal Component in advance of their related payment due dates, a shortfall in amounts available to meet interest payable in respect of the Notes may result. To the extent such shortfall, if any, is not covered by the Cash Reserve Account, such shortfall will be borne first, by the Class C Notes, second, by the Class B Notes and then, third, by the Class A Notes.

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 each Euro distributed in reduction of the principal of such security (assuming no losses) based on a 360 day year having 12 months of 30 days each. The weighted average life of the Notes will be influenced by the rate at which the Principal Component of the Purchased Receivables is paid, which may be in the form of scheduled amortisation, prepayments or enforcement proceeds.

The tables captioned “**Percentage of Original Principal Amount Outstanding of the Class A Notes and Class B Notes at the Specified CPRs**” have been prepared on the basis of certain assumptions as described below regarding the weighted average characteristics of the Purchased Receivables and the performance thereof. The tables assume, among other things, that:

- (a) as of the date of issuance of the Notes, the Receivables have been aggregated into a hypothetical pool having the following characteristics:

Aggregate Principal Amount Outstanding (Euro)	Weighted Average Remaining Term (years)	Weighted Average Margin (per cent. per annum)
101,244,281.34	12.9	2.9

- (b) the scheduled monthly or quarterly payments for each Purchased Receivable have been based on its Outstanding Principal Amount, interest rate and remaining term to maturity, such that the Purchased Receivables will amortise in amounts sufficient for repayment thereof over their remaining term to maturity;
- (c) the Originator does not repurchase any Purchased Receivables;
- (d) there are no delinquencies or losses on the Purchased Receivables, and the Principal Component of the Purchased Receivables will be timely received together with prepayments, if any, at the respective constant prepayment rates (“**CPRs**”) set forth in the table;
- (e) payments on the Notes will be received on the 20th day of December, March, June and September commencing in March 2004;
- (f) 3 months Euribor is 2.52 per cent.;
- (g) the Closing Date is 28 November 2003;
- (h) payments on the Receivables earn zero reinvestment return between each monthly or, as the case may be, quarterly payment and the Business Day preceding the next following payment date;
- (i) in the case of tables stating “**With Early Termination**” below, the Notes, if not redeemed earlier, are redeemed on the Interest Payment Date falling in September 2008; and



- (j) in the case of tables stating “**With Clean-up Call Only**”, the Notes are redeemed at their Principal Amount Outstanding on the Interest Payment Date following the Interest Payment Date on which the Aggregate Amount Outstanding of the Notes is less than or equal to 10 per cent. of the Initial Aggregate Principal Amount Outstanding of the Notes,

collectively, the “**Structuring Assumptions**”.

The actual characteristics and performances of the Purchased Receivables will differ from the assumptions used in constructing the tables set forth below, which 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 unlikely that the Receivables will prepay at a constant prepayment rate (“**CPR**”) until maturity, that all of the Purchased Receivables will prepay at the same CPR and that there will be no delinquencies or losses on the Purchased Receivables. Any difference between such assumptions and the actual characteristics and performance of the Purchased Receivables, or actual prepayment or loss experience, will affect the percentages of initial amount outstanding over time and the weighted average lives of the classes of Notes.

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

**Percentage of Original Principal Amount Outstanding of the Class A Notes at the Specified CPRs Percentages (Without Early Termination or Clean-up Call Only)**

<b>Date</b>	<b>Prepayment Assumption (CPR)</b>				
	<b>0.0%</b>	<b>2.5%</b>	<b>5.0%</b>	<b>7.5%</b>	<b>10.0%</b>
Closing Date	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 04	93.78%	91.20%	88.66%	86.15%	83.67%
20 Sep 05	85.55%	80.20%	75.06%	70.13%	65.38%
20 Sep 06	76.84%	69.23%	62.10%	55.43%	49.18%
20 Sep 07	67.74%	58.38%	49.83%	42.03%	34.92%
20 Sep 08	57.85%	47.30%	37.92%	29.57%	22.16%
20 Sep 09	47.95%	36.72%	26.98%	18.54%	11.24%
20 Sep 10	37.80%	26.40%	16.77%	8.64%	1.79%
20 Sep 11	27.99%	16.84%	7.66%	0.12%	0.00%
20 Sep 12	18.48%	7.96%	0.00%	0.00%	0.00%
20 Sep 13	9.19%	0.00%	0.00%	0.00%	0.00%
20 Sep 14	0.42%	0.00%	0.00%	0.00%	0.00%
20 Sep 15	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 16	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 17	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 18	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 19	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 20	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 21	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 22	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 23	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 24	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 25	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 26	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 27	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 28	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 29	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 30	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 31	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 32	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 33	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 34	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Life (in years)	5.68	4.78	4.09	3.55	3.12
Principal Window – from	Mar 04	Mar 04	Mar 04	Mar 04	Mar 04
– to	Dec 14	Sep 13	Sep 12	Sep 11	Dec 10
<b>(with Early Termination)</b>					
Weighted Average Life (in years)	3.90	3.61	3.34	3.09	2.86
Principal Window – from	Mar 04	Mar 04	Mar 04	Mar 04	Mar 04
– to	Sep 08	Sep 08	Sep 08	Sep 08	Sep 08
<b>(with Clean-up Call Only)</b>					
Weighted Average Life (in years)	5.68	4.78	4.09	3.55	3.12
Principal Window – from	Mar 04	Mar 04	Mar 04	Mar 04	Mar 04
– to	Dec-14	Sep-13	Sep-12	Sep-11	Dec-10

**Percentage of Original Principal Amount Outstanding of the Class B Notes at the Specified CPRs Percentages (without Early Termination or Clean-up Call Only)**

<b>Date</b>	<b>Prepayment Assumption (CPR)</b>				
	<b>0.0%</b>	<b>2.5%</b>	<b>5.0%</b>	<b>7.5%</b>	<b>10.0%</b>
Closing Date	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 04	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 05	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 06	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 07	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 08	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 09	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 10	100.00%	100.00%	100.00%	100.00%	100.00%
20 Sep 11	100.00%	100.00%	100.00%	100.00%	81.78%
20 Sep 12	100.00%	100.00%	98.60%	78.35%	62.17%
20 Sep 13	100.00%	99.03%	76.75%	59.38%	45.87%
20 Sep 14	100.00%	76.55%	57.77%	43.51%	32.71%
20 Sep 15	75.79%	55.77%	40.96%	30.01%	21.95%
20 Sep 16	52.67%	37.71%	26.93%	19.20%	13.65%
20 Sep 17	35.55%	24.75%	17.20%	11.92%	8.24%
20 Sep 18	25.89%	17.55%	11.86%	8.00%	5.38%
20 Sep 19	21.11%	13.93%	9.17%	6.02%	3.94%
20 Sep 20	16.18%	10.40%	6.66%	4.26%	2.71%
20 Sep 21	11.11%	6.95%	4.33%	2.69%	1.67%
20 Sep 22	6.41%	3.89%	2.36%	1.42%	0.85%
20 Sep 23	4.58%	2.71%	1.59%	0.94%	0.55%
20 Sep 24	3.65%	2.10%	1.20%	0.69%	0.39%
20 Sep 25	2.70%	1.51%	0.85%	0.47%	0.26%
20 Sep 26	1.91%	1.04%	0.56%	0.30%	0.16%
20 Sep 27	1.17%	0.62%	0.33%	0.17%	0.09%
20 Sep 28	0.87%	0.45%	0.23%	0.12%	0.06%
20 Sep 29	0.58%	0.29%	0.15%	0.07%	0.04%
20 Sep 30	0.32%	0.15%	0.07%	0.04%	0.02%
20 Sep 31	0.13%	0.06%	0.03%	0.01%	0.01%
20 Sep 32	0.02%	0.01%	0.00%	0.00%	0.00%
20 Sep 33	0.00%	0.00%	0.00%	0.00%	0.00%
20 Sep 34	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Life (in years)	14.03	12.98	12.00	11.10	10.26
Principal Window – from	Dec 14	Sep 13	Sep 12	Sep 11	Dec 10
– to	Jun 33	Mar 33	Sep 32	Jun 32	Dec 31
<b>(with Early Termination)</b>					
Weighted Average Life (in years)	4.81	4.81	4.81	4.81	4.81
Principal Window – from	Sep 08	Sep 08	Sep 08	Sep 08	Sep 08
– to	Sep 08	Sep 08	Sep 08	Sep 08	Sep 08
<b>(with Clean-up Call Only)</b>					
Weighted Average Life (in years)	12.85	11.99	11.12	10.18	9.38
Principal Window – from	Dec 14	Sep 13	Sep 12	Sep 11	Dec 10
– to	Sep 17	Dec 16	Mar 16	Mar 15	Jun 14

## USE OF PROCEEDS

### **Proceeds of the Listed Notes**

The gross proceeds of the issue of the Listed Notes are €108,000,000. The proceeds of the issue of the Listed Notes, net of underwriting fees, are €107,696,500. The Issuer will apply the net proceeds of the Listed Notes, together with the proceeds of issue of the Residual Certificates, solely for the purpose of (i) paying any up-front expenses of the Issuer, (ii) purchasing the Units pursuant to the Unit Purchase Agreement at a purchase price equal to the Principal Amount Outstanding of the Listed Notes and (iii) establishing the Cash Reserve Account (as described under “**DISTRIBUTIONS – Distributions from the Cash Reserve Account**”). The gross proceeds of the issue of the Units, expected to amount to €100,000,000, will be used by the Fund to purchase the Receivables to be purchased by the Fund on the Closing Date pursuant to the Receivables Sale Agreement.

## DESCRIPTION OF THE RECEIVABLES CONTRACTS

### The Mortgage Loan Contracts

Each Mortgage Loan is evidenced by a Mortgage Public Deed. Each Mortgage Public Deed has been entered into between the Originator and an Obligor who is either a private company or an individual. The purpose of the Mortgage Loan is, in the case of commercial Obligors, investment in the premises relevant to the Obligor's activities, and in the case of the section of the portfolio comprised of residential Obligors, to provide housing credit. All of the Mortgage Loans are secured by a first ranking legal mortgage over the relevant Property.

The Mortgage Loans bear a floating rate of interest at an agreed market index rate linked to Euribor, plus an agreed margin. The majority of Mortgage Public Deeds provide for monthly payments by the relevant Obligor, although there are some that provide for quarterly payments.

Generally, these contracts are redeemed through fixed instalments, due in arrears, with amortisation of increasing principal and decreasing interest. In certain cases the Originator, with regard to particular conditions of some start-up businesses, may establish a grace period of, usually, no longer than twelve months, within which it will only charge interest on the loan.

Most of the Mortgage Loans may be prepaid either in whole or in part subject to the payment of a penalty fee (currently 2% per cent. of the prepaid amount). Each Mortgage Loan is also backed by an insurance policy over the Property, in all cases providing replacement value cover where damage is caused by fire, explosion, lightning damage, storm, flooding, water damage, theft or robbery, landslide, aeroplane crash, vehicle or object damage, earthquakes, strike or riots and public order disturbances, vandalism, or sabotage, up to the total amount of the relevant loan.

For some commercial Obligors, the Mortgage Loan has been provided to finance the acquisition of a pharmacy. In Portugal the operation of pharmacies is subject to restrictions limiting the number of authorised establishments in any given area on a per inhabitant ratio basis. Therefore pharmacy licences are in high demand and often have a very high value. The Originator takes a pledge over the conveyance of the pharmacy's establishment, involving not only its licence but also the entire establishment. It should be noted that the creation of such a pledge is not expressly provided for in the Portuguese Civil Code, however recent judgements of Portuguese courts have confirmed the validity and effectiveness of such pledges. All contracts to finance the acquisition of a pharmacy are additionally secured by warranties of cross default clauses on real estate mortgages or leases. The pledge to the Originator has been acknowledged by the authority which issues all pharmacy licences- the INFARMED (National Pharmacy and Drug Institute) – which keeps a record of all such licences and corresponding pledges. The records of INFARMED are made available to the prospective transferee in relation to the transfer of a pharmacy business and so the existence of any pledge would be disclosed. In some cases, the Obligor also pledges a long term cash deposit to the benefit of the Originator.

All of the Mortgage Public Deeds have been registered in accordance with Portuguese law.

### The Lease Contracts

Each Lease Contract has been entered into between the Originator and an Obligor, pursuant to which the Originator, in return for the Obligor's rental payment, provides the Obligor with the temporary use of real estate. In addition, at the end of the term of the Lease Contract, the Obligor has the option of purchasing the Property at an agreed price (residual value / future value). All Lease Contracts are financial leases.

The option is also exercisable at any time prior to the scheduled maturity at a price equal to the outstanding amount under the Lease Contract, including the residual value, and subject to a prepayment penalty.

Pursuant to the terms of the Lease Contract, ownership of the relevant Property remains with the Originator until such time as the Obligor exercises its option to purchase the Property. However, costs relating to the maintenance of the Property are borne by the Obligor for the duration of the Lease Contract. On the exercise of the option by the Obligor to purchase the Property and payment by the Obligor of all amounts outstanding under the Lease Contract, including the Residual Value, the Property is transferred by the Originator to the Obligor.

The original outstanding amount of these contracts is usually established in relation to (and not exceeding) the total amount of the acquisition costs of the Property (price, taxes and general costs), as shown on the public deed of purchase of the estate supplier's invoice. The trustworthiness of these values is always preceded by an evaluation of the real estate.

Each Lease Contract bears a floating rate of interest based on an agreed market index rate linked to Euribor, plus an agreed margin, and the rental payments are made by the Obligor on a monthly basis. Generally, the instalments are paid in advance, and applied to allow a subsequent redemption of the principal value of the financing (naturally excluding its residual value or the purchase option) as well as the payment of corresponding interest.

The residual value to be paid by the Obligor when it exercises its option to purchase the Property is generally 2 per cent. of the contract value. The residual value is set at a low level to encourage the Obligor to exercise its option to purchase the Property. In the history of the Originator, there have not been any cases of Obligors choosing not to exercise the relevant option.

Each Lease Contract is also backed by an insurance policy over the relevant Property, in all cases providing replacement value cover, on the same basis as described above under “**Mortgage Loan Contracts**”.

### **The Related Loan Contracts**

Each Related Loan Contract is a loan contract between the Originator and an Obligor in respect of a Property underlying a Lease Contract or Mortgage Loan, by means of a “cross default” clause in the Related Loan Contract which triggers the immediate and automatic termination of the related Lease Contract or Mortgage Loan (as applicable), which will, in accordance with the Lease Contract or Mortgage Loan Agreement (as applicable) allow the Originator to enforce the security on the related Lease Contract or Mortgage Loan (as applicable) in the event of a default by the Obligor on the Related Loan Contract. The Originator grants a loan to the Obligor and the Obligor is required to make certain monthly or quarterly payments. The Related Loan Contracts are used only where the value of the underlying Property covers the outstanding amount of either the Lease Contract or Mortgage Loan (as applicable) and the Related Loan Contract.

In all other aspects, a loan granted under a Related Loan Contract is treated on the same basis as an ordinary loan, on conditions similar to the ones described above in relation to the Mortgage Loans except in what concerns the amortisation profile. The Related Loan Contract provides for greater principal repayment early on in the contract while the related Mortgage Loan or Lease Contract is being paid down mainly as to interest. This assures that the contract from which the rights on the securing asset directly arise is the last one to be amortised.

### **General comments on the Related Security applicable to the Mortgage Loans, Lease Contracts and Related Loans**

Regardless of the different nature of the various Receivables Contracts, the real property security or pharmacy licence security provided, as applicable, is subject to registration at the relevant public authority in Portugal (real estate, or *INFARMED*), and is executed in accordance with all Portuguese legal requirements (a public deed in the event of a mortgage over real estate or for the acquisition of real estate property covered by lease contracts, a written contract with notarised signatures on the remaining contracts).

In all of the Receivables Contracts, virtually all of the financing is also secured by a promissory note issued in blank by the Obligor and/or the Obligor’s manager, supported by filling-in agreements, that allow the Originator, on an event of default, to complete them, *inter alia*, with the due date and value. The promissory notes are in some cases guaranteed by third parties, namely shareholders of the relevant Obligor.

Some of the above mentioned Receivables Contracts are additionally secured by pledges over financial assets, such as long term cash deposits and/or financial applications with secured capital, held with the Originator, by the debtor or by other parties. These additional pledges are generally released when the outstanding amount of the relevant Receivable Contract becomes lower than the appraised value of the relevant real estate collateral.

## CHARACTERISTICS OF THE RECEIVABLES CONTRACTS

The information set out below has been prepared on the basis of all Receivables as of 31 July 2003. The Closing Date will be on or about 19 December 2003 and the pool may therefore vary from the tables below.

### 1 Pool Summary

Total Current Balance .. .. .	Euro 101,244,281.34
Total Original Balance .. .. .	Euro 115,292,010.08
WA Spread .. .. .	2.91 per cent.
WA Remaining Term .. .. .	12.94 years

### 2 Contract Type

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
Lease Contract .. .. .	399	54.36%	58,596,745.07	57.88%
Mortgage Loan .. .. .	165	22.48%	33,256,248.22	32.85%
Related Loan .. .. .	170	23.16%	9,391,288.05	9.28%
<b>Total .. .. .</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>

### 3 Spread (% p.a.)

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
1.00-1.50 .. .. .	28	3.81%	2,235,371.76	2.21%
1.51-2.00 .. .. .	20	2.72%	4,110,187.17	4.06%
2.01-2.50 .. .. .	65	8.86%	10,505,776.35	10.38%
2.51-3.00 .. .. .	295	40.19%	51,664,781.05	51.03%
3.01-3.50 .. .. .	257	35.01%	28,521,470.62	28.17%
3.51-4.00 .. .. .	69	9.40%	4,206,694.39	4.15%
<b>Total .. .. .</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>
Minimum: .. .. .	1.00			
Maximum: .. .. .	4.00			
Weighted Average: .. .. .	2.91			

#### 4 Original Amount

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
€0.01-€50,000.00 .. .. .	228	31.06%	6,077,499.95	6.00%
€50,000.01-€100,000.00 .. .. .	225	30.65%	14,045,540.76	13.87%
€100,000.01-€150,000.00 .. .. .	93	12.67%	10,462,540.36	10.33%
€150,000.01-€200,000.00 .. .. .	52	7.08%	8,243,708.48	8.14%
€200,000.01-€250,000.00 .. .. .	31	4.22%	6,542,338.37	6.46%
€250,000.01-€500,000.00 .. .. .	67	9.13%	21,532,173.55	21.27%
€500,000.01-€750,000.00 .. .. .	14	1.91%	7,734,139.73	7.64%
€750,000.01-€1,000,000.00 .. .. .	9	1.23%	6,652,735.39	6.57%
€1,000,000.01-€1,500,000.00 .. .. .	8	1.09%	8,492,605.56	8.39%
€1,500,000.01-€2,000,000.00 .. .. .	5	0.68%	7,021,681.29	6.94%
€2,000,000.01-€2,500,000.00 .. .. .	2	0.27%	4,439,317.90	4.38%
<b>Total .. .. .</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>
Minimum: .. .. .	€5,000.00			
Maximum: .. .. .	€2,493,989.49			
Average: .. .. .	€157,073.58			

#### 5 Current Amount

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
€0.01-€50,000.00 .. .. .	282	38.42%	8,267,393.58	8.17%
€50,000.01-€100,000.00 .. .. .	195	26.57%	13,702,310.15	13.53%
€100,000.01-€150,000.00 .. .. .	84	11.44%	10,378,168.24	10.25%
€150,000.01-€200,000.00 .. .. .	46	6.27%	7,728,057.78	7.63%
€200,000.01-€250,000.00 .. .. .	37	5.04%	8,379,646.96	8.28%
€250,000.01-€500,000.00 .. .. .	58	7.90%	21,182,206.46	20.92%
€500,000.01-€750,000.00 .. .. .	14	1.91%	8,738,489.74	8.63%
€750,000.01-€1,000,000.00 .. .. .	8	1.09%	6,640,817.98	6.56%
€1,000,000.01-€1,500,000.00 .. .. .	5	0.68%	6,768,935.38	6.69%
€1,500,000.01-€2,000,000.00 .. .. .	3	0.41%	5,018,937.17	4.96%
€2,000,000.01-€2,500,000.00 .. .. .	2	0.27%	4,439,317.90	4.38%
<b>Total .. .. .</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>
Minimum: .. .. .	€2,957.77			
Maximum: .. .. .	€2,338,988.04			
Average: .. .. .	€137,934.99			



## 6 Remaining Term (years)

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
0.01-5.00 .. .. .	81	11.04%	4,003,592.77	3.95%
5.01-10.00 .. .. .	175	23.84%	20,544,156.61	20.29%
10.01-15.00 .. .. .	393	53.54%	58,682,432.82	57.96%
15.01-20.00 .. .. .	42	5.72%	14,463,200.64	14.29%
20.01-25.00 .. .. .	31	4.22%	2,263,721.37	2.24%
25.01-30.00 .. .. .	12	1.63%	1,287,177.13	1.27%
<b>Total .. .. .</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>
Minimum: .. .. .	0.69			
Maximum: .. .. .	29.76			
Weighted Average: .. .. .	12.94			

## 7 Seasoning (years)

Seasoning	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
0.01-1.00 .. .. .	138	18.80%	28,686,210.19	28.33%
1.01-2.00 .. .. .	176	23.98%	28,557,598.29	28.21%
2.01-3.00 .. .. .	135	18.39%	18,140,594.79	17.92%
3.01-4.00 .. .. .	139	18.94%	11,314,942.46	11.18%
4.01-5.00 .. .. .	73	9.95%	8,385,478.95	8.28%
5.01-6.00 .. .. .	70	9.54%	5,559,748.17	5.49%
6.01-7.00 .. .. .	3	0.41%	599,708.49	0.59%
<b>Total .. .. .</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>
Minimum: .. .. .	0.02			
Maximum: .. .. .	6.76			
Weighted Average: .. .. .	2.06			

## 8 Geographical Distribution

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
Aveiro .. .. .	80	10.90%	15,432,383.94	15.24%
Braga .. .. .	21	2.86%	4,817,004.96	4.76%
Bragança .. .. .	9	1.23%	838,188.22	0.83%
Coimbra .. .. .	4	0.54%	2,150,152.04	2.12%
Faro .. .. .	1	0.14%	72,590.86	0.07%
Leiria .. .. .	6	0.82%	933,364.64	0.92%
Lisboa .. .. .	45	6.13%	6,708,649.85	6.63%
Porto .. .. .	542	73.84%	66,641,998.75	65.82%
Santarém .. .. .	1	0.14%	138,248.74	0.14%
Setúbal .. .. .	4	0.54%	466,637.79	0.46%
Viana do Castelo .. .. .	10	1.36%	1,182,949.46	1.17%
Vila Real .. .. .	2	0.27%	358,959.47	0.35%
Viseu .. .. .	9	1.23%	1,503,152.62	1.48%
<b>Total .. .. .</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>

## 9 Property Type

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
Commercial Warehouse .. .. .	84	11.44%	14,242,907.04	14.07%
Office .. .. .	33	4.50%	2,483,082.23	2.45%
Retail .. .. .	325	44.28%	21,268,698.23	21.01%
Retail + Warehouse .. .. .	2	0.27%	412,930.05	0.41%
Retail + Garage .. .. .	5	0.68%	416,903.37	0.41%
Hotel .. .. .	1	0.14%	69,343.21	0.07%
Pharmacy .. .. .	19	2.59%	13,497,109.30	13.33%
Garage .. .. .	4	0.54%	409,943.12	0.40%
Residential .. .. .	105	14.31%	8,915,877.98	8.81%
Residential + Pharmacy .. .. .	1	0.14%	750,000.00	0.74%
Residential for Renting .. .. .	1	0.14%	444,473.04	0.44%
Residential + Garage .. .. .	2	0.27%	188,303.48	0.19%
Parking Lot .. .. .	1	0.14%	2,100,329.86	2.07%
Sports Park .. .. .	2	0.27%	222,406.62	0.22%
Petrol Station .. .. .	5	0.68%	2,654,977.37	2.62%
Land .. .. .	45	6.13%	4,461,965.31	4.41%
Residential + Land .. .. .	8	1.09%	2,696,126.05	2.66%
Industry .. .. .	91	12.40%	26,008,905.08	25.69%
<b>Total .. .. .</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>

## 10 Obligor Industry

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
Construction .. .. .	28	3.81%	343,582.37	3.39%
Education .. .. .	3	0.41%	474,833.52	0.47%
Employee .. .. .	28	3.81%	2,235,371.76	2.21%
Extracting industries .. .. .	1	0.14%	45,541.20	0.04%
Financials .. .. .	3	0.41%	917,042.04	0.91%
Healthcare .. .. .	8	1.09%	536,632.77	0.53%
Individual .. .. .	324	44.14%	27,118,878.95	26.79%
Lodging and restaurants .. .. .	18	2.45%	1,456,814.36	1.44%
Other services .. .. .	8	1.09%	547,346.16	0.54%
Public administration, defense and social security .. .. .	1	0.14%	243,228.93	0.24%
Real estate and services .. .. .	68	9.26%	11,635,288.51	11.49%
Transforming industries .. .. .	87	11.85%	21,585,147.96	21.32%
Transportation, storage and communications .. .. .	9	1.23%	2,082,761.56	2.06%
Wholesale and retail .. .. .	148	20.16%	28,929,570.25	28.57%
<b>Total .. .. .</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>

## 11 Original LTV

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
0.01%-10.00%	0	0.00%	—	0.00%
10.01%-20.00%	3	0.41%	334,084.41	0.33%
20.01%-30.00%	13	1.77%	4,069,249.34	4.02%
30.01%-40.00%	22	3.00%	4,531,716.47	4.48%
40.01%-50.00%	16	2.18%	2,086,643.48	2.06%
50.01%-60.00%	51	6.95%	7,721,427.20	7.63%
60.01%-70.00%	57	7.77%	14,583,542.01	14.40%
70.01%-80.00%	109	14.85%	19,313,834.53	19.08%
80.01%-90.00%	126	17.17%	16,040,093.55	15.84%
90.01%-100.00%	243	33.11%	19,202,863.90	18.97%
> 100.00%	94	12.81%	13,360,826.45	13.20%
<b>Total</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>
Minimum:	12.61%			
Maximum:	155.88%			
Weighted Average:	78.00%			

## 12 Current LTV

	Number of Contracts	% Total by Number	Sum of Outstanding Balance	% Total by Value
0.01%-10.00%	1	0.14%	10,950.84	0.01%
10.01%-20.00%	6	0.82%	728,621.20	0.72%
20.01%-30.00%	23	3.13%	4,470,035.35	4.42%
30.01%-40.00%	32	4.36%	5,454,888.56	5.39%
40.01%-50.00%	42	5.72%	4,399,945.43	4.35%
50.01%-60.00%	80	10.90%	14,505,655.48	14.33%
60.01%-70.00%	112	15.26%	17,226,981.57	17.02%
70.01%-80.00%	138	18.80%	19,772,151.88	19.53%
80.01%-90.00%	158	21.53%	17,949,568.70	17.73%
90.01%-100.00%	135	18.39%	16,077,798.60	15.88%
> 100.00%	7	0.95%	647,683.73	0.64%
<b>Total</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>
Minimum:	7.98%			
Maximum:	141.52%			
Weighted Average:	69.35%			

**13 Residual Value**

	<b>Number of Contracts</b>	<b>% Total by Number</b>	<b>Sum of Outstanding Balance</b>	<b>% Total by Value</b>
0.00%-2.00%	616	83.92%	89,678,811.02	88.58%
2.01%-5.00%	83	11.31%	6,955,905.91	6.87%
5.01%-10.00%	28	3.81%	3,293,152.05	3.25%
> 10.00%	7	0.95%	1,316,412.36	1.30%
<b>Total</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>
Minimum:	0.00%			
Maximum:	29.41%			
Weighted Average:	1.87%			

**14 Delinquent Receivables**

	<b>Number of Contracts</b>	<b>% Total by Number</b>	<b>Sum of Outstanding Balance</b>	<b>% Total by Value</b>
Not delinquent	691	94.14%	96,648,499.48	95.46%
2 delinquent instalments	28	3.81%	3,092,565.03	3.05%
3 delinquent instalments	14	1.91%	1,166,025.24	1.15%
4 delinquent instalments	1	0.14%	337,191.59	0.33%
<b>Total</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>

**15 Obligor Type**

	<b>Number of Contracts</b>	<b>% Total by Number</b>	<b>Sum of Outstanding Balance</b>	<b>% Total by Value</b>
Corporate	382	52.04%	71,890,030.63	71.01%
Employee	28	3.81%	2,235,371.76	2.21%
Individual	324	44.14%	27,118,878.95	26.79%
<b>Total</b>	<b>734</b>	<b>100.00%</b>	<b>101,244,281.34</b>	<b>100.00%</b>

## 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.

### Receivables Sale Agreement

#### *Purchase of Receivables*

The Originator has at present and expects to have in the future, payments (the “**Receivables**”) owed to it under Receivables Contracts with Obligors pursuant to which the Originator has provided, or expects to provide in the future, mortgage loan finance, real estate leases and related loan finance. The Originator and the Fund have agreed that once during the Issue Period (as defined below) the Originator may offer to sell Eligible Receivables (as defined below) to the Fund and the Fund will accept any such offer upon the terms and subject to the conditions of the receivables sale agreement to be entered into between the Originator, the Fund (represented by the Fund Manager) and the Servicer on 19 December 2003 (the “**Closing Date**”) (the “**Receivables Sale Agreement**” and, together with the Receivables Servicing Agreement (as defined below), the “**Receivables Purchase Agreements**”).

Each Receivable will be assigned together with the benefit of the related security (the “**Related Security**”), which comprises:

- (a) each Mortgage and any other document in force from time to time which secures or is intended to secure the repayment of a Mortgage Loan, Lease Contract or Related Loan Contract (and benefit of any contract relating to the Mortgage Loan, Lease Contract or Related Loan Contract);
- (b) each mortgage or standard security over residential or commercial property forming part of any additional collateral security related to such Receivable (*garantias e outros acessórios do crédito*);
- (c) all Records related to such Receivable;
- (d) all proceeds at any time howsoever arising out of the resale, redemption or other disposal of (net of collection costs), or dealing with, or judgments relating to, any of the foregoing, any debts represented thereby, and all rights of action against any person in connection therewith;
- (e) all guarantees, promissory notes, insurance contracts (including life insurance and employment insurance (if any) contracts and any related Insurance Policy) or other rights or claims of the Originator and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Receivables Contract related to such Receivable or otherwise, together with all financing statements signed by the Obligor describing any collateral security securing such Receivable;
- (f) any related public deed or agreement of amendment or variation;
- (g) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of the Originator relating to such Receivable including, without limitation, those contained in the relevant Receivables Contract;
- (h) all causes and rights of action (present and future) against any person relating to such Receivable including, without limitation, such causes and rights of action arising under the relevant Receivables Contract and including the benefit of all powers and remedies for enforcing or protecting the Originator’s right, title, interest and benefit in respect of such Receivable;
- (i) in relation to any Lease Receivable or any Related Loan Receivable, if the Originator retains ownership of the related Property or acquires or accedes to ownership of any Property of the relevant Obligor as a means of securing payments due in respect of any Lease Receivable or any Related Loan Receivable, the right to acquire all right and benefit of the Originator thereto;
- (j) in relation to any Mortgage Receivable, any advice, report, valuation, opinion, certificate, undertaking, or other statement of fact or of law or opinion given in connection with the relevant Mortgage Loan or Mortgage; and

- (k) any third party security.

The Originator, in order to direct the Obligors to make payments to any account specified by the Fund in relation to the Receivables purchased by the Fund under the Receivables Purchase Agreements (the “**Purchased Receivables**”), will agree to the Fund Manager being entitled to give notice of the assignment to the Obligors, which shall only be given following the occurrence of a Notification Event (as defined below).

#### *Purchase Price*

The purchase price of the Receivables (the “**Purchase Price**”) will be determined as follows:

- (a) on the Closing Date €100,000,293.06; and
- (b) on the Further Purchase Date an amount equal to the Aggregate Outstanding Principal Amount of the Receivables the subject of the Offer on the Further Purchase Date.

#### *Effectiveness of the Assignment*

The assignment of the Receivables 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 RECEIVABLES AND THE TRANSFER OF THE RECEIVABLES**” herein). 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 Receivables Sale Agreement, both between the parties thereto and against the Obligors. No notice to Obligors is required to give effect to the assignment.

The assignment of the Receivables and the Related Security (the “**Assigned Rights**”) by the Originator to the Fund in accordance with the terms of the Receivables 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 Receivables or to enforce any such rights in court. The Fund will have the rights to notify obligors of the assignment in order to direct the Obligors to make payments to any account specified by the Fund. Such action by the Fund will only be effected following the occurrence of a Notification Event.

A “**Notification Event**” means:

- (a) a circumstance where the Originator is in breach of any of its obligations under the Receivables Sale Agreement and, in the case of such an obligation which is a payment obligation (including, but not limited to, in this regard, its obligation to repurchase or make payments in respect of any Purchased Receivables), such breach continues for a period of five 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, if capable of remedy in the reasonable opinion of the Fund Manager, is not remedied in the opinion of the Fund Manager within fifteen Business Days of notice being given by the Fund Manager to the Originator;
- (b) a circumstance where any material representation or warranty made by the Originator made in favour of the Fund Manager or the Fund and referred to in the Receivables Sale Agreement or in any report or other information provided under the Receivables Sale Agreement is false or incorrect when made and is not remedied, if it is capable of remedy in the opinion of the Fund Manager, within fifteen Business Days of notice being given by the Fund Manager to the Originator;
- (c) a circumstance where a Bankruptcy Event occurs with respect to the Originator or the Originator ceases to exist;
- (d) the delivery by the Trustee of an Enforcement Notice in respect of the Issuer in accordance with the Conditions;
- (e) a circumstance where a material adverse change occurs in the financial condition of the Originator since the date of the then latest audited financial statements of the Originator which, in the opinion of the Fund Manager or the Custodian, impairs due performance of the obligations of the Originator under the Receivables Sale Agreement;

- (f) a Termination Event in relation to the Originator as Servicer;
- (g) the existence of a requirement under the laws of the Portuguese Republic for the Originator to deliver Notices of Assignment of the relevant Purchased Receivables to the Obligors;
- (h) the Originator's breach of any of its financial obligations (related or not to this transaction); or
- (i) the Originator's solvency ratio, as measured in accordance with the Bank of Portugal's rules and reported on every Monthly Report, decreasing below 12 per cent..

A "**Bankruptcy Event**", in respect of a natural person or entity, means:

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

"**Bankruptcy Proceedings**" means:

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

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

Following the occurrence of a Notification Event, the Originator will execute and deliver to the Fund Manager:

- (a) notices addressed to the relevant Obligors or providers of Related Security, as the case may be, and copied to the Fund in respect of the assignment to the Fund of the relevant Purchased Receivables. The notice will instruct the relevant Obligors or providers of Related Security, as the case may be, with effect from the date of receipt by the Obligors or providers of Related Security, as the case may be, of the notice, to pay all sums due in respect of the Purchased Receivable into an account designated by the Fund Manager; and
- (b) in relation to Purchased Receivables that are Lease Receivables or Related Loan Receivables in respect of a Related Loan Contract that relates to a Lease Contract:
  - (i) all title deeds, application forms and all other documents evidencing the Purchased Receivables and Related Security; and
  - (ii) the Custodian (on the instruction of the Fund Manager) or the Trustee shall be entitled with respect to any Property to which a Lease Receivable or (by virtue of the cross default clause in a Related Loan Contract that relates to a Lease Contract) a Related Loan Receivable relates either (i) to nominate any entity (which may be the Fund) to which the relevant Property shall be transferred, and such transfer shall occur without the Fund Manager or the Trustee being required to take any action or give any

notice and/or (ii) to create and perfect by registration, notice or otherwise, a first ranking legal security over the relevant Property to the benefit of the Fund Manager or any other entity designated by the Fund Manager or the Trustee and/or (iii) to give notice in writing of such transfer or security to the providers of any Related Security,

it being agreed and acknowledged by the parties to the Receivables Sale Agreement that any Property that is the subject of a Lease Contract provides security to the Fund for any Lease Receivable and any related Related Loan Receivable; and

- (c) in relation to Purchased Receivables that are Mortgage Receivables or Related Loan Receivables in respect of a Related Loan Contract that relates to a Mortgage Loan:
  - (i) all property deeds 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 relevant Purchased Receivables and Related Security from the Originator to the Fund (or an entity designated by the Fund); and
  - (ii) an official application form duly filled in to be filed in the relevant real estate registry office requesting registration of the assignment to the Fund (or an entity designated by the Fund) of each Mortgage or, whenever possible, a set of Mortgages,

and in each case, such other documents and provide such other assistance as is necessary in order to perfect and register the assignment of the Purchased Receivables and Related Security and notify the relevant Obligor (or providers of Related Security). The Originator shall be liable for and hold the Fund (or the relevant entity designated by the Fund) harmless from all stamp duty, transfer taxes, registration fees, notarial fees and any other costs and expenses incurred in connection with any such notification, transfer, security or registration.

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 as referred to above, (b) to complete any such application forms as referred to above and (c) to give any such notices to Obligor (or providers of Related Security) as referred to above.

### **Termination**

The following events will be "**Termination Events**" (and each a "**Termination Event**") under the Receivables Servicing Agreement, the occurrence of which will entitle the Fund to serve a notice on the other parties to the Receivables Servicing Agreement whereupon, *inter alia*, the appointment of the Servicer may be terminated:

- (a) the proceeds of any Purchased Receivables are not paid when received by the Servicer into the Fund Operating Account in accordance with the Receivables Servicing Agreement and the Servicer does not ensure that such proceeds are so paid by the fifth Business Day following the date of receipt;
- (b) other than as a result of force majeure, notwithstanding the occurrence of which the Servicer has used its reasonable endeavours to deliver the Quarterly Report in the circumstances, the Servicer fails to deliver a Quarterly Report on the due date therefor in accordance with the Receivables Servicing Agreement and such failure continues for a period of five Business Days;
- (c) the Servicer is in breach of any of its obligations under the Receivables Servicing Agreement and, in the case of such an obligation which is a payment obligation (including, but not limited to, in this regard, its obligation to repurchase or make payments in respect of any Purchased Receivables), such breach continues for a period of five 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, if capable of remedy in the reasonable opinion of the Fund Manager, is not remedied in the reasonable opinion of the Fund Manager or the Custodian within fifteen Business Days of notice being given by the Fund Manager to the Servicer;
- (d) any material representation or warranty of the Servicer made in favour of the Fund or the Fund Manager and referred to in the Receivables Servicing Agreement or in any report or other information provided under the Receivables Servicing Agreement is false or incorrect when made and is not remedied, if it is capable of remedy in the opinion of the Fund Manager or the Custodian, within fifteen Business Days of notice being given by the Fund Manager to the Servicer;



- (e) the occurrence of a Bankruptcy Event with respect to the Servicer, or the Servicer ceases to exist or the Servicer ceases to be capable, by any reason whatsoever, of performing its obligations under the Receivables Servicing Agreement;
- (f) a material adverse change occurs in the financial condition of the Servicer since the date of the then latest audited financial statements of the Servicer which, in the opinion of the Fund Manager or the Custodian, impairs due performance of the obligations of the Servicer under the Receivables Servicing Agreement;
- (g) the Board of Directors of the Servicer notifies the Bank of Portugal of the risk or actual incapacity of the Servicer to fully comply with its obligations as they fall due, as provided for in Title VIII of Decree Law 298/92 of December 31 (as amended); and
- (h) the Bank of Portugal intervenes under Title VIII of Decree Law 298/92 of December 31 (as amended) into the regulatory affairs of the Servicer where such intervention could lead to the withdrawal by the Bank of Portugal of the Servicer's authorisation to carry on its business.

The occurrence of a Termination Event or a Notification Event under the Receivables Purchase Agreements will not, of itself, constitute an Event of Default under the Conditions of the Listed Notes.

*Representations and Warranties as to the Receivables*

BAR will, in addition to other representations and warranties as to matters of fact and law (including as to matters relating to insolvency), make certain representations and warranties relating to the Receivables (each a "**Representation**") in favour of the Fund. Such Representations include, but are not limited to the following:

- (a) each Receivable the subject of an Offer for sale to the Fund (each an "**Offer**") is an Eligible Receivable owing from an Eligible Obligor (as defined below) in the amount specified in such Offer at the time of sale of such Receivable;
- (b) the assignment of each Receivable the subject of such Offer in the manner contemplated in the Receivables Purchase Agreements:
  - (i) constitutes a valid and binding assignment of credits pursuant to the Securitisation Law between the Originator and the Fund;
  - (ii) transfers, in accordance with the Receivables Sale Agreement, the legal and economic title of such Receivable (and any Collections in respect thereof) to the Fund, without notice of such assignment being served upon the relevant Obligor and so that such Receivables (and any Collections) will not form part of the Originator's estate in liquidation;
  - (iii) in relation to each Mortgage Receivable, will be effective to pass to the Fund full and unencumbered title thereto and the benefit thereof (including in such context, any Collections and other rights in connection therewith such as Related Security); and
  - (iv) in relation to each Lease Receivable, will be effective to pass to the Purchaser full and unencumbered (save for the Obligor's call option) title thereto and the benefit thereof (including, in such context, any Collections and other rights in connection therewith, such as Related Security),

and no further act, condition or thing will be required to be done in connection therewith to enable the Fund to require payment of any such Receivable or the enforcement of any such right in the courts of Portugal other than the giving of a Notice of Assignment or, in relation to any Mortgage Receivable, the registration of the assignment of any related Mortgage at the Portuguese Land Registry and in relation to any Lease Receivable, the entry into the relevant Property sale and purchase public deed and registration thereof at the relevant Portuguese Land Registry;

- (c) the assignment of each Receivable the subject of such Offer as contemplated in the Receivables Sale Agreement will not violate any law or any agreement by which the Originator or the Servicer may be bound;
- (d) in all material respects the Originator has performed and is in compliance with the terms of the contract relating to each Receivable the subject of an Offer for sale to the Fund;

- (e) the governing law of each Receivable the subject of an Offer is Portuguese law and each Receivables Contract is valid, binding and enforceable against the relevant Obligor in accordance with its terms; and
- (f) the amount of the Receivables specified in each Offer is net of any discount or other credit which may have been given, or agreed to be given, in respect thereof on or prior to the date of such offer.

### **Eligible Receivables**

At any time an “**Eligible Receivable**” shall be a Receivable:

- (a) which can be segregated and identified for ownership purposes on the Purchase Date therefor and on any day after the date of sale and is legally and beneficially wholly-owned by the Originator at the time of sale to the Fund, except when originated on a syndicated basis;
- (b) which is an interest-bearing (either express or implied) Receivable originated and arising exclusively in the Originator’s ordinary course of business with the related Eligible Obligor and denominated and payable in Euro that will, in the case of all Receivables (other than a Lease Receivable) be fully amortising and, in the case of a Lease Receivable, will amortise to the amount of the Residual under the relevant Lease Contract;
- (c) which is owing from an Eligible Obligor;
- (d) in respect of which at least one instalment has been paid on the respective Instalment Due Date;
- (e) which has the final Instalment Due Date on or before the date falling thirty six months prior to the Final Legal Maturity;
- (f) which constitutes an unconditional and irrevocable obligation of the Eligible Obligor (and any related guarantor) to pay the full sums of principal, interest and other amounts stated, on the respective Instalment Due Dates therefor, and is collectable in accordance with Article 587, paragraph 1 of the Portuguese Civil Code (*Código Civil*), all without prejudice to the regime applicable to the Lease Receivables residual value;
- (g) the Instalment Due Dates of which have not been extended from the original Instalment Due Dates and which has not been refinanced or renegotiated as a result of any previous delinquency or default and the related Receivables Contract of which has not been replaced, substituted or novated due to default on the part of the related Obligor and which was not entered into as a replacement, substitution or novation of another agreement as a result of a default on the part of the related Obligor;
- (h) the related Receivables Contract of which does not include a provision permitting the relevant Obligor to defer or reschedule any payment;
- (i) the related Receivables Contract of which requires that the Outstanding Principal Amount under such Receivables Contract is fully drawn down and that amounts repaid may not be redrawn;
- (j) which is not on the date of determination (i) a Written-off Receivable or (ii) a Defaulted Receivable;
- (k) which is a debt the rights in which can be transferred by way of assignment under the Securitisation Law to the Fund as contemplated in the Receivables Sale Agreement and the Receivables Servicing Agreement;
- (l) which is freely assignable without restriction pursuant to the terms of the relevant Receivables Contract;
- (m) which has been originated fully in accordance with the Originator’s normal underwriting and origination procedures and Credit and Collection Policies and no material provision of the relevant Receivables Contract has been waived or changed due to default on the part of the related Obligor (see “**ORIGINATOR’S STANDARD BUSINESS PRACTICES, SERVICING AND CREDIT ASSESSMENT**” herein);
- (n) which has been created in compliance with all applicable laws and is not in breach of Portuguese consumer legislation, including without limitation, Decree Law 359/91 of 21 September, as amended by Decree Law 101/2000 of 2 June, or Law 24/96 of 31 July, is in compliance with the Bank of Portugal’s requirements and regulations as applicable; none of the records, information or data pertaining thereto constitutes the creation, modification or maintenance of databases or computer files which is unlawful for the purposes the Data Protection Law; and in respect of which all consents, approvals and authorisations required of or to be maintained by the Originator or the Servicer in respect thereof have been obtained and are in full force and

effect and are not subject to any restriction that would be material to the origination, enforceability or assignability of such Receivable;

- (o) which is legally and beneficially solely owned by the Originator free from any adverse claims in favour of any person other than the Originator (including, without limitation, one which has not been, in part or in whole, pledged, charged, assigned, discounted, subrogated or seized or attached or transferred in any way and is otherwise free and clear of any liens or other Encumbrances (including, without limitation, rights of set off or counterclaim) exercisable against the Originator or the Fund by any party (including any shareholders' subsidiary and/or affiliate of the Originator));
- (p) which is not subject to withholding tax, stamp duty or any other tax if assigned to the Fund or another Portuguese domiciled credit institution subject to income taxation in Portugal or, in the case of the Principal Component thereof, if assigned by the Fund by the Issuer;
- (q) which constitutes the legal, valid, binding and enforceable obligation of the related Eligible Obligor (and any related guarantor) to pay all amounts due and payable or to become due and payable under such Receivable without any deduction, rebate or discount and that is not subject to any security interest (other than Related Security) defence, dispute, claim or counterclaim or enforcement order existing or pending against the Originator at the time of sale by either the Eligible Obligor or any related guarantor or any other party;
- (r) in respect of which any Collections received can be identified as being so attributable by the Servicer on the Business Day of receipt thereof;
- (s) which, together with all other Purchased Receivables and Receivables to be acquired at the same time as such Receivable by the Fund, does not result in the weighted average remaining term to maturity of such Receivables exceeding 13 years counting from the initial issue date;
- (t) which, together with all other Purchased Receivables and Receivables to be acquired at the same time as such Receivable by the Fund, does not result in any single Obligor being the Obligor in relation to 2.75 per cent. or more of the Aggregate Outstanding Principal Amount of the Purchased Receivables (which include those acquired at the same time as such Receivable by the Fund);
- (u) which, together with all other Purchased Receivables and Receivables to be acquired at the same time as such Receivable by the Fund, does not result in the weighted average interest rate spread falling below 2.75 per cent.;
- (v) which has monthly or quarterly instalments;
- (w) which has been randomly selected to be the subject of an Offer;
- (x) under which a floating rate of interest is payable;
- (y) which has been originated on the terms of a Receivables Contract;
- (z) which at the time of purchase, does not have a remaining term to maturity of more than 30 years counting from the initial issue date;
- (aa) which is not eligible for any subsidies from the Portuguese Government;
- (bb) which, together with all other Purchased Receivables and Receivables to be acquired at the same time as such Receivable by the Fund, does not result in Receivables due from the top 10 Obligors (measured, in terms of concentration, by reference to the pool of Receivables sold on the Closing Date and on the Further Purchase Date, if applicable) exceeding 17 per cent. of the Aggregate Outstanding Principal Amount of the Purchased Receivables (which include those acquired at the same time as such Receivable by the Fund);
- (cc) which is backed, either directly or by a cross-default provision in the relevant Receivables Contract, by real estate;
- (dd) which, together with all other Purchased Receivables and Receivables to be acquired at the same time as such Receivable by the Fund, does not result in Receivables with a Residual value of more than 10 per cent. exceeding 2 per cent. of the Aggregate Outstanding Principal Amount of the Purchased Receivables (which include those acquired at the same time as such Receivable by the Fund); and

- (ee) which, together with all other Purchased Receivables and Receivables to be acquired at the same time as such Receivable by the Fund, does not result in the Aggregate Outstanding Principal Amount of Delinquent Receivables exceeding 5 per cent. of the Aggregate Outstanding Principal Amount of the Purchased Receivables (which include those acquired at the same time as such Receivable by the Fund).

In addition to the above, a Mortgage Receivable shall only be an “Eligible Receivable” if:

- (a) the relevant Mortgage Public Deed has been registered in the relevant Portuguese Real Estate Registry Office in favour of the Originator rendering the relevant Mortgage Public Deed a fully valid security interest with first ranking priority for the performance of all payment obligations under the Mortgage Loan;
- (b) the relevant Mortgage Loan was advanced for the acquisition of land and or the acquisition, construction or improvement works of Property for commercial, industrial or residential purposes (which, in the case of the construction of the relevant Property, has been completed in full);
- (c) in respect of each Mortgage Public Deed, the Current LTV does not exceed 142 per cent.;
- (d) the relevant Mortgage grants a full valid security interest over land and/or buildings located in mainland Portugal;
- (e) the Mortgage constitutes a valid and subsisting first charge by way of voluntary mortgage (hipoteca voluntária) over the Mortgaged Property to which it relates and is enforceable in accordance with its terms against the relevant Obligor;
- (f) the relevant Mortgage is legally and beneficially solely created in favour of the Originator, free from any adverse claims in favour of any person other than the Originator (including, without limitation, one which has not been, in part or in whole, mortgaged, charged, assigned, discounted, subrogated or seized or attached or transferred in any way and is otherwise free and clear of any liens or other Encumbrances (including, without limitation, rights of set off or counterclaim) exercisable against the Originator or the Fund by any party (including any shareholders’ subsidiary and/or affiliate of the Originator)) other than in relation to a Mortgage in which the Originator is part of a syndicate of lenders, in which case the Originator has the benefit of an assignment of the security rights given by the relevant Obligor to the lender of record;
- (g) the Mortgage and other Related Security secures the repayment of all principal, interest, costs, liability and expenses from time to time due under the relevant Receivables Contract;
- (h) no Mortgage Loan Agreement contains any obligation on the part of the Originator to make a further advance thereunder; and
- (i) in respect of each Related Loan Receivable related to a Mortgage Loan, such Related Loan Receivable is an Eligible Receivable, save for the requirement to satisfy item (b) of the eligibility criteria for Related Loan Receivables, below, and will also be sold to the Purchaser on the same date as the relevant Mortgage Receivable.

In addition to the above, a Lease Receivable shall only be an “Eligible Receivable” if:

- (a) the relevant Lease Contract was entered into for the acquisition of land and or the acquisition or construction of Property for commercial, industrial or residential properties (which, in the case of the construction of the relevant Property, has been completed in full);
- (b) in respect of each Lease Contract, the Current LTV does not exceed 142 per cent.;
- (c) the Originator is the legal and beneficial owner of the relevant Property; and
- (d) the Property subject of the relevant Lease Contract is legally and beneficially solely owned by the Originator, free from any adverse claims in favour of any person other than the Originator (including, without limitation, one which has not been, in part or in whole, mortgaged, charged, assigned, discounted, subrogated or seized or attached or transferred in any way and is otherwise free and clear of any liens or other Encumbrances (including, without limitation, rights of set off or counterclaim) exercisable against the Originator or the Fund by any party (including any shareholders’ subsidiary and/or affiliate of the Originator)) other than in relation to a Lease Contract in which the Originator is part of a syndicate of lessors, in which case the Originator has the benefit of an assignment of the rights of the lender of record in the relevant Property;

- (e) in respect of each Related Loan Receivable related to a Lease Contract, such Related Loan Receivable is an Eligible Receivable, save for the requirement to satisfy item (b) below of the eligibility criteria for Related Loan Receivables, and will also be sold to the Fund on the same date as the relevant Lease Receivable; and
- (f) the value of the related Residual does not exceed 30 per cent. of the original amount.

In addition to the above, a Related Loan Receivable shall only be an “Eligible Receivable” if: a) in respect of each Related Loan Receivable, the Related Loan Contract contains a cross default provision stating that any default under the Related Loan Contract shall trigger the default of the related Lease Contract or Mortgage Loan (as the case may be); and (b) in respect of each Lease Receivable or Mortgage Receivable related to a Related Loan Contract, such Lease Receivable or Mortgage Receivable is an Eligible Receivable, save for the requirement to satisfy item (i) above of the Eligibility criteria for Mortgage Receivables or item (e) above of the eligibility criteria for Lease Receivables (as applicable), and will also be sold to the Fund on the same date as the relevant Related Loan Receivable,

each such criteria to be satisfied on the date of the Offer of such Receivables and the Purchase Date thereof.

An “**Instalment Due Date**” in relation to any Receivable means the original date on which each monthly instalment or quarterly instalment (as the case may be) is due and payable under the relevant Receivables Contract.

### **Eligible Obligor**

An “**Eligible Obligor**” shall be an Obligor:

- (a) who is a customer of the Originator named in the Receivables Contract evidencing a Receivable and is granted credit in accordance with its Credit and Collection Policies (see “**ORIGINATOR’S STANDARD BUSINESS PRACTICES SERVICING AND CREDIT ASSESSMENT**” herein);
- (b) who is a company incorporated in Portugal or an individual over 18 years of age who, to the best knowledge of the Originator, at the time of the relevant Offer of Receivables, was resident in Portugal;
- (c) who, to the best knowledge of the Originator has not been declared bankrupt or insolvent and against whom no proceedings are pending under any insolvency legislation, including, without limitation, and if applicable, under Decree Law 30689 of 27 August 1940, Decree Law 298/92 of 31 December and/or under the Code for Bankruptcy and Recovery of Companies introduced by Decree Law 132/93 of 23 April, as amended, and at the time of the relevant Offer of Receivables outstanding from such Obligor, such Obligor is not in bankruptcy or insolvency nor has any trustee or similar officer been appointed over such Obligor’s assets or revenues;
- (d) against whom no recovery proceedings or court actions have been commenced in connection with the relevant Receivables Contract;
- (e) who originates payments by direct debit or automatic bank transfer in respect of the Receivables in Portugal, with the exception of the Obligors who are employees of the Originator, who can be contractually required to pay by direct debit or automatic bank transfer but currently, as employees of the Originator, their payments are retained from their salaries;
- (f) whose residential or business registered telephone number (at the time the Receivable was originated) is, to the best knowledge of the Originator, known to the Originator; and
- (g) who is not known by the Originator as having violated any relevant applicable requirements of the Bank of Portugal or to be engaged in money laundering.

### *Breach of Representation*

If there is a breach of any of the Representations given by the Originator in respect of the Receivables in the Receivables Sale Agreement, the Originator will have an obligation to rectify such breach within five days after receiving written notice of such breach from the Fund Manager.

If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the five day period, the Originator has an obligation to repurchase or cause a third party to repurchase the relevant Receivable.

The consideration payable by the Originator or a third party purchaser, as the case may be, in relation to the repurchase or purchase of a relevant Receivable will be an amount equal to the aggregate of: (a) the Outstanding Principal Amount of the relevant Receivable as at the date of the re-assignment; (b) all other amounts due in respect of the relevant Receivable; and (c) the reasonable costs and expenses of the Fund incurred in relation to such re-assignment.

If a Receivable expressed to be included in the Eligible Receivables 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 Representation.

Pursuant to the Receivables Sale Agreement, the Originator may, instead of repurchasing a Receivable 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 Eligible Receivables such that the aggregate of the Outstanding Principal Amount of such further Receivables 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 Receivables will be required to meet certain additional criteria as set forth in the Receivables Sale Agreement.

If there is a breach of any other representations and warranties (other than a Representation) 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.

#### *Amendment of Receivables Contracts*

The Servicer is authorised under the terms of the Receivables Servicing Agreement to consent to amendments to the terms of a Receivable Contract which are Permitted Variations (as defined in “Receivables Servicing Agreement - Permitted Variations”). In the event that the Servicer agrees to an amendment to a Receivables Contract which is a Non-Permitted Variation, the Originator shall be required to treat the relevant Receivable as if there had been a breach of representation as described above.

However, the Servicer shall not be entitled to propose any Non-Permitted Variation where the effect of such proposal could be to cause the repurchase by the Originator or purchase by a third party purchaser of Purchased Receivables where the aggregate Outstanding Principal Amount of such Purchased Receivables exceeds an aggregate 10 per cent. of the sum of (i) the Outstanding Principal Amount of all Purchased Receivables as at the Closing Date and (ii) the Outstanding Principal Amount of all Purchased Receivables as at the Further Purchase Date (if any), save that the 10 per cent. threshold may be increased with the written consent of the Rating Agencies.

In addition, where the Servicer proposes a Non-Permitted Variation and the Originator subsequently proposes to sell to the Fund substitute Receivables, such substitution is subject to the following conditions:

- (a) the Original LTV of the substitute Receivable must be lower than the Original LTV of the substituted Receivable;
- (b) the maturity of the substitute Receivable must be not greater than 3 years prior to the Final Legal Maturity;
- (c) where the substituted Receivable bears a floating rate of interest indexed to Euribor, the spread over the relevant index applicable to the substitute Receivable must be at least as high as the spread over the index applicable to the substituted Receivable;
- (d) the Outstanding Principal Amount of the substitute Receivables must be the same or greater than the Outstanding Principal Amount of the substituted Receivables;
- (e) the substitute Receivables must be Eligible Receivables;
- (f) the Current LTV of the substitute Receivable must be lower than the Current LTV of the substituted Receivable;
- (g) the relevant Obligor related to the substitute Receivable has not breached any of its obligations under the relevant Receivables Contract;
- (h) no Enforcement Notice has been delivered by the Trustee in relation to the Listed Notes;
- (i) there is no debit balance on either of the Principal Deficiency Ledgers; and

- (j) the lending criteria of the Originator in respect of the substitute Receivable is not substantially different from the lending criteria of the Originator in respect of the substituted Receivable.

#### ***Defaulted Receivables***

In the event that a Lease Contract or Mortgage Loan has an associated Related Loan Contract and (i) the relevant Lease Receivable or Mortgage Receivable, as applicable, has become a Defaulted Receivable before the respective Related Loan Receivable and (ii) the Originator repossesses the Property to which such Lease Receivable or Mortgage Receivable, as applicable, relates, then the Originator shall repurchase the relevant Related Loan Receivable immediately upon such repossession at a price equal to the Purchase Price of such Related Loan Receivable less any Collections in relation thereto.

#### ***Issue Period***

Subject as provided below, the period commencing on (and including) the Closing Date and ending on the earlier of (a) (but excluding) the date on which a Stop Purchase Event (as defined below) occurs or (b) (and including) the date falling twelve calendar months after the Closing Date (“**Issue Period**”).

In the event that any of the conditions in the Receivables Sale Agreement are not met on any date, the Issue Period will be deemed to have terminated on that date unless the Rating Agencies confirm that the then current ratings of the Notes will not be adversely affected and the Trustee is satisfied that there is no material prejudice to the Instrumentholders and has confirmed this to the Fund and the Fund Manager.

“**Defaulted Receivable**” means, on any day, any Receivable which is not a Written-off Receivable and in respect of which:

- (a) 6 or more monthly instalments or 2 or more quarterly instalments have not been paid on or before the respective Instalment Due Dates relating thereto and are outstanding on the day of such determination;
- (b) proceedings have been commenced by or against the relevant Obligor for such Obligor’s bankruptcy or insolvency, in particular any proceedings against the relevant Obligor under the Code for Bankruptcy and Recovery of Companies introduced by Decree Law 132/93 of 23 April, as amended, which is applicable to individuals;
- (c) legal action has been commenced against the relevant Obligor for recovery of amounts outstanding under the relevant Receivables Contract; or
- (d) a classification as a Defaulted Receivable has been designated by the Originator or the Servicer.

“**Delinquent Receivable**” means, on any day, any Receivable which is not a Written-off Receivable or a Defaulted Receivable and in respect of which two or more monthly instalments or one quarterly instalment have not been paid on or before the respective Instalment Due Dates relating thereto and remain outstanding on the relevant Collateral Determination Date.

“**Purchase Date**” means the Closing Date and the Further Purchase Date.

“**Stop Purchase Event**” means any of the following events:

- (a) a Potential Notification Event or a Notification Event (as defined above);
- (b) on any Interest Payment Date following the making of the payments and provisions required to be made by the Issuer on such a date, a debit balance remaining outstanding on any Principal Deficiency Ledger; and
- (c) if, prior to any Interest Payment Date falling after the first Interest Payment Date, the amount standing to the credit of the Cash Reserve Account was at least equal to the Cash Reserve Account Required Balance but, on such Interest Payment Date, following the making of payments and provisions required to be made by the Issuer on such date, the amount standing to the credit of the Cash Reserve Account is not equal to the Cash Reserve Account Required Balance.

The Originator may offer the sale and assignment of the Receivables to the Fund on the Closing Date and on a proposed Further Purchase Date by delivering to the Fund an Offer. An Offer shall be in writing and will specify all the information required under the Receivables Purchase Agreements and will constitute an irrevocable offer by the Originator to sell the Receivables to which such Offer relates to the Fund. Subject to the terms and conditions of the Receivables Purchase Agreement and the Co-ordination Agreement, the Fund Manager may

accept such Offer by depositing a sum equal to the portion of the Purchase Price of the Receivables the subject of the Offer in the Originator's specified account.

#### **Initial Conditions Precedent to Purchase**

The Fund will accept an Offer of Eligible Receivables if, *inter alia*, on the initial Purchase Date the Originator delivers:

- (a) A copy, certified by the Originator as a true, complete and up-to-date copy of the original of the updated articles of association, and a valid certificate of registration issued by the Commercial Registry of the Originator.
- (b) A copy, certified by the Originator as a true, complete and up-to-date copy of the original resolution of the *Conselho de Administração* (the board of directors) of the Originator approving the transactions contemplated by the Fund Documents.
- (c) Copies, certified by the Originator as true, complete, up to date copies of all other authorisations, approvals, consents, licences and exemptions, (including, but not limited to, authorisations from (a) either the Bank of Portugal (b) the CNPD, or (c) the CMVM).
- (d) A certificate issued by the Originator certifying the signatories that are authorised to execute this Agreement, all notices, certificates and other documents to be delivered by it on its behalf on which certificate the Fund Manager may conclusively rely until such time as the Fund Manager receives a revised certificate meeting the requirements of this paragraph 4 from the Originator.
- (e) An officer's certificate duly executed by a duly authorised officer of the Originator, substantially in the form set out in Schedule 8 to the Receivables Sale Agreement.
- (f) Duly executed copies of each of the Fund Documents.
- (g) An opinion of Vasconcelos, F. Sá Carneiro, Fontes & Associados, as the Originator's Portuguese counsel.
- (h) An opinion of Norton Rose, the Lead Managers' English legal counsel.
- (i) An opinion of Matheson Ormsby Prentice, the Issuer's Irish legal counsel.
- (j) An opinion of Vieira de Almeida, the Lead Managers' Portuguese counsel.
- (k) A comfort letter of Deloitte & Touche, the Issuer's auditors.
- (l) A due diligence report of Deloitte & Touche, the Originator's auditors.
- (m) A duly executed copy of the Offer, substantially in the form set out in Schedule 6 of the Receivables Sale Agreement.
- (n) Duly Executed copies of the notices to providers of Insurance Policies substantially in the form set out in Schedule 11 of the Receivables Sale Agreement.

Upon acceptance of any Offer by the Fund, all of the Originator's rights, title and interest in and to the Receivables (and the Related Security) to which such Offer relates, will thereupon pass automatically to the Fund pursuant to the Securitisation Law (for the avoidance of doubt, without recourse against the Originator in case of non-payment by the relevant Obligor).

#### **Further Purchase Date Conditions Precedent to Purchase**

The Fund will accept an offer of Eligible Receivables if, *inter alia*, on the proposed Further Purchase Date during the Issue Period the following conditions precedent are delivered to the Fund Manager:

- (a) A certificate issued by the Originator certifying the signatories that are authorised to execute the Receivables Sale Agreement, all notices, certificates and other documents to be delivered by it on its behalf.
- (b) An officer's certificate duly executed by a duly authorised officer of the Originator, substantially in the form set out in Schedule 8.
- (c) An opinion of Vasconcelos, F. Sá Carneiro, Fontes & Associados, as the Originator's Portuguese Counsel.



- (d) An opinion of Norton Rose, the Lead Managers' English legal counsel.
- (e) An opinion of Matheson Ormsby Prentice, the Issuer's Irish legal counsel.
- (f) An opinion of Vieira de Almeida, the Lead Managers' Portuguese counsel.
- (g) A letter in the form set out in Schedule 4 to the Receivables Servicing Agreement.
- (h) A duly executed copy of the Offer, substantially in the form set out in Schedule 6 of the Receivables Sale Agreement.
- (i) Any further authorisations that may then be required from the Bank of Portugal, the CMVM, or CNPD.
- (j) Duly executed copies of the notices to providers of Insurance Policies substantially in the form set out in Schedule 11 of the Receivables Sale Agreement.
- (k) Confirmation from the Rating Agencies that the then current rating of the Notes will not be adversely affected.
- (l) Confirmation from EIF that payments due from the Issuer in respect of the Further Class B Notes will be guaranteed by it, subject to the terms and conditions of the Class B Deed of Undertaking.

#### *Obligor Set-Off*

Pursuant to the terms of the Receivables 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 Receivable sold to the Fund as a result of any exercise of any right of set-off by any Obligor against the Originator, the Fund or any other party to a Fund Document (as defined above).

#### *Applicable Law and Jurisdiction*

The Receivables 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.

### **Receivables Servicing Agreement**

#### *Servicing and Collection of Receivables*

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

#### *Back-up Servicer*

The Back-up Servicer is also a party to the Receivables Servicing Agreement, and on a Termination Event with respect to the Servicer, the Back-up Servicer's duties thereunder will commence. Prior to such a Termination Event, on the fifteenth and thirtieth day of each calendar month the Servicer is required to provide the Back-up Servicer with a set of pre-agreed information, including back-up files with the current status of the securitised portfolio.

#### *Servicer's Duties*

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

- (a) servicing, collecting and administering the Receivables;
- (b) implementing the enforcement procedures in relation to the Receivables;
- (c) complying with its customary and usual servicing procedures for servicing comparable receivables in accordance with its policies and procedures relating to its receivables business;
- (d) servicing and administering the cash amounts received in respect of the Receivables including transferring the estimated amount to the Fund Operating Account on the Lisbon Business Day that relates to the Purchased Receivables following the day on which amounts are credited to the Collection Accounts; and

- (e) preparing periodic reports in relation to the Receivables in an agreed form including reports on delinquency and default rates.

#### *Servicing Fee*

The Servicer (and/or, if applicable, a replacement Servicer) will receive a servicer fee quarterly in arrear pursuant to the Receivables Servicing Agreement in an amount equal to a maximum of 0.35 per cent. per annum (or such amount as is agreed with a replacement servicer) of the Outstanding Principal Amount of the Receivables as at the first day of the preceding Collection Period payable by the Fund on such Interest Payment Date.

The Back-up Servicer will receive the Back-up Servicer Fee.

#### *Representations and Warranties*

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

#### *Permitted Variations*

Subject to the provisions of the Receivables Sale Agreement (see “**Receivables Sale Agreement – Amendment of Receivables Contracts**”), the Servicer shall be entitled to consent to an amendment to the terms of a Receivables Contract governing the interest rate payable thereunder or the term thereof in respect of such Receivables Contract not exceeding an aggregate 10 per cent. of the sum of (i) the Outstanding Principal Amount of all Purchased Receivables as at the Closing Date and (ii) the Outstanding Principal Amount of all Purchased Receivables as at the Further Purchase Date, where following such amendment (i) the interest rate payable under such amended Receivables Contract is not reduced by more than 0.25 per cent., (ii) the remaining term of such amended Receivables Contract is not extended by more than 36 months and (iii) the maturity of none of the Purchased Receivables subject to such amendment shall be greater than 3 years prior to the Final Legal Maturity (in each case, as determined from the latest Quarterly Report) (any such amendment, a “**Permitted Variation**”).

#### *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 Fund 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 certain events of default or upon the bankruptcy of the Servicer.

#### *Payments*

The Servicer will procure that all Collections received from Obligor in respect of the Receivables are paid into the Collection Accounts. The Servicer will give instructions to the Collection Account Banks to ensure that monies received by the Collection Account Banks from Obligor on any Lisbon Business Day are paid on such day into the Collection Accounts.

The Servicer will on each Lisbon Business Day estimate the aggregate amount that has been credited to the Collection Accounts on the immediately preceding Lisbon Business Day and transfer to the Fund Operating Account the portion of such amount that relates to the Purchased Receivables. No later than the 3rd Business Day of each calendar month, the Servicer shall determine the amount by which the estimated amounts transferred during the previous month was greater or less than the actual amount of Collections received by the Servicer that was attributable to the Purchased Receivables in respect of such period. Any shortfall shall be paid by the Servicer to the credit of the Fund Operating Account and any excess shall be notified to the Fund, the Custodian and the Transaction Manager and then paid by the Fund to the Servicer on the following Lisbon Business Day.

### *Applicable law and jurisdiction*

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

### **Custodian Agreement**

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

- (a) open and 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 in arrear 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 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 or about 17 December 2003, 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 was specified.

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

### **Transaction Management Agreement**

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

- (a) operating the Issuer Account and the Cash Reserve Account in such a manner as to enable the Issuer to perform its financial obligations pursuant to the Listed 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 and the Cash Reserve Account;
- (c) taking the necessary action and giving the necessary notices to ensure that the Issuer Account and the Cash Reserve Account are credited with the appropriate amounts in accordance with the Transaction Management Agreement;
- (d) taking all necessary action to ensure that all payments are made out of the Issuer Account and the Cash Reserve Account in accordance with the Transaction Management Agreement and the Conditions; and
- (e) maintaining adequate records to reflect all transactions carried out by or in respect of the Issuer Account and the Cash Reserve Account.

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 Closing Date, the Issuer, the Trustee, the Issuer Account Bank and the Transaction Manager will enter into an agreement (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.

If a downgrade in the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Issuer Account Bank to less than P-1 (in the case of Moody’s) or A-1 (in the case of S&P) results in a downgrading of the then current rating of the Notes by Moody’s or S&P, the Transaction Manager will (i) within thirty days procure a replacement Issuer Account Bank acceptable to Moody’s and S&P, (ii) procure a suitable guarantee of the obligations of the Issuer Account Bank from a financial institution acceptable to Moody’s and S&P or (iii) procure the Issuer Account Bank to deposit cash collateral with a financial institution acceptable to Moody’s and S&P in an amount sufficient to satisfy the credit enhancement requirements of Moody’s and S&P in order to maintain the rating of the Notes by Moody’s and S&P.

Furthermore, in the event that JPMorgan Chase Bank, in its capacities as Issuer Account Bank, Cash Reserve Account Bank and Fund Operating Account Bank, holds an amount in aggregate which exceeds 20 per cent. of the aggregate issue size of the Listed Notes as at the Closing Date (such excess amount being the “**Limit Excess**”), then JPMorgan Chase Bank shall within ten Business Days transfer the Limit Excess to another financial institution or institutions rated at least A-1+ (unless JPMorgan Chase Bank’s rating should change to A-1+) by S&P to be held by such financial institution(s) on the same terms, *mutatis mutandis*, as JPMorgan Chase Bank immediately prior to such transfer.

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 Closing Date, the Issuer, the Trustee, the Cash Reserve Account Bank and the Transaction Manager will enter into an agreement (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.

If a downgrade in the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Cash Reserve Account Bank to less than P-1 (in the case of Moody's) or A-1 (in the case of S&P) results in a downgrading of the then current rating of the Notes by Moody's or S&P, the Transaction Manager will (i) within thirty days procure a replacement Cash Reserve Account Bank acceptable to Moody's and S&P, (ii) procure a suitable guarantee of the obligations of the Cash Reserve Account Bank from a financial institution acceptable to Moody's and S&P or (iii) procure the Cash Reserve Account Bank to deposit cash collateral with a financial institution acceptable to Moody's and S&P in an amount sufficient to satisfy the credit enhancement requirements of Moody's and S&P in order to maintain the rating of the Notes by Moody's and S&P.

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 Closing Date, the Fund, the Fund Operating Account Bank and the Custodian will enter into an agreement (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, although the Fund Operating Account will be operated by the Custodian for the Fund. The Fund Operating Account Bank will pay interest on the amount standing to the credit of the Fund Operating Account.

If a downgrade in the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Fund Operating Account Bank to less than P-1 (in the case of Moody's) or A-1 (in the case of S&P) results in a downgrading of the then current rating of the Notes by Moody's or S&P, the Custodian will (i) procure a replacement Fund Operating Account Bank acceptable to Moody's and S&P, (ii) procure a suitable guarantee of the obligations of the Fund Operating Account Bank from a financial institution acceptable to Moody's and S&P or (iii) procure the Fund Operating Account Bank to deposit cash collateral with a financial institution acceptable to Moody's and S&P in an amount sufficient to satisfy the credit enhancement requirements of Moody's and S&P in order to maintain the rating of the Notes by Moody's and S&P.

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

The Corporate Services Agreement may be terminated by any of the parties thereto on not less than three months' written notice to the other party or at any time forthwith by notice in writing. The Corporate Services Agreement shall terminate immediately if the Corporate Services Provider becomes subject to one or more insolvency events as set out 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 English law. The courts of England will have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

### **Co-ordination Agreement**

On the Closing Date, the Originator, the Servicer, the Back-up Servicer, the Fund Manager, the Issuer, the Custodian, the Transaction Manager, EIF and the Trustee will enter into an agreement (the “**Co-ordination Agreement**”) in accordance with which such parties (other than EIF, 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 to give due consideration to any request from or opinion of the Trustee in relation to certain matters regarding the Receivables, the Originator and their obligations under the Receivables Sale Agreement, the Servicer, the Back-up Servicer, and their obligations under the Receivables 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 Transaction Manager and the Trustee will receive the benefit of the Representations and certain other representations and warranties made by each of the Originator, the Servicer, the Back-up Servicer, the Fund Manager and the Custodian in the Receivables Sale Agreement, the Receivables Servicing Agreement, the Co-ordination Agreement and the Custodian Agreement respectively.

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

### **Trust Deed**

The Listed 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 Instrumentholders and the 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.

### **Class B Deed of Undertaking**

Pursuant to the terms of a deed of undertaking (the “**Class B Deed of Undertaking**”) to be executed on or about the Closing Date, EIF will irrevocably and unconditionally as a primary obligation, with effect from the Closing Date, undertake to pay to the Trustee, for the benefit of each Class B Noteholder:

- (A) on each Interest Payment Date, an amount (if positive) (the “**Class B Interest Payment**”) equal to the Interest Shortfall in respect of the Class B Note held by such Class B Noteholder; and
- (B) on the Interest Payment Date falling in September 2036 or, at the EIF’s option and subject to giving not more than 60 days’ and not less than 30 days’ prior notice in writing to the Trustee, such earlier Interest Payment Date from (and including) the Interest Payment Date falling in September 2006 on which the Class B Notes are redeemed in full, or, following the delivery of an Enforcement Notice, any other Interest Payment Date immediately following the delivery of such Enforcement Notice (the “**Class B Redemption**”)

**Date**”), an amount (if positive) (the “**Class B Principal Payment**”) equal to (a) the Principal Amount Outstanding on the Class B Note held by such Class B Noteholder, less (b) any payment of principal to be made in respect of such Class B Note, in each case, on the Class B Redemption Date.

EIF shall pay the Class B Interest Payment or, as the case may be, the Class B Principal Payment, in respect of all Class B Notes to the Principal Paying Agent two Business Days prior to the relevant Interest Payment Date or, as the case may be, the Class B Redemption Date. Such sums shall satisfy *pro tanto* the relevant obligations of EIF under the Class B Deed of Undertaking.

### **EIF Counter-Indemnity**

Pursuant to the terms of a counter-indemnity agreement to be entered into on or about the Closing Date between the Issuer and EIF (the “**EIF Counter-Indemnity**”), the Issuer undertakes to reimburse to EIF any Class B Interest Payment or Class B Principal Payment paid by EIF in respect of the Class B Notes, on the Interest Payment Date immediately succeeding the Interest Payment Date on which such payment has been made or, if not repaid in full on such Interest Payment Date, on the Interest Payment Date(s) thereafter. Any such payment will be made out of the Available Distribution Amount in accordance with the Post-Enforcement Payment Priorities, Pre-Enforcement Interest Payments Priorities or Pre-Enforcement Principal Payments Priorities, as applicable.

In addition, the Issuer undertakes, pursuant to the EIF Counter-Indemnity, to pay to EIF an upfront fee on the Closing Date (the “**EIF Upfront Fee**”) and a fee on each Interest Payment Date (the “**EIF Fee**”). The EIF Fee will be paid in accordance with the Pre-Enforcement Interest Payments Priorities or the Post-Enforcement Payment Priorities, as applicable, and will increase by 100 per cent. on and after the Step-up Date.

The Class B Deed of Undertaking and the EIF Counter-Indemnity are governed by and will be construed in accordance with English law.

### **Swap Agreement**

Under an interest rate exchange agreement to be documented by an ISDA Master Agreement and schedule (the “**ISDA Master**”) and a confirmation dated as of the Closing Date between the Issuer and the Swap Counterparty, the Issuer will pay to the Swap Counterparty on the day falling two Business Days prior to each Interest Payment Date amounts in Euros, calculated by reference to the weighted average of the interest rates of the Purchased Receivables (whether stated or implied in the relevant Receivables Contracts) on a notional amount equal to the lesser of (i) an amortising schedule of amounts determined at the outset of the Swap Agreement in respect of the Listed Notes and (ii) the actual Outstanding Principal Amount of the Purchased Receivables as of the first day of the relevant Collection Period excluding Defaulted Receivables, Delinquent Receivables and Written-off Receivables as of the first day of the relevant Collection Period. The ISDA Master together with the confirmation thereunder is referred to herein as the “**Swap Agreement**”.

If the Issuer fails to make any payment when due to the Swap Counterparty under the Swap Agreement then the Swap Counterparty shall cease to be obliged to make any corresponding or future payments to the Issuer until the Issuer resumes making payments in which case the Swap Counterparty shall only be obliged to make any corresponding payments (including any overdue payments in full) in respect of amounts actually paid by the Issuer.

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 shall, within 30 Business Days of the occurrence of the relevant event, at its cost either (a) procure for the Issuer replacement swap transactions on the same terms with an appropriately rated entity or (b) put in place appropriate mark-to-market collateral arrangements conforming to Rating Agency criteria so that the rating of the Notes will not be adversely affected, or (c) procure for the Issuer a guarantee from an appropriately rated entity of the obligations of the Swap Counterparty under the

Swap Agreement or (d) deliver a notice from both of the Rating Agencies confirming that the then current rating of the Notes will not be downgraded. 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 to transfer its interest 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 A+ by S&P and A-1 by Moody's or whose obligations are fully guaranteed by such an entity.

#### *General*

Except as stated in "**Taxation**" and "**Early Termination**" above, neither the Issuer nor the Swap Counterparty is, save for the assignment by way of security in favour of the Trustee 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 provided that conditions substantially similar to those described in "**Taxation**" above are fulfilled.



## ORIGINATOR'S STANDARD BUSINESS PRACTICES, SERVICING AND CREDIT ASSESSMENT

### Credit Origination

The Originator's mortgage loans and real estate leases are originated at the Originator's branches as a result of marketing directed at estate agents and property salesmen. The Originator also has a team of external commercial salesmen who market the Originator's products under exclusive service agreements registered with the Bank of Portugal and the CMVM.

The applicant for a mortgage loan or real estate lease is required to complete an application form and to supply additional information including the following:

- photocopies of the identity documents of the applicant and of any guarantors;
- accounting information for the most recent three years (including the legal certification of accounts, if applicable);
- a memorandum regarding the purpose for which the relevant loan is to be advanced; and
- additional information, as may be required, relating to a guarantee and other security to be provided for the loan or lease.

Following the initial review of the application documents by the Originator, it will seek to obtain additional information regarding the applicant and any guarantors. This will be done by way of requesting information (by telephone) from other banks with which the applicant and any guarantors currently have banking relationships. The Originator also consults an independent banking information agency and a commercial information report which is available on an open database (*Coface Mope*). The Originator also requests information regarding the financial liabilities of the applicant and guarantors from the Bank of Portugal and establishes any negative credit history from the records maintained by the Portuguese Leasing Company Association.

Before finalising a credit report in relation to the application, a specialist officer of the Originator will usually visit the applicant to review the business and financial outlook for the applicant and to inspect its premises. This meeting also supplies the Originator with an opportunity to clarify any concerns regarding the application, the applicant's economic and financial position and the proposed purpose of the loan or lease.

At this point in the application process, a decision would be taken by the Originator as to whether to proceed with the proposed loan or lease. This decision will be notified to the applicant together with the conditions applicable.

An independent valuation of the real estate to be financed or mortgaged is then obtained.

Following any further amendments to the conditions applicable to the credit decision arising out of the valuation of the property, final documentation for the loan or lease will be prepared and, once documentation has been reviewed by the applicant, the documentation will be executed and the associated formalities completed.

### Collections

The Originator usually designates either the 7th or 22nd day of each month as the collection date under a mortgage loan or lease contract. Collections will be made on the 7th day of a month where the relevant contract has been signed during the first two weeks of a month; collections will be made on the 22nd day of a month where the relevant contracts have been signed in the second half of a month. Collections are currently made by standing order from the customer's bank account or by a direct debiting system. When the Obligors are employees of the Originator, they can be contractually required to pay by direct debit or automatic bank transfer but currently, as employees of the Originator, their payments are retained from their salaries.

Under the current arrangements, the Originator is able to identify any uncollected instalments of interest or rent within a maximum of 3 working days from the due date for payment thereof.

### Arrears and Recoveries

The Originator maintains an automated credit control system that allows it:

- to identify each instance of delinquency;
- to issue notices automatically to customers specifying the default and the related interest that is payable;

- to maintain a chronological record of all events and steps taken during the process of recovery of amounts outstanding;
- to schedule actions that may be required in future and to monitor their implementation;
- to record the means by which delinquent collections will be made in future and their respective due dates;
- to generate a variety of reports with respect to the status of loans that are in arrears;
- to generate additional management information as may be required.

The Originator maintains a set of guidelines which are used by its staff in the management of loans and leases that are in arrears. These guidelines set out the procedures to be followed by the staff in this situation. These include:

- establishing the reasons for the payment arrears and, where possible, remedying the situation in conjunction with the customer's banks;
- establishing the timetable for the despatch of default notices and warning letters in keeping with the length of time in which a loan or lease is in arrears;
- establishing the conditions under which visits to the customer are to be made and the collection of outstanding debts are to be handed over to an external debt recovery agency;
- establishing the conditions under which arrears cases will be transferred to the Originator's legal department.

While telephone contact will be made by the Originator with the relevant customer within one month of the loan or lease falling into arrears, the Originator's staff would not usually visit the relevant customer until the loan or lease is two months in arrears. The outstanding loan or lease would be referred to a debt recovery agency where the loan or lease is in arrears three months or more. The Originator's legal department usually become involved in the case of loans which are outstanding for in excess of three months. In the case of loans which have been referred to the Originator's legal department, settlement will usually take place in excess of six months following the loan or lease falling into arrears.

The Originator may enter into a restructuring agreement with the relevant customer with respect to a loan or lease that is in arrears. The Originator will usually only agree to this course of action where it is satisfied that the arrears are due to problems of a strictly financial nature and a review of the customer's risk profile shows that there has been no significant deterioration in that customer's ability to service its loan or lease obligations. The Originator must also be satisfied that the situation giving rise to the arrears is temporary in nature and that the problem can be rectified in a short period of time. For loans/leases/mortgages within the portfolio, the substitution rights of the Originator acting as Servicer to the Fund will be limited in accordance with the provisions of the Receivables Sale Agreement and Receivables Servicing Agreement.

## THE ISSUER

### **Incorporation and Registered Office**

The Issuer is a public limited liability company registered and incorporated in Ireland on 2 April 2003 (registered number 369396) under the Irish Companies Acts 1963 to 2001 and having its registered office at 3rd Floor, St James House, Adelaide Road, Dublin 2, Ireland. The Issuer has no subsidiaries or affiliates.

### **Business Activity**

The principal objects of the Issuer are set out in Clause 2.1 of its Memorandum of Association and permit, *inter alia*, the issuance of the Notes, the Class C Notes and the Residual Certificates, 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, the Class C Notes and the Residual Certificates 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 and the Cash Reserve 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 will also represent that it is the sole owner of the Units issued by the Fund.

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, the Class C Notes and the Residual Certificates 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 C Note Purchase Agreement, the Residual Certificate Agreement, the Transaction Management Agreement, the Corporate Services Agreement, the Co-ordination Agreement, the Issuer Account Agreement, the Cash Reserve Account Agreement and the Swap Agreement and the other documents and agreements entered into in connection with the issue of the Notes, the Class C Notes and the Residual Certificates, the purchase of the Units and the entry into the Issuer Documents.

### **Capital and Shares**

The authorised share capital of the Issuer is €38,100 divided into 38,100 ordinary shares of €1 each.

The Issuer has issued 38,100 ordinary shares with a nominal value of €1 each all of which are fully paid. The issued shares are divided equally between Badb Charitable Trust Limited, Medb Charitable Trust Limited and Eurydice Charitable Trust Limited (the “**AR Finance Shareholders**”) and four nominees who hold their shares on behalf of the AR Finance Shareholders. The AR Finance Shareholders are companies incorporated under the laws of Ireland as companies limited by guarantee and have charitable objects. The AR Finance 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.



**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.

**Commission and Expenses**

The amount payable as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for the Notes will amount to EUR 303,500, which will be deducted from the aggregate issue price of the Notes but will be paid separately. It is estimated that the expenses (including the legal expenses, listing expenses, and initial expenses of service providers) associated with the issue of the Notes will not exceed 2 per cent. of the aggregate nominal amount of the Notes. The expenses will be payable by the Issuer.

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

## ACCOUNTANT'S REPORT

The Directors  
AR Finance 1 plc  
3rd Floor  
St James House, Adelaide Road  
Dublin 2  
Ireland

BNP Paribas  
10 Harewood Avenue  
London  
NW1 6AA  
United Kingdom

Banco Espírito Santo de Investimento, S.A.  
Edifício Quartzo, Rua Alexandre Herculano, 38  
1269-161 Lisboa  
Portugal

15 December 2003

**Issue of up to Euro 150,000,000 Class A Secured Floating Rate Notes and Euro 50,000,000 Class B Secured Guaranteed Floating Rate Notes and Euro 16,000,000 Class C Secured Floating Rate Notes.**

Dear Sirs,

**Re: AR Finance 1 plc**

We report on the financial information set out in paragraphs 1 to 2.2 below. This financial information has been prepared for inclusion in the Offering Circular dated 15 December 2003. The financial information set out in this report is based on the non-statutory accounts of AR Finance 1 plc (the "Company") for the period from incorporation on 2 April 2003 to 12 December 2003 to which no adjustments were considered necessary

### ***Responsibility***

Such financial statements are the responsibility of the Directors of the Company. The Directors of the Company are responsible for the contents of the Offering Circular dated 15 December 2003 in which this report is included. It is our responsibility to compile the financial information set out in our report from the unaudited non-statutory financial statements, 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 Investments 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. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material 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 dated 15 December 2003, a true and fair view of the state of affairs of the Company as at 12 December 2003.

## *Financial Information*

### **1. Balance Sheet at 12 December 2003 \***

	<b>Euro</b>
<b>Current Assets</b>	
Cash .. .. .	38,100
	<hr/>
<b>Capital and reserves</b>	
Share capital .. .. .	38,100
Profit and loss reserve .. .. .	—
	<hr/>
Shareholders' funds – equity .. .. .	38,100
	<hr/> <hr/>

\* See notes in paragraph 2 below.

### **2. Notes**

- 2.1 The company was incorporated on 2 April 2003. The Company has not yet commenced business, no audited statutory financial statements have been made up and no dividends have been declared or paid since the date of incorporation.
- 2.2 The unaudited non-statutory accounts are prepared in accordance with generally accepted accounting principles in Ireland, by the directors for inclusion in the Offering Circular dated 15 December 2003.

Yours faithfully,

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Deloitte & Touche

## 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 do Mercado de Valores Mobiliários*, the Portuguese Securities Commission (the “CMVM”) through a resolution of the Board of Directors of the CMVM dated on or about 17 December 2003.

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 the purchase of Receivables complying with the Eligibility Criteria provided for in the Receivables Purchase Agreements and in the Fund Regulation.

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

At the Closing Date the Fund is divided into 100,000,000 Units, with a nominal value of €1 each, and with an aggregate value of €100,000,000. The Units are in book entry form and 100,000,000 Units have been issued on the date of the incorporation of the Fund. The Fund’s assets may not be subjected to any encumbrance nor transferred (except in the event of (a) the repurchase of the relevant Receivables by the Originator upon a breach of a Representation under the Receivable 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 supervision fee payable monthly to the CMVM as provided in the Fund Regulations;
- (b) a management fee payable quarterly to the Fund Manager (including any relevant costs and expenses) as provided in the Fund Regulation;
- (c) 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;
- (d) a servicer fee payable quarterly to the Servicer (including any relevant costs and expenses) as provided in the Fund Regulation, and in the Receivables Servicing Agreement;
- (e) the fees (if any) payable to the Fund Operating Account Bank as provided in the Fund Regulation, the Custodian Agreement and the Fund Operating Account Agreement; and
- (f) 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. Upon publication such financial statement will be made available at the specified offices of the Paying Agent.



### *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 represents less than 10 per cent. of the sum of (i) the amount of the assets of the Fund on the Closing Date, as determined on the Collateral Determination Date relating to the Closing Date and (ii) the Aggregate Outstanding Principal Amount of all Purchased Receivables purchased on the Further Purchase Date, as determined on the Collateral Determination Date immediately preceding the Further Purchase 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;
- (d) the Units are held by a sole Unitholder and an early redemption of all of the Listed Notes occurs under the Conditions; or
- (e) the Units are held by a sole Unitholder and the Issuer has redeemed the Listed Notes pursuant to Condition 5(a).

Where the Fund is liquidated pursuant to either (c), (d) or (e) above, the liquidation must be in the interest of the sole Unitholder.

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 Receivables 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*

Magalhães, Neves & Associados, SROC, S.A.  
OROC n° 95  
CMVM n° 223  
NIPC 502 558 610  
Head office: Amoreiras - Torre I 7° 1070-101 Lisbon-Portugal

Represented by:  
Mr Luís Augusto Gonçalves Magalhães

### **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 Rua Castilho, n° 20, 1250-069 Lisbon, Portugal.

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 or before the Closing Date, the share capital of the Fund Manager, in the amount of €4,000,000, will be fully paid in the amount of €3,610,000 and divided into 800,000 shares with a nominal value of €5 each.

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

#### *Share Capital Participation*

On or before 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:

Deutsche Bank Portugal, S.A.	799,996 shares
Homero José de Pinho Coutinho	1 share
Felipe Crisóstomo Quentin Silva	1 share
Jaime Brugat Castañer	1 share
Joaquim de Sousa Costa Barata Correia	1 share

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

##### *Board of Auditors*

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

<b>Name</b>	<b>Business Address</b>
Homero José de Pinho Coutinho	Rua Castilho, 20, 1250-069, Lisbon, Portugal
Jaime Brugat Castañer	Rua Castilho, 20, 1250-069, Lisbon, Portugal
Joaquim de Sousa Costa Barata Correia	Rua Castilho, 20, 1250-069, Lisbon, Portugal

#### *Independent Auditor*

The independent auditor of the Fund Manager is António Magalhães & Carlos Santos, SROC Sociedade de Revisores Oficiais de Contas n° 53, represented by Dr. António Monteiro de Magalhães, ROC n° 179.

#### *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 Receivables from the Originator, (b) upon the occurrence of a Notification Event, notifying the relevant Obligors of the assignment of the relevant Receivables, (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 Receivables in the event of the Fund's liquidation or a breach of any of the Representations, 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 notes obtained from its shareholders on a subordinated basis to meet own funds requirements, (b) creating any encumbrance over or selling the Receivables 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).

## **DESCRIPTION OF THE ISSUER ACCOUNT BANK**

JPMorgan Chase Bank is regulated by the Federal Reserve Bank of New York and the State of New York. Accordingly, JPMorgan Chase Bank is examined annually by examiners from both these regulators and is required to adhere to the relevant US regulations. The Federal Reserve Bank is responsible for the prudential supervision of JPMorgan Chase Bank. In the United Kingdom, JPMorgan Chase Bank is authorised by the Financial Services Authority.

As of October 2002, JPMorgan Chase Bank has a long-term senior debt rating of Aa3 from Moody's, AA- from S&P and AA- from Fitch. As of that date, JPMorgan Chase Bank also has a short term debt rating of P-1 from Moody's, A-1+ from S&P and F-1+ from Fitch.

## DESCRIPTION OF THE SWAP COUNTERPARTY

The Swap Counterparty is BNP PARIBAS acting through its London Branch.

The BNP PARIBAS Group (the “**Group**”) is France’s largest listed banking group in terms of market capitalisation. The Group is one of the top global players in financial services, conducting retail, corporate and investment banking, private banking, asset management, insurance and specialised and other financial activities throughout the world. According to the rankings published in July 2001 by The Banker (based on 2000 figures):

- based on total assets, the BNP PARIBAS Group was the largest banking group in France, the third largest in Europe, and the seventh largest in the world, and
- based on Tier 1 capital, the BNP PARIBAS Group was the second, fifth and fourteenth largest banking group in France, Europe and the world, respectively.

BNP PARIBAS (the “**Bank**”) is a leading European provider of corporate and investment banking and asset management products and services, and a leading provider of private banking products and services throughout the world. In the French retail banking segment, the Group has significant market shares in consumer lending and in corporate lending and savings management. It is a leading provider of retail banking and financial services in Europe, with over 20 million individual customers in Europe.

The Group has offices in more than 85 countries. At 31 December 2002 the Group had consolidated assets in excess of EUR 710.3 billion, consolidated gross total customer items in excess of EUR 235.7 billion, consolidated customer deposits (including retail and negotiable certificates of deposit) of EUR 267.2 billion and stockholders’ equity (BNP PARIBAS Group share including income of the year 2002) of EUR 26.4 billion. Net income (before taxes, non-recurring items and amortisation of goodwill) for the year ended 31 December 2002 was EUR 3.3 billion.

The Bank has long-term senior debt ratings of “Aa2” with stable outlook from Moody’s, “AA-” with stable outlook from Standard & Poor’s and “AA ” with positive outlook from Fitch. Moody’s has also assigned the Bank a Bank Financial Strength rating of “B+” and Fitch has assigned the Bank an individual rating of “B”.

## DESCRIPTION OF THE ORIGINATOR

Banco Alves Ribeiro, S.A. (the “**Originator**”) is a limited liability company organised under the laws of Portugal. The Originator was incorporated on 14 February 1997 and has its head office at Av. Engº Duarte Pacheco, Torre 1-11º andar, 1070-101, Lisboa. It forms part of the Alves Ribeiro group of companies which have had interests in the property sector in Portugal for over seventy years. The Originator operates in four principal business areas, namely corporate finance (including restructuring and tax consultancy), asset management (including discretionary management, investment fund management and brokerage services), trading (including fixed income and derivatives products) and the provision of credit (including real estate leasing, mortgage loans, equipment leasing and collateralised lending). Including its subsidiary companies, the total staff of the Originator comprises over 50 persons.

As of 31 December 2002, the Originator had total assets of €205 million of which 91.2 per cent. consisted of loans and other credits, 7 per cent. comprised liquid and fixed assets and 1.7 per cent. comprised equities. During 2002 the Originator’s operating income amounted to €7,316,176 of which 63 per cent. was generated by the Originator’s credit business. The Originator’s total loan portfolio has grown at an annual rate of approximately €25 million to €30 million. The Originator’s share capital currently stands at €47,500,000 while the Originator’s solvency ratio, as calculated in accordance with the Bank of Portugal’s rules, stood at 25.03 per cent. as at 31 December 2002.

## EUROPEAN INVESTMENT FUND

The European Investment Fund (“EIF”), rated AAA/Aaa by Standard & Poor’s and Moody’s, is an international financial institution whose main objective is to support the creation, growth and development of Small and Medium-sized Enterprises (“SMEs”). It is the European Investment Bank (“EIB”) Group’s specialised financial institution for guarantees and venture capital instruments, which it provides using either its own resources or those available within the framework of mandates entrusted to it by the EIB or the European Community.

The EIF is owned by the EIB (59.85%), the European Community (30%) and 28 European financial institutions (10.15%).

The EIF has its seat in 43, Avenue J.F Kennedy, L-2968 Luxembourg. It acts independently and commercially under market conditions and conducts its activities in the European Union as well as in the Acceding/Accession Countries. According to its statutes, the EIF “shall . . . contribute to the pursuit of Community objectives” working “to generate an appropriate return on its resources”, while selecting independently the operations it supports. Its role in promoting growth, employment, a knowledge-based economy, entrepreneurship, innovation, and regional development has been underscored by the Council and by the European Parliament.

Financial institutions benefiting from the EIF guarantees are allowed to allocate regulatory capital at a reduced rate of 20% in accordance with the EIF classification of Multilateral Development Bank under the European Community’s solvency ratio directive.

As at 31 December 2002, its subscribed capital amounted to Euro 2 billion and own funds reached Euro 550 million. The net profit for 2002 amounted to Euro 18.8 million, generated from its own risk activities, as well as from management of third party’s funds.

As at 30 June 2003, the subscribed capital amounted to Euro 2 billion and own funds reached Euro 560 million. The net profit for the first 6 months amounted to Euro 9.5 million.

As at 31 December 2002, EIF had made guarantee commitments on its own resources for Euro 1.7 billion and made venture capital commitments for Euro 145 million. Trust activities included guarantees on behalf of the European Community for Euro 2.8 billion and venture capital investments for Euro 2.3 billion on behalf of the EIB and the European Community. Asset under management exceeded Euro 7 billion. EIF has also recently developed independent advisory services as a new and complementary activity.

Total guarantee commitments as at 30 June 2003 stood at Euro 5.1 billion of which Euro 1.9 billion represents own-risk activities with the remaining Euro 3.2 billion being on behalf of the European Community.

EIF has participated in a large number of European SME financing securitisations.

Further information on EIF activities is available from its website at [www.eif.org](http://www.eif.org).

## CAPITALISATION OF THE EIF

The following table shows the capitalisation of EIF as at 30 June 2003.

	<b>As at 30 June 2003 (Euro)</b>
Net short-term debt (credit) .. .. .	(3,966,469)
Medium/long-term debt .. .. .	—
<b>Total debt (A) .. .. .</b>	<b>(3,966,469)</b>
 Shareholders' Equity:	
Capital stock called, nominal value EUR 1 million each .. .. .	400,000,000
Share premium account .. .. .	12,770,142
Statutory reserve .. .. .	58,367,050
Profit brought forward .. .. .	76,402,471
Profit for the financial year .. .. .	9,523,095
<b>Total Shareholders' Equity (B) .. .. .</b>	<b>557,062,758</b>
<b>Total Capitalisation (A) + (B) .. .. .</b>	<b>553,096,289</b>

There have been no material changes in the total capitalisation of EIF since 30 June 2003.



## FINANCIAL INFORMATION RELATING TO THE EIF

The financial statements of EIF as at and for the years ended 31 December 2001 and 2002 are incorporated by reference into this Offering Circular. Copies of the above-mentioned financial statements incorporated into this Offering Circular are available at the seat of EIF at 43 Avenue J. F. Kennedy, L-2962 Luxembourg and, so long as any Class B Note remains listed on the Luxembourg Stock Exchange and outstanding, at the registered office of the Luxembourg Agent.

The annual report of EIF as at and for the year ended 31 December 2001 has been audited by KPMG Luxembourg. The annual report of EIF as at and for year ended 31 December 2002 has been audited by PriceWaterhouseCoopers Luxembourg.

The following tables present summary financial data from the balance sheets and income statements of EIF as at and for the years ended 31 December 2001 and 2002. This information is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements of EIF as at and for the periods then ended.

### *Financial Information*

The following tables present summary financial data from the balance sheet and income statement of EIF as at and for the years and ended 31 December 2002 and 31 December 2002.

#### EUROPEAN INVESTMENT FUND BALANCE SHEET

	As at 31 December 2001	As at 31 December 2002
	<i>(Euro)</i>	
<b>ASSETS</b>		
<b>A) CURRENT ASSETS</b>		
Current accounts .. .. .	39,079,199	11,195,881
Term deposits .. .. .	10,000,000	15,000,000
Debtors .. .. .	2,255,558	646,585
Fixed-Income securities .. .. .	52,578,086	74,862,446
<b>TOTAL CURRENT ASSETS</b> .. .. .	<b>103,912,843</b>	<b>101,704,912</b>
<b>B) FIXED ASSETS</b>		
Debt securities and other fixed-income securities held as fixed assets ..	452,321,997	431,852,442
Investments in venture capital enterprises .. .. .	48,428,308	49,305,307
Intangible assets .. .. .	100,622	35,697
Tangible and other fixed assets .. .. .	5,068,425	4,904,435
<b>TOTAL CURRENT ASSETS</b> .. .. .	<b>505,919,352</b>	<b>486,097,881</b>
<b>C) PREPAYMENTS AND ACCRUED INCOME</b> .. .. .	<b>15,202,680</b>	<b>14,482,767</b>
<b>TOTAL ASSETS</b> .. .. .	<b>625,034,875</b>	<b>602,285,560</b>

	As at 31 December 2001	As at 31 December 2002
	<i>(Euro)</i>	
<b>LIABILITIES</b>		
<b>A) CREDITORS</b>	<b>31,863,938</b>	<b>3,438,016</b>
<b>B) ACCRUALS AND DEFERRED INCOME</b>	<b>15,545,636</b>	<b>15,955,426</b>
<b>C) PROVISIONS FOR LIABILITIES AND CHARGES</b>		
Provisions relating to guarantees	24,311,610	25,522,421
Other provisions	1,444,167	2,330,033
<b>TOTAL PROVISIONS</b>	<b>25,755,777</b>	<b>27,852,454</b>
<b>D) SHAREHOLDERS' EQUITY</b>		
Capital subscribed	2,000,000,000	2,000,000,000
Capital uncalled	(1,600,000,000)	(1,600,000,000)
Share premium account	12,770,142	12,770,142
Statutory reserve	39,464,505	54,613,022
Profit brought forward	23,892,297	68,886,360
Profit for the financial year	75,742,580	18,770,140
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>551,869,524</b>	<b>555,039,664</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>625,034,875</b>	<b>602,285,560</b>
<b>OFF-BALANCE SHEET ITEMS</b>		
<b>A) GUARANTEES IN RESPECT OF LOANS GRANTED BY THIRD PARTIES</b>		
Drawn	2,260,093,563	2,642,723,393
Undrawn	529,552,812	420,280,619
<b>TOTAL GUARANTEES IN RESPECT OF LOANS GRANTED BY THIRD PARTIES</b>	<b>2,789,646,375</b>	<b>3,063,004,012</b>
<b>B) COMMITMENTS</b>	<b>51,777,298</b>	<b>75,512,464</b>
<b>C) ASSETS HELD FOR THIRD PARTIES</b>	<b>130,745,377</b>	<b>210,683,007</b>
<b>D) FIDUCIARY OPERATIONS</b>	<b>3,852,182,292</b>	<b>5,109,410,869</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>	<b>6,824,351,342</b>	<b>8,458,610,352</b>

## EUROPEAN INVESTMENT FUND INCOME STATEMENT

	2001	2002
	<i>(Euro)</i>	
<b>INCOME STATEMENT</b>		
<b>A) INCOME</b>		
Net Interest and similar income .. .. .	24,759,424	23,837,716
Income from investment in venture capital enterprises .. .. .	6,332,804	1,943,526
Commission income .. .. .	15,872,131	20,575,145
Net profit/(loss) on financial operations .. .. .	(491,187)	(403,108)
Other operating income .. .. .	3,897	24,780
<b>TOTAL INCOME .. .. .</b>	<b>46,477,069</b>	<b>45,978,059</b>
<b>B) EXPENSES</b>		
Wages and salaries .. .. .	(5,691,120)	(6,682,869)
Social security costs .. .. .	(298,743)	(411,537)
Other administrative expenses .. .. .	(2,277,584)	(4,216,928)
<b>TOTAL EXPENSES .. .. .</b>	<b>(8,267,447)</b>	<b>(11,311,334)</b>
<b>C) VALUE ADJUSTMENTS IN RESPECT OF TANGIBLE AND INTANGIBLE ASSETS .. .. .</b>		
	<b>(377,774)</b>	<b>(384,189)</b>
<b>D) VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS .. .. .</b>		
	<b>(2,924,364)</b>	<b>(11,340,972)</b>
<b>E) TRANSFER TO/FROM THE PROVISION RELATING TO GUARANTEES .. .. .</b>		
	<b>20,335,096</b>	<b>(3,621,424)</b>
<b>F) TRANSFER TO PROVISION FOR STAFF PENSION PLAN .. .. .</b>		
	<b>20,335,096</b>	<b>(550,000)</b>
<b>F) EXTRAORDINARY RESULT .. .. .</b>		
	<b>20,500,000</b>	<b>0</b>
<b>PROFIT FOR THE FINANCIAL YEAR .. .. .</b>	<b>75,742,580</b>	<b>18,770,140</b>

### *General Information*

EIF's financial statements as at and for the years ended 31 December 2001 and 31 December 2002 incorporated by reference into this Offering Circular will be available at the registered office of the Luxembourg Agent. EIF does not issue interim financial statements. So long as any of the Class B Notes remain listed on the Luxembourg Stock Exchange and outstanding, copies of EIF's annual financial statements shall, upon publication, be made available free of charge at the registered office of the Luxembourg Agent.

Neither the Issuer nor EIF are involved in any litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Notes and no such litigation, arbitration or administrative proceedings are pending or threatened.

Save as disclosed in this document, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise) or general affairs of the Issuer or EIF since the date of its respective incorporation or establishment that is material in the context of the issue of the Notes.

## SELECTED ASPECTS OF LAWS OF THE PORTUGUESE REPUBLIC RELEVANT TO THE RECEIVABLES AND THE TRANSFER OF THE RECEIVABLES

### Securitisation Legal Framework

#### *General*

Decree Law 453/99 of 5 November 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.

The most important aspects of this new legal framework are:

- (a) the establishment of special rules facilitating the assignment of credits in the context of securitisation;
- (b) the establishment of the types of originators 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 originators 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 património 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 de Fundos 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 €250,000 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 by an auditor registered with the CMVM.

#### *Assignment of credits*

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

##### (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.

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. The Fund is entitled under the Securitisation Law to effect such registration.

#### (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.

### **Risk of Set-Off by Obligor**

#### (a) General

The Securitisation Law does not contain any specific provisions in respect of set-off. Accordingly, Articles 847 to 856 of the *Código Civil* (the Portuguese Civil Code) are applicable. The Securitisation Law has an impact on set-off risk to the extent that, by virtue of establishing that the assignment of credits by a credit institution, a financial company, an insurance company, pension funds and pension fund managers is effective against the debtor on the date of assignment of such credits without notification to the debtor being required (provided that the assignor is the servicer of the assigned credits), 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 do Processo Especial de Recuperação de Empresa e Falência* (the Code for the Bankruptcy and Recovery of Companies), introduced by Decree Law 132/93 of 23 April, as amended, 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 holder 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 LISTED 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 and the Class B Notes are together referred to herein as the “**Notes**”. AR Finance 1 plc (the “**Issuer**”) has also issued Class C Secured Fixed Rate Notes due September 2036 (the “**Class C Notes**” which, together with the Notes shall hereafter be referred to herein as the “**Listed Notes**”) in the aggregate principal amount of €8,000,000 pursuant to a Class C Note purchase agreement dated 19 December 2003 (the “**Class C Note Purchase Agreement**”). The Issuer has also issued 20 Residual Certificates due September 2036 (the “**Residual Certificates**”) pursuant to a residual certificate agreement dated 19 December 2003 (the “**Residual Certificate Agreement**”). The Listed Notes and the Residual Certificates are together referred to herein as the “**Instruments**”. The Instruments are subject to, and have the benefit of, a trust deed dated 19 December 2003 (the “**Trust Deed**”) between the Issuer and Mourant & Co. Trustees Limited (the “**Trustee**”). Certain provisions of these terms and conditions (the “**Conditions**”) are summaries of the Trust Deed and a paying agency agreement dated 19 December 2003 (the “**Paying Agency Agreement**”) between the Issuer, the Trustee, JPMorgan Chase Bank (in such capacity, the “**Principal Paying Agent**” and the “**Agent Bank**”), the European Investment Fund (“**EIF**”) and Crédit Agricole Investor Services Bank Luxembourg (in such capacity the “**Registrar**”, the “**Transfer Agent**” and 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 C Notes (the “**Class C Noteholders**” and, together with the Noteholders, the “**Listed Noteholders**”) and the holders for the time being of the coupons (the “**Coupons**”) appertaining to the Listed 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 19 December 2003 (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. Terms used herein have the meanings given to them in the Master Framework Agreement.

### 1 Form, Denomination, Title and Guarantee

- 1.1 The Listed Notes are in bearer form in the denomination of €10,000 and €100,000 each with Coupons attached at the time of issue. Title to the Listed Notes and the Coupons will pass by delivery. The holder of any Listed 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 or theft thereof) and no person shall be liable for so treating such holder.
- 1.2 EIF has in the Class B Deed of Undertaking irrevocably undertaken to pay to the Trustee, for the benefit of each Class B Noteholder, (a) on each Interest Payment Date the Class B Interest Payment; and (b) on the Class B Redemption Date, the Class B Principal Payment, in each case, on the relevant Class B Note.

### 2 Status, Security and Limited Recourse

- 2.1 *Status*: The Listed Notes and the Coupons of each class constitute secured obligations of the Issuer.
- 2.2 *Ranking*: The Listed Notes in each class will at all times rank without preference or priority *pari passu* amongst themselves.
- 2.3 *Sole Obligations*: The Listed Notes and the Coupons are obligations solely of the Issuer and not the obligations of or guaranteed by any other party.
- 2.4 *Priority of Interest Payments*: Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class B Notes, payments of interest on the Class B Notes will at all times rank in priority to payments of interest on the Class C Notes, payments of interest on the Class C Notes will at all times rank in priority to amounts paid in respect of the Residual Certificates in each case in accordance with the Pre-Enforcement Interest Payments Priorities (as defined in Condition 6).

- 2.5 *Priority of Principal Payments:* Payments of principal on the Class A Notes will at all times rank in priority to payments of principal on the Class B Notes, payments of principal on the Class B Notes will at all times rank in priority to payments of principal on the Class C Notes, payments of principal on the Class C Notes will at all times rank in priority to amounts paid in respect of the Residual Certificates in each case in accordance with the Pre-Enforcement Principal Payments Priorities (as defined in Condition 6). The Class B Notes may in certain circumstances under the Class B Deed of Undertaking be redeemed prior to the redemption in full of the Class A Notes.
- 2.6 *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 Payments Priorities and the Pre-Enforcement Principal Payments Priorities respectively and thereafter in accordance with the Post-Enforcement Payment Priorities (each as defined in Condition 6).
- 2.7 *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:
- (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 the Issuer Account, the Cash Reserve Account and any other bank or other accounts in which the Issuer may at any time have or acquire any benefit;
  - (c) an assignment by way of first fixed security of the benefit of each Issuer Document (other than the Trust Deed, the Instruments and the Coupons); and
  - (d) 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.
- 2.8 *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:
- (a) 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;
  - (b) all claims in respect of any sums due but unpaid shall be extinguished; and
  - (c) 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 to, the Issuer.
- 2.9 *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 Listed 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 Listed 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 Listed Notes bear interest from the Closing Date, payable quarterly in arrear on the 20th day of December, March, June and September 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. The first Interest Payment Date will be 20 March 2004. 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 Listed 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 Listed Notes except for Class A Notes (including any interest which accrued prior to the beginning of the Interest Period ending on that Interest Payment Date), the shortfall (the “**Interest 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 Interest Shortfall irrespective of the period for which it remains outstanding.

Each Listed 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 Listed Notes up to that day are received by or on behalf of the relevant Listed 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);
    - (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); and
- (b) *Rate of interest applicable to the Notes:* The rate of interest applicable to the Class A Notes and the Class B Notes (the “**Floating Rate of Interest**”) for each Interest Period will be determined by JPMorgan Chase Bank in its capacity as the agent bank in respect of the Listed Notes (the “**Agent Bank**”), on the following basis:
- (i) on the second Business Day (as defined below) 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 Listed Notes to the Interest Payment Date falling in March 2004, at a rate obtained by the linear interpolation of the European Interbank Offered Rate for three month and four month Euro deposits as determined by the European Banking Federation and published on screen page BTMM EU of the Bloomberg service as of 10:00 a.m. (London 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 10:00 a.m. (London 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 10:00 a.m. (London 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) Relevant Margin:
- (i) for the Class A Notes, prior to the Step-up Date, 0.32 per cent. per annum and on or after the Step-up Date, 0.64 per cent. per annum; and
- (ii) for the Class B Notes, prior to the Step-up Date, 0.09 per cent. per annum and on or after the Step-up Date, 0.18 per cent. per annum.
- (d) *Rate of interest applicable to the Class C Notes:* The rate of interest applicable to the Class C Notes (the “**Fixed Rate of Interest**”) for each Interest Period will be 19 per cent. per annum.
- (e) *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 Listed Note for such Interest Period. The Interest Amount in respect of the Class A Notes and the Class B 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 or, as the case may be, Class B 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). The Interest Amount in respect of the Class C Notes will be calculated by applying the Fixed Rate of Interest to the Principal Amount Outstanding of such Class C Notes during such Interest Period multiplying the product by the Class C Notes Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- (f) *Publication:* The Agent Bank will cause each Floating Rate of Interest and Interest Amount determined by it, and the Interest Amount relating to the Class C Notes, together with the relevant Interest Payment Date in each case, to be notified to the Paying Agents, the Transaction Manager, the Trustee and the Listed Noteholders of the relevant class in accordance with Condition 14 and each stock exchange (if any) on which the Listed Notes are then listed as soon as practicable after such determination but in any event not later than the first day of the relevant Interest Period. The Agent Bank will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) in the event of an extension or shortening of the relevant Interest Period.
- (g) *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 Listed 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 (h) below) the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (h) *Interpretation:* In these Conditions, “**Business Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System is open for settlement of payments in Euro (a “**TARGET Day**”) or if such TARGET Day is not a day on which banks are open for business in London, Lisbon and Luxembourg the next succeeding TARGET Day on which banks are open for business in London, Lisbon and Luxembourg.
- (i) *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 (d) above. Such determination will be deemed to have been made by the Agent Bank.

- (j) *Payments under the Class B Deed of Undertaking:* EIF has, in the Class B Deed of Undertaking, irrevocably undertaken to pay, on each Interest Payment Date, the Class B Interest Payment (if any) to the Trustee, for the benefit of each Class B Noteholder. The payment by EIF of the Class B Interest Payment into the account specified in the relevant Payment Demand (as defined in the Class B Deed of Undertaking) shall satisfy, *pro tanto*, the relevant obligations of EIF under the Class B Deed of Undertaking.

## 5 Redemption and Purchase

- (a) *Redemption in Whole:* the Issuer may, at its option and, in relation to paragraphs (iv) and (v) below, the Issuer shall, with 30 days' prior notice in accordance with Condition 14, apply the Available Distribution Amount to redeem all (but not some only) of the Listed 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 Listed 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 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 the Issuer's jurisdiction of incorporation (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 any amount payable in respect of any Unit Distributions to cease to be receivable by the Issuer including as a result of any of the Obligors being obliged to make a deduction or withholding on account of any tax in respect of any payment in relation to any Receivable 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 Outstanding Principal Amount of the Purchased Receivables is equal to or less than 10 per cent. of the sum of (a) the Aggregate Outstanding Principal Amount of the Purchased Receivables as at the Collateral Determination Date relating to the Closing Date and (B) the Aggregate Outstanding Principal Amount of all Purchased Receivables purchased on the Further Purchase Date, as determined on the Collateral Determination Date immediately preceding such Further Purchase Date; or
  - (v) falling on or after September 2006.

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 Listed 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 Listed 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 Listed Notes in accordance with this Condition 5(a).

For the avoidance of doubt, EIF does not guarantee any of the amounts payable by the Issuer pursuant to this Condition 5(a).

- (b) *Mandatory Redemption in Part:* Unless previously redeemed and cancelled, each Listed 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 Listed Note will be redeemed at its Principal Amount Outstanding, together with accrued interest (if any), on the Interest Payment Date falling

in September 2036 (the “**Final Legal Maturity**”). The actual final redemption date of the Listed 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 Listed Notes otherwise than as provided in paragraphs (a), (b) and (c).
- (e) *Cancellation*: All Listed 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 Listed Notes.
- (g) *Payments under the Class B Deed of Undertaking*: Unless previously redeemed in full as provided in this Condition 5, on the Interest Payment Date falling in September 2036 or, at the EIF’s option and subject to giving not more than 60 days’ and not less than 30 days’ prior notice in writing to the Trustee in accordance with Condition 14, such earlier Interest Payment Date from (and including) the Interest Payment Date falling in September 2006 on which the Class B Notes are redeemed in full, or following the delivery of an Enforcement Notice, any other Interest Payment Date immediately following the delivery of such Enforcement Notice (the “**Class B Redemption Date**”) EIF shall pay, under the terms of the Class B Deed of Undertaking, the Class B Principal Payment to the Trustee, for the benefit of each Class B Noteholder. The payment by EIF of the Class B Principal Payment into the account specified in the relevant Payment Demand (as defined in the Class B Deed of Undertaking) shall satisfy *pro tanto* the relevant obligations of EIF under the Class B Deed of Undertaking. For the avoidance of doubt, EIF is not obliged to exercise the aforementioned option, in which case its obligations to pay the Class B Principal Payment on the Final Legal Maturity shall continue. EIF is not obliged under any circumstances to accelerate payment of the Class B Notes under the Class B Deed of Undertaking.

A principal deficiency ledger comprising two sub-ledgers (the “**Class A Principal Deficiency Ledger**” and the “**Class B Principal Deficiency Ledger**”, together the “**Principal Deficiency Ledgers**”) will be established in order to record any Realised Loss on the Purchased Receivables (each a “**Principal Deficiency**”) in an amount equal to the Realised Loss on a Purchased Receivable as at the date on which such Purchased Receivable becomes a Written-off Receivable. 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 Listed 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 Listed Noteholders in accordance with Condition 14 and to each stock exchange (if any) on which the Listed 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, the 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 the Interest Amount in accordance with Condition 4(e).
- (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 Listed 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 Listed Noteholders or Couponholders in respect of such payments.
- (d) *Unmatured Coupons void*: On the due date for final redemption of any Listed Notes or early redemption in full of such Listed Notes pursuant to Condition 5(a) or Condition 9, 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 Listed Note 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(g)) 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 Listed 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 Listed 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 Listed Notes or Coupon (as the case may be) a statement indicating the amount and date of such payment.

#### *Pre-Enforcement 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 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, up to an amount equal to that portion of the Available Interest Distribution Amount as shall have been allocated towards providing for the Issuer Expenses up to the Expenses Cap, in or towards payment only when due and *pari passu* with each other on a *pro rata* basis of the Issuer Expenses;
- (d) fourth, 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);
- (e) fifth, 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);
- (f) sixth, in or towards reduction of the debit balance on the Class A Principal Deficiency Ledger (as defined above) to zero;
- (g) seventh, 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;
- (h) eighth, in or towards payment of the EIF Fee;
- (i) ninth, to repay to EIF an amount equal to the aggregate of all Class B Interest Payments in respect of the Class B Notes paid by EIF pursuant to the Class B Deed of Undertaking on the Interest Payment Date(s) preceding such Interest Payment Date together with any interest accrued thereon, less the aggregate of all amounts repaid by the Issuer to EIF in respect of such payments prior to such Interest Payment Date;
- (j) tenth, in or towards reduction of the debit balance on the Class B Principal Deficiency Ledger (as defined above) to zero;
- (k) eleventh, in or towards payment to the credit of the Cash Reserve Account until the balance thereof is equal to the Cash Reserve Account Required Balance;
- (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);

- (m) thirteenth, in or towards payment *pari passu* on a *pro rata* basis of any Issuer Expenses not otherwise paid under sub paragraph (c) above;
- (n) fourteenth, 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;
- (o) fifteenth, subject to the proviso below, in or towards payment of the RC Distribution Amounts (if any); and
- (p) sixteenth, in release of the balance (if any) to the Issuer or to its order.

Provided that if on any Interest Payment Date the Cash Reserve Account Required Balance is reduced before any payment of an RC Distribution Amount is made under paragraph (o) above, an amount up to the amount of such reduction in the Cash Reserve Account Required Balance shall be paid *pari passu* on a *pro rata* basis in respect of the Class C Notes and shall be treated as reducing the Principal Amount Outstanding of the Class C Notes *pro tanto* until the Class C Notes have been redeemed in full.

#### *Pre-Enforcement 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 or the Class B Principal Deficiency Ledger, will be applied by the Transaction Manager on each Interest Payment Date in making the following payments in the following order or priority (the “**Pre-Enforcement 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 of those items listed in (a) to (e) above in the Pre-Enforcement Interest Payments Priorities to the extent not satisfied by the Available Interest Distribution Amount;
- (b) second, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class A Notes until the Class A 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 B Notes until the Class B Notes have been redeemed in full;
- (d) fourth, commencing on the Interest Payment Date immediately following the Class B Redemption Date, to repay to EIF an amount equal to the aggregate of all Class B Principal Payments in respect of the Class B Notes paid by EIF pursuant to the Class B Deed of Undertaking on the Class B Redemption Date together with any interest accrued thereon, less the aggregate of all amounts repaid by the Issuer to EIF in respect of such payments prior to such Interest Payment Date;
- (e) fifth, 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;
- (f) sixth, in or towards payment of the RC Distribution Amounts.

#### *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 Payment 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 *pari passu* on a *pro rata* basis of the fees, costs and expenses of the Corporate Services Provider, the Agent Bank, any Paying Agent, the Transaction Manager (or any successor), the Registrar, the Transfer Agent, the Issuer Account Bank and the Cash Reserve Account Bank and any other third party expenses;

- (c) third, 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);
- (d) fourth, *pari passu* on a *pro rata* basis (i) in or towards payment of accrued interest on the Class A Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due and (ii) in or towards payment 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);
- (e) fifth, 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;
- (f) sixth, in or towards payment of accrued interest on the Class B Notes *pari passu* on a *pro rata* basis but so that current interest will be paid before interest that is past due;
- (g) seventh, in or towards payment of the EIF Fee;
- (h) eighth, to repay to EIF an amount equal to the aggregate of all Class B Interest Payments in respect of the Class B Notes paid by EIF pursuant to the Class B Deed of Undertaking on the Interest Payment Date(s) preceding such Interest Payment Date together with any interest accrued thereon, less the aggregate of all amounts repaid by the Issuer to EIF in respect of such payments prior to such Interest Payment Date;
- (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, commencing on the Interest Payment Date immediately following the Class B Redemption Date, to repay to EIF an amount equal to the aggregate of all Class B Principal Payments in respect of the Class B Notes paid by EIF pursuant to the Class B Deed of Undertaking on the Class B Redemption Date together with any interest accrued thereon, less the aggregate of all amounts repaid by the Issuer to EIF in respect of such payments prior to such Interest Payment Date;
- (k) eleventh, 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);
- (l) twelfth, 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;
- (m) thirteenth, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding on the Class C Notes until all the Class C Notes have been redeemed in full; and
- (n) fourteenth, in or towards payment of the RC Distribution Amounts (if any).

## **7 Taxation**

All payments of principal and interest in respect of the Listed 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 Luxembourg 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, neither the Issuer nor EIF shall have any obligation to pay any additional amount.

If the Issuer and/or EIF becomes subject at any time to any taxing jurisdiction other than Ireland or Luxembourg, as the case may be, references in these Conditions to Ireland or Luxembourg, as the case may be, shall be construed as references to Ireland or Luxembourg, as the case may be, 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 Listed 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 Listed 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 Listed 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 Listed 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 Listed Notes; or
  - (ii) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Listed 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 Listed 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 Listed 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 Listed 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 Listed Notes; or
  - (ii) so directed by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Listed 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 Listed 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 Listed Noteholders and the Couponholders of each class after payment of all other claims ranking in priority to the Listed Notes in accordance with the Post-Enforcement Payments Priorities; or
  - (ii) the Trustee is of the opinion, which shall be binding on the Listed 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 Listed Noteholders and Couponholders after payment of all other claims ranking in priority to the Listed 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 Listed 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 Listed 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 Listed Noteholders in accordance with Condition 14 that, upon further presentation of the Listed 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 Listed Notes and Coupons**

If any Listed Note 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 Listed 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 Listed 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 Listed 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 Listed Noteholders as a class and will not be responsible for any consequence for individual holders of the Listed Notes or Coupons of any such class of Listed 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 Listed Notes or the Residual Certificates; and
- (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 (or, following the making of any payment by EIF under the Class B Deed of Undertaking, EIF as guarantor of the Class B Notes to the extent of such payment) (as the case may be) and shall not have regard to the interests of the holders of the Class C Notes or the Residual Certificates.

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 Listed Noteholders and/or the other Secured Creditors. In determining whether any matter is or is not materially prejudicial to the interests of Listed 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 Listed Noteholders and/or the other Secured Creditors.

In acting under the Paying Agency Agreement and in connection with the Listed 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 Listed 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 Listed 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 Listed Noteholders in accordance with Condition 14.

## **12 Meetings of Listed Noteholders; Modification and Waiver; Substitution**

- (a) *Meetings of Listed Noteholders:* The Trust Deed contains provisions for convening meetings of Listed Noteholders to consider matters relating to the Listed 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 Listed Noteholders holding not less than one-tenth of the aggregate Principal Amount Outstanding of the outstanding Listed 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 Listed Notes or, at any adjourned meeting, two or more persons being or representing Listed Noteholders whatever the Principal Amount Outstanding of the Listed 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 Listed Notes, to reduce the amount of principal or interest payable on any date in respect of the Listed Notes, to alter the method of calculating the amount of any payment in respect of the Listed Notes or the date for any such payment, to change the currency of payments under the Listed 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 Listed 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 Listed Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Listed Noteholders and Couponholders whether present or not.

Where more than one class of Listed Notes is outstanding, (a) business which in the opinion of the Trustee affects only one class of Listed 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 Listed 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 Listed 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 Listed Noteholders of the relevant class thereof who for the time being are entitled to receive notice of a meeting of Listed 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 Listed Noteholders or the relevant class thereof.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Listed 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 Listed Notes, the provisions concerning the quorum required at any meeting of Listed 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 Listed Noteholders and to any modification of the Listed 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 Listed Noteholders or Couponholders authorise or waive any proposed breach or breach of the Listed 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 Listed Notes, the provisions concerning the quorum required at any meeting of Listed Noteholders and the provisions concerning the majority required to pass an Extraordinary Resolution) if, in the opinion of the Trustee, the interests of the Listed Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Listed Noteholders as soon as practicable thereafter.

- (c) *Substitution*: The Trust Deed contains provisions under which any other company may, without the consent of the Listed Noteholders or Couponholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Listed Notes provided that certain conditions specified in the Trust Deed are fulfilled. Notice of any substitute Issuer will be given to the Listed Noteholders in accordance with Condition 14, and the Luxembourg Stock Exchange will also be informed of any such substitution. In addition, a supplementary offering circular in such form as may be required by the Luxembourg Stock Exchange will be produced.

No Listed 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 Listed Noteholder or (as the case may be) Couponholder.

### **13 No Action by Listed Noteholders, EIF and Couponholders**

- (a) None of the Listed Noteholders, EIF and the 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 Listed Noteholders and Couponholders;
  - (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 Listed 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 Listed Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange require publication of such notices, notices to the Listed 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 Listed Noteholders.

### **15 Governing Law and Jurisdiction**

- (a) *Governing Law*: The Trust Deed, the Listed Notes and the Class B Deed of Undertaking 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 Listed 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 Further Issue

The Issuer shall be at liberty once and without the consent of the Noteholders, the Class C Noteholders or the Trustee to raise further funds by the creation and issue (a “**Further Issue**”) at any time during a period commencing on (and including) the Closing Date and ending on the earlier of (a) (but excluding) the date on which a Stop Purchase Event occurs or (b) (and including) the date falling twelve (12) months from the Closing Date (the “**Issue Period**”) of (i) further Class A Notes, (“**Further Class A Notes**”) in bearer form which shall form a series of Further Class A Notes and shall carry the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and shall be consolidated and rank *pari passu* with, and share the same security as, the Class A Notes and shall become fungible with the Class A Notes on the First Interest Payment Date following the issue date of the Further Class A Notes, (ii) further Class B Notes (“**Further Class B Notes**”), in such proportion as may be required by the Rating Agencies for the Further Class A Notes to be assigned the requisite rating, in bearer form which shall form a series of Further Class B Notes and shall carry the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and shall be consolidated and rank *pari passu* with, and share the same security as, the Class B Notes and shall become fungible with the Class B Notes on the First Interest Payment Date following the issue date of the Further Class B Notes and (iii) further Class C Notes (“**Further Class C Notes**”), in such proportion as may be required by the Rating Agencies for the Further Class A Notes and the Further Class B Notes to be assigned the requisite rating, in bearer form which shall form a series of Further Class C Notes and shall carry the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and shall be consolidated and rank *pari passu* with, and share the same security as, the Class C Notes and shall become fungible with the Class C Notes on the First Interest Payment Date following the issue date of the Further Class C Notes. The aggregate Principal Amount Outstanding on issue of all Further Class A Notes shall not exceed €75,000,000, the aggregate Principal Amount Outstanding on issue of all Further Class B Notes shall not exceed €25,000,000 and the aggregate Principal Amount Outstanding on issue of all Further Class C Notes shall not exceed €8,000,000. Application will be made to the Luxembourg Stock Exchange or such other stock exchange on which the Notes are then listed for the Further Listed Notes to be admitted to the Official List. Any such Further Listed Notes will be constituted by and in accordance with the provisions of the Trust Deed. It shall be a condition precedent to the issue of any Further Listed Notes that such Further Listed Notes will be supported by such arrangements as would enable such Further Listed Notes if issued in their own right to be assigned the requisite rating by the Rating Agencies and that the ratings of the Notes and of any previously issued Further Listed Notes will not be adversely affected by such issue.

## 17 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.

# TAXATION

## General

The following is a general description of certain tax considerations in Ireland, Portugal and the United Kingdom relating to the Listed Notes. It does not purport to be a complete analysis of all tax considerations relating to the Listed Notes and should be read in conjunction with the section entitled “**Risk Factors – No Gross-up for Taxes**”. Prospective purchasers of the Listed 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 Listed Notes and receiving payments of interest, principal and/or other amounts under the Listed 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

### *Income Tax*

In general, persons who are resident in Ireland are liable to Irish taxation on their world-wide income whereas persons who are not resident in Ireland are only liable to Irish taxation on their Irish source income. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Irish Revenue Commissioners to issue or raise an assessment.

A Listed Note issued by the Issuer may be regarded as property situate in Ireland on the grounds that a debt is deemed to be situate where the debtor resides. However, the interest earned on such Listed Notes is exempt from income tax if paid to a person who for the purposes of Section 198 of the Taxes Consolidation Act 1997 (“TCA 1997”) is regarded as being a resident of a relevant territory. A relevant territory for this purpose is a Member State of the European Communities (other than Ireland) or not being such a Member State a territory with which Ireland has entered into a double tax treaty. As of the date of this Offering Circular, Ireland has entered into a double tax treaty with each of Australia, Austria, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, India, Israel, Italy, Japan, Korea (Rep. of), Latvia, Lithuania, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, Romania, Russia, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, United Kingdom, U.S.A. and Zambia.

If the above exemption does not apply there is a long standing unpublished practice whereby no action will be taken to pursue any liability to such Irish tax in respect of persons who are regarded as not 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.

### *Withholding Taxes*

In general, withholding tax at the rate of 20 per cent. must be deducted from interest payments made by an Irish company. However, Section 246 TCA 1997 (“Section 246”) provides that this general obligation to withhold tax does not apply in respect of, inter alia, interest payments made by the Issuer to a person, who by virtue of the law of the relevant territory, is resident for the purposes of tax in a relevant territory (see above for details). The exemption does not apply if the interest is paid to a company in connection with a trade or business which is carried on in Ireland by the company through a branch or agency.

Apart from Section 246, Section 64 TCA 1997 (“Section 64”) provides for the payment of interest on a “quoted Eurobond” without deduction of tax in certain circumstances. A quoted Eurobond is defined in Section 64 as a security which:

- (i) is issued by a company;
- (ii) is quoted on a recognised stock exchange (this term is not defined but is understood to mean an exchange which is recognised in the country in which it is established);

- (iii) is in bearer form; and
- (iv) carries a right to interest.

There is no obligation to withhold tax on quoted Eurobonds where:

- (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
  - (i) the quoted Eurobond is held in a recognised clearing system (Euroclear and Clearstream, Luxembourg have been designated as recognised clearing systems); 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 an appropriate written declaration to this effect.

#### *Capital Gains Tax*

A holder of a Listed Note will not be subject to Irish taxes on capital gains provided that such holder is neither resident nor ordinarily resident in Ireland and such holder does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the Listed Notes are attributable.

#### *Capital Acquisitions Tax*

If the Listed Notes are comprised in a gift or inheritance taken from an Irish domiciled, resident or ordinarily resident disponent or if the disponent's successor is resident or ordinarily resident in Ireland, or if any of the Listed Notes are regarded as property situate in Ireland, the disponent's successor may be liable to Irish capital acquisitions tax. As stated above, the Listed Notes issued by the Issuer may be regarded as property situate in Ireland. Accordingly, if such Listed Notes are comprised in a gift or inheritance, the disponent's successor may be liable to Irish capital acquisitions tax, even though the disponent may not be domiciled in Ireland.

#### *Stamp duty*

For as long as the Issuer is a qualifying company within the meaning of Section 110 TCA 1997, no Irish stamp duty will be payable on either the issue or transfer of the Listed Notes, provided that the money raised by the issue of the Listed Notes is used in the course of the Issuer's business.

### **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 Listed Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Listed Notes. The following is a general guide and should be treated with appropriate caution. Listed Noteholders who are in any doubt as to their tax position should consult their professional advisers. Listed Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Listed 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 Listed Notes. In particular, Listed 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 Listed 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 Listed 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 Listed Notes may have a United Kingdom source where, for example, the Listed 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 Listed Notes in respect of which the UK interest is paid constitute "**quoted eurobonds**". Listed 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 United Kingdom Inland Revenue interpretation, Listed 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 Listed 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 Listed 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*

Listed Noteholders who are individuals should note that where any interest on Listed 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 Listed 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 Listed Noteholder (including the Listed 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 Listed Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Listed 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 Listed Noteholder is resident for taxation purposes.

#### **Council of the European Community Directive on the Taxation of Savings Income**

On 3 June 2003, the Council of the European Community adopted a Directive on the taxation of savings income under which member states of the European Community (“**Member States**”) will generally be required to provide to the tax authorities of another Member State details of interest or other similar income paid by a person within its jurisdiction to or for an individual resident in that other Member State. Exceptionally (and for a transitional period only which will end after agreement on exchange of information is reached between the European Community and certain non-European Community states) Belgium, Luxembourg and Austria will instead be required to withhold tax from such payments unless the bondholder authorises the person making the payment to report the payment, or presents a certificate from the relevant tax authority establishing exemption therefrom. The directive will, subject to certain conditions being satisfied, apply from 1 January 2005.

#### **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 Listed 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, and the Unit Distributions made by the Fund to the Issuer are also 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.

### *Listed Noteholder's Income Tax*

In the event that there is withholding tax in Ireland in relation to the interest payments under the Listed 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 Listed Notes made to Portuguese individuals are subject to income tax. Interest payments on the Listed 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

BNP PARIBAS and Banco Espírito Santo de Investimento, S.A. (“**Espírito Santo Investment**”), (each a “**Lead Manager**”) have, in a subscription agreement dated 15 December 2003 (the “**Subscription Agreement**”) and made between the Issuer, EIF and the Lead Managers upon the terms and subject to the conditions contained therein, agreed to subscribe, severally, and pay for (a) the Class A Notes at their issue price of 100 per cent. of their principal amount less a combined management, selling and underwriting fee of 0.265 per cent. of their principal amount; and (b) the Class B Notes at their issue price of 100 per cent. of their principal amount less a combined management, selling and underwriting fee of 0.419 per cent. of their principal amount. The Issuer has also agreed to reimburse the Lead Managers for certain of its expenses incurred in connection with the management of the issue of the Notes. The Lead 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.

Banco Alves Ribeiro, S.A. (the “**Class C Notes Purchaser**”), pursuant to the Class C Note Purchase Agreement, agrees to subscribe and pay €8,000,000 for the Class C Notes on the Closing Date at their issue price of 100 per cent.

### **United States**

The Listed Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Listed 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, and the Class C Notes Purchaser and the Issuer have each represented to and agreed with each other that, except as permitted by the Class C Note Purchase Agreement, the Class C Notes will not be offered, sold or delivered (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 relevant Listed 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 the relevant Listed Notes during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Listed 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 Listed Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **United Kingdom**

In relation to the Notes each Manager has further represented to and agreed with the Issuer, and in relation to the Class C Notes, the Class C Notes Purchaser and the Issuer have each represented to and agreed with each other 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 of the relevant Listed 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 (as amended) or the Financial Services and Markets Act 2000 (the “**FSMA**”);
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA), received by it in connection with the issue or sale of any of the relevant Listed Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or EIF as the guarantor; 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 relevant Listed Notes in, from or otherwise involving the United Kingdom.

**Ireland**

The Listed Notes may not lawfully be offered for sale to persons in Ireland except in circumstances where (i) such offer constitutes an offer of a type described in Article 2 of Council Directive No. 89/298/EEC of 17 April, 1989, (ii) is in compliance with the provision of Part III of the Irish Companies Act, 1963 and (iii) the Listed Notes will not, to the extent applicable, be underwritten or placed otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended).

**Portugal**

In relation to the Notes, each Manager has agreed, and in relation to the Class C Notes, the Class C Notes Purchaser and the Issuer have each represented to and agreed with each other 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 of the relevant Listed Notes in circumstances which could qualify as a public offer pursuant to the *Código dos Valores Mobiliários* (the Portuguese Capital Markets Code) or in circumstances which could qualify the issue of the relevant Listed 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.

**General**

No action has been or will be taken in any jurisdiction by the Issuer or the Lead Managers or the Class C Notes Purchaser that would, or is intended to, permit a public offering of the Listed 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. Persons into whose hands this Offering Circular comes are required by the Issuer and the Lead Managers and the Class C Notes Purchaser to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Listed Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Listed Notes, in all cases at their own expense.

## GENERAL INFORMATION

- (1) BNP PARIBAS and Espírito Santo Investment are both Arrangers and Lead Managers in respect of the Listed Notes.
- (2) The creation and issue of the Listed Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 12 December 2003.
- (3) Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting the Issuer or EIF or any of their assets, nor is the Issuer or EIF aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Listed Notes.
- (4) 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 or EIF since the date of their respective incorporation or establishment that is material in the context of the issue of the Listed Notes. The Issuer shall procure that BAR as Servicer shall produce a Monthly Report no later than 5 Lisbon Business Days after the beginning of each calendar month, and a Quarterly Report no later than 5 Lisbon Business Days after the end of each relevant Collection Period and the Transaction Manager shall produce an Investor Report, no later than 6 Business Days after each Interest Payment Date. Copies of each Investor Report will be freely available at the specified offices of the Trustee and of the Paying Agent in Luxembourg.
- (5) EIF has obtained all approvals and authorisations in connection with its participation as a guarantor in the transaction.
- (6) For so long as any of the Listed Notes are outstanding, copies of the following documents may be inspected during normal business hours at the specified office of each Paying Agent (and, in relation to item (p) below, copies will be freely available):
  - (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 Unit Purchase Agreement;
  - (h) the Fund Regulation;
  - (i) the Co-ordination Agreement;
  - (j) the Class C Note Purchase Agreement;
  - (k) the Residual Certificate Agreement;
  - (l) Class B Deed of Undertaking;
  - (m) EIF Counter-Indemnity;
  - (n) the Corporate Services Agreement;
  - (o) the Swap Agreement; and
  - (p) the then current Investor Report.
- (7) For so long as any of the Listed 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 12 December 2003 and a set of financial statements

will be published every twelve months thereafter. These financial statements will be available at the specified office of the Paying Agent in Luxembourg. Interim financial statements of the Issuer, audited or otherwise, will not be prepared.

- (8) EIF's annual reports as at and for the years ended 31 December 2001 and 2002 incorporated by reference into this Offering Circular will be available at the registered office of the Listing Agent. EIF does not issue interim financial statements. So long as any of the Class B Notes remain listed on the Luxembourg Stock Exchange and outstanding, copies of EIF's annual reports shall, upon publication, be made available free of charge at the registered office of the Listing Agent.
- (9) In connection with the application for the Listed 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 Listed Notes will be deposited prior to listing with the Registre de Commerce et de Sociétés à Luxembourg, where they may be inspected and copies obtained upon request.

According to Chapter VI, Article 3, point A/II/2 of the Rules and Regulations of the Luxembourg Stock Exchange, the Listed Notes of each class shall be freely transferable. No transaction made on the Luxembourg Stock Exchange after the Closing Date shall be cancelled.

- (10) The Listed Notes have been accepted for clearance by Euroclear and Clearstream, Luxembourg. The Common Code for the Class A Notes is 018164426 and the ISIN is XS0181644260 and in respect of the Class B Notes, the Common Code is 018164434 and the ISIN is XS0181644344 and in respect of the Class C Notes the Common Code is 018164515 and the ISIN is XS0181645150.
- (11) Deloitte & Touche chartered accountants have given and not withdrawn their consent to the inclusion of their report relating to the Issuer in the form and context in which it is included in the section entitled "**THE ISSUER**".
- (12) Allotments of the Notes will not be made before 9.00 a.m. on 19 December 2003 (which is, for the purpose of the Irish Companies Act, 1963, the time of the opening of the subscription lists).

## GLOSSARY

Capitalised Terms used in this Offering Circular have the meanings set out below:

“**Agent Bank**” has the meaning given to it on pages 1, 91 and 93.

“**Aggregate Outstanding Principal Amount**” means, with respect to all Receivables purchased by the Fund under the Receivables Sale Agreement and the Receivables Servicing Agreement (the “**Purchased Receivables**”) at any time the aggregate amount of the Outstanding Principal Amount (as defined below) of each Purchased Receivable.

“**AR Finance Shareholders**” has the meaning given to it on page 71.

“**Arrangers**” has the meaning given to it on the front page.

“**Assigned Rights**” has the meaning given to it on page 50.

“**Available Distribution Amount**” means, in respect of any Collection Period, an amount equal to 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 (i) the amount of any Interest Collection Proceeds received by the Issuer as Unit Distributions on the relevant Fund Distribution Date; (ii) payment (if any) received from the Swap Counterparty in respect of such Collection Period; (iii) any amounts standing to the balance of the Cash Reserve Account (including interest accrued thereon and credited thereto); and (iv) interest accrued and credited to the Issuer’s account with the Issuer Account Bank opened and operated pursuant to the Issuer Account Agreement (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.

“**Back-up Servicer Acceptance Fee**” means the fee payable to the Back-up Servicer pursuant to the Receivables Servicing Agreement on the commencement of the Back-up Servicer’s duties in accordance with clause 2 of the Receivables Servicing Agreement plus the costs and expenses incurred by it in the transfer of duties to it;

“**Back-up Servicer Collection Fee**” means the Servicer Fee, payable to the Back-up Servicer on commencement of its duties in accordance with clause 2 of the Receivables Servicing Agreement;

“**Back-up Servicer Fee**” means the Back-up Servicer Upfront Fee plus the Back-up Servicer Acceptance Fee plus the Back-up Servicer Collection Fee;

“**Back-up Servicer Upfront Fee**” means the upfront fee payable to the Back-up Servicer on the Closing Date;

“**Bank**” has the meaning given to it on page 81.

A “**Bankruptcy Event**”, in respect of a natural person or entity, means:

- (a) the initiation of, or consent to any Bankruptcy Proceedings by such person or entity;
- (b) the initiation of Bankruptcy Proceedings against such a person or entity and such proceeding is not contested in good faith on appropriate legal advice;
- (c) the application (and such application is not contested in good faith on appropriate legal advice) to any court for, or the making by any court of, a bankruptcy or an administration order against such person or entity;
- (d) the enforcement of, or any attempt to enforce (and such attempt is not contested in good faith on appropriate legal advice) any security over the whole or a material part of the assets and revenues of such a person or entity;
- (e) any distress, execution, attachment or similar process (and such process, if contestable, is not contested in good faith on appropriate legal advice) being levied or enforced or imposed upon or against any material part of the assets or revenues of such a person or entity;

- (f) the appointment by any court of a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, trustee or other similar official in respect of all (or substantially all) of the assets of such a person or entity generally; or
- (g) the making of an arrangement, composition or reorganisation with the creditors of such a person or entity.

**“Bankruptcy Proceedings”** means:

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

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

**“BAR”** has the meaning given to it on pages i and 9.

**“BAR Information”** has the meaning given to it on page ii.

**“Business Day”** has the meaning given to it on pages 7, 31 and 94.

**“Calculation Period”** means, with respect to the relevant period for which interest is to be calculated on any Class C Note, a period of time from and including the first day of such period to but excluding the last (whether or not constituting an Interest Period).

**“Cash Reserve Account”** means a cash reserve account established with JPMorgan Chase Bank (in such capacity the **“Cash Reserve Account Bank”**) in the name of the Issuer.

**“Cash Reserve Account Agreement”** means an agreement dated on the Closing Date between the Issuer, the Cash Reserve Account Bank, the Transaction Manager and the Trustee.

**“Cash Reserve Account Fees”** means the fees and expenses payable to the Cash Reserve Account Bank in consideration of the services provided (and related expenses incurred) by the Cash Reserve Account Bank in accordance with the Cash Reserve Account Agreement.

**“Cash Reserve Account Required Balance”** has the meaning given to it on page 30.

**“Class A Noteholders”** has the meaning given to it on page 22.

**“Class A Notes”** has the meaning given to it on the front page.

**“Class A Principal Deficiency Ledger”** has the meaning given to it on pages 34 and 96.

**“Class B Deed of Undertaking”** means the deed of undertaking dated on or about the Closing Date pursuant to which EIF irrevocably and unconditionally as a primary obligation, with effect from the Closing Date, undertakes to pay to the Trustee, for the benefit of each Class B Noteholder, on each Interest Payment Date, the Class B Interest Payment and on the Class B Redemption Date, the Class B Principal Payment;

**“Class B Interest Payment”** means, in relation to each Class B Note, an amount (if positive) equal to the Interest Shortfall in respect of the Class B Note held by such Class B Noteholder on the relevant Interest Payment Date;

**“Class B Noteholders”** has the meaning given to it on page 22.

**“Class B Notes”** has the meaning given to it on the front page.

**“Class B Principal Deficiency Ledger”** has the meaning given to it on pages 34 and 96.

**“Class B Principal Payment”** means, in relation to each Class B Note, an amount (if positive) equal to (a) the Principal Amount Outstanding on the Class B Note held by such Class B Noteholder; *less* (b) any payment of principal to be made in respect of such Class B Note, in each case, on the Class B Redemption Date;

“**Class B Redemption Date**” means the Interest Payment Date falling in September 2036 or, at the EIF’s option and subject to giving not more than 60 days’ and not less than 30 days’ prior notice in writing to the Trustee, such earlier Interest Payment Date from (and including) the Interest Payment Date falling in September 2006 on which the Class B Notes are redeemed in full or, following the delivery of an Enforcement Notice, any other Interest Payment Date immediately following the delivery of an Enforcement Notice;

“**Class C Noteholders**” has the meaning given to it on pages 22 and 91.

“**Class C Note Purchase Agreement**” has the meaning given to it on the front page and 91.

“**Class C Notes**” has the meaning given to it on the front page and 91.

“**Class C Notes Day Count Fraction**” means

- (a) when the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year; and
- (b) where the Calculation Period is longer than one Regular Period, the sum of:
  - (x) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (y) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

“**Class C Notes Purchaser**” has the meaning given to it on page 109.

“**Clean-Up Call**” has the meaning given to it on page 24.

“**Clearstream, Luxembourg**” has the meaning given to it on the front page.

“**Closing Date**” means 19 December 2003.

“**CMVM**” has the meaning given to it on page 76.

“**CNPD**” has the meaning given to it on page 90.

“**Collateral Determination Date**” means, in relation to the Closing Date, 28 November 2003 and, thereafter, in respect of the subsequent Purchase Date during the Issue Period, the date on which the relevant Receivables are offered for sale by the Originator.

“**collecting agent**” has the meaning given to it on page 107.

“**Collection Account Banks**” means the bank or banks with which the Collection Accounts are maintained.

“**Collection Accounts**” means the Originator’s collection accounts into which the Servicer will procure that all Collections received from the Obligor will be paid.

“**Collection Period**” means the period commencing on (and including) the first Collateral Determination Date and ending on (but excluding) 1 March 2004 and thereafter the period commencing on (and including) the first day of the calendar month in which each Interest Payment Date falls to (but excluding) the first day of the calendar month in which the next consecutive Interest Payment Date falls and each consecutive period of three calendar months thereafter.

“**Collections**” means in relation to any Purchased Receivable all cash collections, and other cash proceeds thereof including any and all (a) principal, interest, fees, late payment, insurance claims, 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 Purchased Receivable, (b) Liquidation Proceeds, (c) Repurchase Proceeds or (d) the proceeds of realisation of any Related Security.

“**Conditions**” means the terms and conditions to be endorsed on the Listed Notes in, or substantially in, the form set out in the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed, and as set out in “**TERMS AND CONDITIONS OF THE LISTED NOTES**”.

“**Co-ordination Agreement**” means an agreement to be entered into on the Closing Date between Banco Alves Ribeiro S.A. (in such capacity the “**Originator**”), Banco Alves Ribeiro S.A. (in such capacity the “**Servicer**”), Banco Espírito Santo, S.A. (in such capacity the “**Back-up Servicer**”), AR Finance 1 Fundo (in such capacity the “**Fund**”), the Fund Manager, the Issuer, the Transaction Manager, Deutsche Bank (Portugal), S.A. (in such capacity the “**Custodian**”), EIF and the Trustee.

“**Corporate Services Agreement**” means an agreement to be entered into on the Closing Date between the Issuer and Marsh Management Services (Dublin) Limited (in such capacity, the “**Corporate Services Provider**”).

“**Corporate Services Provider**” has the meaning given to it on pages 1 and 72.

“**Couponholders**” has the meaning given to it on pages 22 and 91.

“**Coupons**” has the meaning given to it on pages ii and 91.

“**CPR**” has the meaning given to it on pages 36 and 37.

“**Current LTV**” means, in respect of all Mortgage Loans and Lease Contracts and, if applicable, any Related Loan Contracts, relating to an Obligor and secured on the same Property, the ratio of the aggregate amount of the current Outstanding Principal Amount as at the date of calculation to the current valuation of the relevant Property.

“**Custodian**” has the meaning given to it on page 1.

“**Custodian Agreement**” has the meaning given to it on page 63.

“**Custodian’s Fee**” 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 (relating to the cost of funds) which has accrued due and payable in a Collection Period in respect of such amounts.

“**Defaulted Receivable**” means, on any day, any Receivable which is not a Written-off Receivable and in respect of which:

- (a) 6 or more monthly instalments or 2 or more quarterly instalments have not been paid on or before the respective Instalment Due Dates relating thereto and are outstanding on the day of such determination;
- (b) proceedings have been commenced by or against the relevant Obligor for such Obligor’s bankruptcy or insolvency, in particular any proceedings against the relevant Obligor under the Code for the Bankruptcy and Recovery of Companies introduced by Decree Law 132/93 of 23 April, as amended, which is applicable to individuals;
- (c) legal action has been commenced against the relevant Obligor for recovery of amounts outstanding under the relevant Receivables Contract; or
- (d) a classification as a Defaulted Receivable has been designated by the Originator or the Servicer.

“**Definitive Notes**” has the meaning given to it on page 24.

“**Delinquent Receivable**” means, on any day, any Receivable which is not a Written-off Receivable or a Defaulted Receivable and in respect of which two or more monthly instalments or one quarterly instalment have not been paid on or before the respective Instalment Due Dates relating thereto and remain outstanding on the relevant Collateral Determination Date.

“**Deloitte & Touche Consent**” has the meaning given to it on page i.

“**EIF**” means the European Investment Fund, or its permitted successors or assignees from time to time, as guarantor in respect of the Class B Notes.



“**EIF Counter-Indemnity**” means the counter-indemnity agreement entered into on or about the Closing Date between the Issuer and EIF.

“**EIF Fee**” means the fee payable to EIF on each Interest Payment Date pursuant to the EIF Counter-Indemnity.

“**EIF Upfront fee**” means the upfront fee payable to EIF on the Closing Date pursuant to the EIF Counter-Indemnity.

“**Eligible Obligor**” has the meaning given to it on page 57.

“**Eligible Receivable**” has the meaning given to it on page 54.

“**Enforcement Notice**” has the meaning given to it on pages 11 and 100.

“**Enforcement Proceedings**” means the presentation of any judicial petition for recovery of amounts outstanding under a Receivables Contract or any other procedure that may be admissible under Portuguese law to achieve such purpose.

“**EURIBOR**” has the meaning given to it on the front page.

“**Euro**” or “**€**” has the meaning given to it on page iii.

“**Euroclear**” has the meaning given to it on the front page.

“**Euro Rate**” means, as applicable, the Euro Screen Rate, or the Euro Reference Rate, or the Euro Reserve Reference Rate.

“**Euro Reference Rate**” has the meaning given to it on page 93.

“**Euro Reserve Reference Rate**” has the meaning given to it on page 94.

“**Euro Screen Rate**” has the meaning given to it on page 93.

“**Exchange Event**” has the meaning given to it on page 24.

“**Expenses Cap**” means, with respect to the Issuer Expenses, in any period of twelve months, an amount not exceeding €200,000 per annum.

“**Extraordinary Resolution**” means a resolution passed at a duly convened meeting of Listed Noteholders by a majority or, as the context requires, a particular class thereof of not less than three quarters of the votes cast.

“**Final Legal Maturity**” has the meaning given to it on pages 23 and 96.

“**Fixed Rate of Interest**” has the meaning given to it on page 94.

“**Floating Rate of Interest**” has the meaning given to it on page 93.

“**FSMA**” has the meaning given to it on page 109.

“**FTC**” has the meaning given to it on page 88.

“**Fund**” has the meaning given to it on pages i, 1 and 118.

“**Fund Distribution Date**” means each date which is two Business Days prior to each Interest Payment Date.

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

“**Fund Expenses**” means the supervision fee due and payable by the Fund to the CMVM, the Fund Manager’s Fee, the Fund Manager’s Liabilities, the Custodian’s Fee, the Custodian’s Liabilities, the Fund Operating Account Fees, the Servicer Fee, the Back-up 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 Purchased Receivables, 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 Navigator, 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 Fee**” 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 JPMorgan Chase Bank (in such capacity the “**Fund Operating Account Bank**”) into which Collections are transferred by the Servicer from the Collection Accounts.

“**Fund Operating Account Agreement**” means an agreement dated on the Closing Date between the Fund, the Fund Operating Account Bank and the Custodian.

“**Fund Operating Account Bank**” has the meaning given to it on page 2.

“**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 or about 17 December 2003 pursuant to which the regulations relating to AR Finance 1 Fundo (the “**Fund**”) and certain other matters are specified.

“**Further Class A Notes**” has the meaning given to it on the front page and 104.

“**Further Class B Notes**” has the meaning given to it on the front page and 104.

“**Further Class C Notes**” has the meaning given to it on the front page and 104.

“**Further Closing Date**” means any day falling within the Issue Period when Further Listed Notes are issued.

“**Further Issue**” means the issue of Further Listed Notes during the Issue Period.

“**Further Issue Prices**” has the meaning given to it on the front page.

“**Further Listed Date**” means the date falling during the Issue Period upon which Further Listed Notes are issued and further Receivables are purchased by the Fund.

“**Further Listed Notes**” has the meaning given to it on the front page.

“**Further Purchase Date**” means the date falling during the Issue Period upon which Further Listed Notes are issued and further Receivables are purchased by the Fund.

“**Global Notes**” has the meaning given to it on the front page and 4.

“**Group**” has the meaning given to it on page 81.

“**Incorrect Payments**” has the meaning given to it on page 28.

“**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 Listed 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 Receivable means the original date on which each monthly instalment or quarterly instalment (as the case may be) is due and payable under the Receivables Contract.

“**Instrumentholders**” has the meaning given to it on page 22.

“**Instruments**” has the meaning given to it on pages 3 and 91.

“**Interest Amount**” has the meaning given to it on page 94.

“**Interest 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 Interest Component (as defined below) of the Purchased Receivables.

The “**Interest Component**” of a Receivable means:

- (a) all interest accrued and to accrue thereon (and collected and to be collected thereunder) from the relevant Collateral Determination Date which shall be determined, in respect of the Receivables Contracts, on the basis of the rate of interest specified in the relevant Receivables Contract (the “**Contract Rate**”);
- (b) all late payment penalties, prepayment penalties and similar charges;

- (c) all Liquidation Proceeds (in respect of Receivables which are not Written-off Receivables, as defined below) allocated to interest;
- (d) all Collections in respect of Written-off Receivables; and
- (e) all Repurchase Proceeds allocated to interest.

“**Interest Determination Date**” has the meaning given to it on page 93.

“**Interest Payment Date**” has the meaning given to it on the front page, 31 and 92.

“**Interest Period**” has the meaning given to it on pages 31 and 93.

“**Interest Shortfall**” has the meaning given to it on pages 31 and 93.

“**Investor Report**” has the meaning given to it on page 5.

“**ISDA Master**” has the meaning given to it on page 67.

“**Issue Period**” has the meaning given to it on the front page, 5, 59 and 104.

“**Issuer**” has the meaning given to it on the front page and 91.

“**Issuer Account**” has the meaning given to it on page 6 and 113.

“**Issuer Account Agreement**” means an agreement to be entered into on the Closing Date between the Issuer, the Trustee, JPMorgan Chase Bank (in such capacity the “**Issuer Account Bank**”) and the Transaction Manager.

“**Issuer Account Bank**” has the meaning given to it on page 2.

“**Issuer Commitments**” has the meaning given to it on page 29.

“**Issuer Documents**” means the Master Framework Agreement, the Offering Circular, the Class B Deed of Undertaking, the EIF Counter-Indemnity, the Subscription Agreement, the Class C Note Purchase Agreement, the Residual Certificate Agreement, the Trust Deed, the Notes, the Class C Notes, the Residual Certificates, the Coupons, the Transaction Management Agreement, the Paying Agency Agreement, the Issuer Account Agreement, the Cash Reserve Account Agreement, the Swap 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.

“**Issuer Expenses**” means any fees or liabilities payable by the Issuer to the Transaction Manager (or any successor), any Paying Agents, the Issuer Account Bank, the Agent Bank, the Transfer Agent, the Registrar, the Corporate Services Provider, the EIF Upfront Fee, the Cash Reserve Account Fees and any third party expenses in each case that would be paid or provided for by the Issuer on the relevant Interest Payment Date in accordance with paragraph (c) of the Pre-Enforcement Interest Payments Priorities.

“**Issuer’s Assets**” has the meaning given to it on page 15.

“**Law 67/98**” has the meaning given to it on page 90.

“**Lead Manager**” has the meaning given to it on page 109.

“**Lease Contract**” means, in respect of a Lease Receivable, a contract for the lease of real estate between the Originator and an Obligor pursuant to which the Obligor is required to make certain (monthly or quarterly) payments.

“**Lease Receivable**” means any and all present and future payments owing to the Originator under a Lease Contract with Obligors pursuant to which the Originator has provided or expects to provide in the future real estate leases and includes any Related Security, any Repurchase Proceeds, any payment of the Residual, penalty payments and Recoveries but excludes any payments that are due and owing but are unpaid on the relevant Purchase Date.

“**Liquidation Proceeds**” of a Receivable means net proceeds of realisation of the Related Security.

“**Lisbon Business Day**” has the meaning given to it on pages 7 and 31.

“**Listed Noteholders**” has the meaning given to it on pages 22 and 91.

“**Listed Notes**” has the meaning given to it on the front page and 91.

“**Listing Agent**” has the meaning given to it on page 2.

“**Master Framework Agreement**” has the meaning given to it on pages 20 and 91.

“**Member States**” has the meaning given to it on pages 19 and 107.

“**Monthly Report**” has the meaning given to it on page 5.

“**Moody’s**” has the meaning given to it on the front page.

“**Mortgage Loan**” means, in respect of the aggregate Euro advances made by the Originator to the relevant Obligor pursuant to a Mortgage Loan Agreement by way of a loan secured by a Mortgage, the amount thereof that from time to time may be outstanding.

“**Mortgage Loan Agreement**” means the agreement made between the Originator and the relevant Obligor which sets forth the terms and conditions applicable to the granting by the Originator of a Mortgage Loan to that Obligor.

“**Mortgage Public Deed**” means in respect of a Mortgage Receivable, the public deed by which the Mortgage was created by the relevant Obligor in favour of the Originator and to which the Mortgage Loan Agreement is attached as a complimentary agreement, together with all other agreements or documentation relating to that Mortgage Receivable.

“**Mortgage Receivable**” means any Mortgage Loan and the Related Security assigned by the Originator to the Purchaser and includes any Repurchase Proceeds, penalty payments, prepayments and Recoveries but excludes any payments that are due and owing but are unpaid on the relevant Purchase 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.

“**Non-Permitted Variation**” means, in relation to any Receivables Contract, any amendment or variation to the terms of such Receivables Contract that is not a Permitted Variation.

“**Noteholders**” has the meaning given to it on pages 22 and 91.

“**Notes**” has the meaning given to it on the front page and 91.

A “**Notification Event**” has the meaning given to such term on page 50.

“**Obligors**” means the individuals obliged to make payment pursuant to the Receivables Contracts.

“**Offer**” means an offer to sell Receivables made pursuant to the Receivables Sale Agreement.

“**Offering Circular**” means the offering circular dated 15 December 2003 prepared by the Issuer in connection with the issue of the Listed Notes.

“**Original LTV**” means, in respect of all Mortgage Loans and Lease Contracts and, if applicable, any Related Loan Contracts, relating to an Obligor and secured on or related to the same Property, the ratio of the aggregate amount of the Outstanding Principal Amount as at the date such Mortgage Loans or Lease Contracts and, if applicable, any Related Loan Contracts, were originated to the original valuation of the relevant Property completed when the Mortgage Loan or Lease Contract and, if applicable, any Related Loan Contracts, was originated.

“**Originator**” has the meaning given to it on pages 1, 82 and 116.

The “**Outstanding Principal Amount**” of a Receivable means, with respect to any Receivable, at any time and from time to time the aggregate of the outstanding principal amount of monthly instalments scheduled to be made in respect thereof but excluding, for the avoidance of doubt, any payments that are due and owing but are unpaid on the relevant Purchase Date.

“**Paying Agency Agreement**” has the meaning given to it on pages 20 and 91.

“**paying agent**” has the meaning given to it on page 107.

“**Paying Agents**” has the meaning given to it on pages 1, 2 and 91.

“**Permanent Global Note**” has the meaning given to it on the front page and 4.

“**Permitted Variation**” has the meaning given to it on page 62.

“**Portuguese Securitisation Tax Law**” has the meaning given to it on page 19.

“**Post-Enforcement Payment Priorities**” has the meaning given to it on page 98.

“**Pre-Enforcement Interest Payments Priorities**” has the meaning given to it on pages 32 and 97.

“**Pre-Enforcement Principal Payments Priorities**” has the meaning given to it on pages 33 and 98.

“**Principal Amount Outstanding**” means the aggregate of the principal amount outstanding of each class of Listed Notes and the aggregate of the Principal Amount Outstanding of all classes of Listed Notes is referred to herein as the “**Aggregate Principal Amount Outstanding**” of the Listed 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 Purchased Receivables.

The “**Principal Component**” of a Receivable means:

- (a) all cash collections and other cash proceeds of such Purchased Receivable in respect of principal including repayments and prepayments of principal thereunder and similar charges allocated to principal;
- (b) all Liquidation Proceeds in respect of such Purchased Receivable (other than Written-off Receivables) allocated to principal;
- (c) all Repurchase Proceeds allocated to principal; and
- (d) in respect of a Lease Receivable, all payments of Residual.

“**Principal Deficiency**” has the meaning given to it on pages 34 and 96.

“**Principal Deficiency Ledgers**” has the meaning given to it on pages 34 and 96.

“**Principal Paying Agent**” has the meaning given to it on pages 1 and 91.

“**Property**” means, in relation to any Mortgage Loans or Related Loan Contract relating to a Mortgage Loan, the property upon which the repayment of such Mortgage Loan is secured by the corresponding Mortgage or, in relation to a Lease Contract or Related Loan Contract relating to a Lease Contract, the property leased to the Obligor under the relevant Lease Contract.

“**Purchase Date**” means the Closing Date and the Further Purchase Date.

“**Purchased Receivables**” has the meaning given to it on page 50.

“**Purchase Price**” has the meaning given to it on page 50.

“**Quarterly Report**” means a report delivered to the Transaction Manager, the Custodian and the Back-up Servicer by the Servicer no later than 5 Lisbon Business 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.

“**quoted eurobonds**” has the meaning given to it on page 106.

“**Rating Agencies**” has the meaning given to it on the front page.

“**RC Distribution Amount**” means the amount to which an RC Holder is entitled under the Residual Certificates.

“**RC Holders**” means the holders for the time being of the Residual Certificates.

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

“**Receivables**” means Mortgage Receivables, Lease Receivables or Related Loan Receivables and, in each case, unless otherwise specified, includes any Related Security and any Repurchase Proceeds.

“**Receivables Contract**” means a Mortgage Public Deed, or a Lease Contract or a Related Loan Contract.

“**Receivables Purchase Agreements**” has the meaning given to it on page 49.

“**Receivables Sale Agreement**” means an agreement to be entered into between the Originator, the Fund (represented by the Fund Manager) and the Servicer on the Closing Date.

“**Receivables Servicing Agreement**” means an agreement to be entered into between the Fund, the Servicer, the Back-up Servicer and the Fund Manager on the Closing Date.

“**Reference Banks**” has the meaning given to it on page 93.

“**Registrar**” means Crédit Agricole Investor Services Bank Luxembourg

“**Regular Period**” means the period from and including an Interest Payment Date (or, in the case of the first such period, the Closing Date) to but excluding the next Interest Payment Date. For the purposes of this definition, the adjustment of any Interest Payment Date as a result of the application of the Business Day convention in accordance with Condition 4(a) shall be disregarded.

“**Regulation S**” has the meaning given to it on page ii.

“**Related Loan Contract**” means a contract between the Originator and an Obligor substantially in the form set out in Schedule 4 to the Receivables Sale Agreement granted in respect of the same real estate asset as the related Lease Contract or Mortgage Loan (by means of a cross default clause in such related loan contract) and pursuant to which the Originator grants a loan to the Obligor, and pursuant to which the Obligor is required to make certain (monthly or quarterly) payments.

“**Related Loan Receivable**” means any and all present and future payments owing to the Originator under a Related Loan Contract pursuant to which the Originator has provided, or expects to provide in the future, loan finance and includes any Related Security, any Repurchase Proceeds, penalty payments and Recoveries but excludes any payments that are due and owing but are unpaid on the relevant Purchase Date.

“**Related Security**” means:

- (a) each Mortgage and any other document in force from time to time which secures or is intended to secure the repayment of a Mortgage Loan, Lease Contract or Related Loan Contract (and benefit of any contract relating to the Mortgage Loan, Lease Contract or Related Loan Contract);
- (b) each mortgage or standard security over residential or commercial property or pledge over a pharmacy business (*estabelecimento comercial de farmácia*) forming part of any additional collateral security related to such Receivable (*garantias e outros acessórios do crédito*);
- (c) all Records related to such Receivable;
- (d) all proceeds at any time howsoever arising out of the resale, redemption or other disposal of (net of collection costs), or dealing with, or judgments relating to, any of the foregoing, any debts represented thereby, and all rights of action against any person in connection therewith;
- (e) all guarantees, promissory notes, insurance contracts (including life insurance and employment insurance (if any) contracts and any related Insurance Policy) or other rights or claims of the Originator and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Receivables Contract related to such Receivable or otherwise, together with all financing statements signed by the Obligor describing any collateral security securing such Receivable;
- (f) any related public deed of amendment or variation;

- (g) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of the Originator relating to such Receivable including, without limitation, those contained in the relevant Receivables Contract;
- (h) all causes and rights of action (present and future) against any person relating to such Receivable including, without limitation, such causes and rights of action arising under the relevant Receivables Contract and including the benefit of all powers and remedies for enforcing or protecting the Originator's right, title, interest and benefit in respect of such Receivable;
- (i) in relation to any Lease Receivable or Related Loan Receivable in respect of a Related Loan Contract that relates to a Lease Contract, if the Originator retains ownership of the related Property or acquires or accedes to ownership of any Property of the relevant Obligor as a means of securing payments due in respect of any Lease Receivable or Related Loan Receivable in respect of a Related Loan Contract that relates to a Lease Contract, the right to acquire all right and benefit of the Originator thereto;
- (j) in relation to any Mortgage Receivable or Related Loan Receivable in respect of a Related Loan Contract that relates to a Mortgage Loan, any advice, report, valuation, opinion, certificate, undertaking, or other statement of fact or of law or opinion given in connection with the relevant Mortgage Loan or Mortgage; and
- (k) any third party security.

“**Relevant Date**” has the meaning given to it on page 101.

“**Relevant Margin**” means, for the Class A Notes, prior to the Step-up Date 0.32 per cent. per annum and on and thereafter 0.64 per annum and for the Class B Notes, prior to the Step-up Date 0.09 per cent. per annum and on and thereafter 0.18 per annum.

“**Representation**” has the meaning given to it on page 53.

“**Repurchase Proceeds**” of a Receivable means such amounts as are received by the Fund pursuant to the sale thereof by the Fund to the Originator pursuant to the Receivables Sale Agreement and Receivables Servicing Agreement.

“**Residual**” means the payment payable at the end of the contractual term under any Lease Contract if the lessee were to exercise its option to purchase the asset.

“**Residual Certificate Agreement**” has the meaning given to it on pages 21 and 91.

“**Residual Certificates**” has the meaning given to it on pages 3, 21 and 91.

“**S&P**” has the meaning given to it on the front page.

“**Secured Creditors**” means the Trustee in its capacity as a creditor of the Issuer, the Noteholders, the Class C Noteholders, the RC Holders, the Couponholders, any receiver or liquidator of the Issuer (in its capacity as creditor of the Issuer), the Transaction Manager, the Swap Counterparty, the Corporate Services Provider, the Registrar, the Transfer Agent, the Paying Agents, the Agent Bank, EIF, the Issuer Account Bank and the Cash Reserve Account Bank and “**Secured Creditor**” means any of them.

“**Secured Obligations**” has the meaning given to it on page 92.

“**Securities Act**” has the meaning given to it on page ii.

“**Securitisation Law**” means Decree Law 453/99 of 5 November as amended by Decree Law 82/2002 of 5 April.

“**Securitisation Units**” has the meaning given to it on page 88.

“**Security**” means the security created over the assets of the Issuer in accordance with the Trust Deed.

“**Servicer**” has the meaning given to it on pages 2 and 116.

“**Servicer Expenses**” means the amounts payable to the Servicer:



- (a) in connection with the enforcement of any Receivable and/or the protection or enforcement of the Fund's rights and remedies in relation to such enforcement in a Collection Period (other than those payments deducted from the proceeds of realisation of the Related Security); and
- (b) 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 Receivables 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 Clause 16 of the Receivables Servicing Agreement.

“**Servicer Fee**” means the fee due and payable to the Servicer (and/or, if applicable, any replacement Servicer) quarterly in arrears pursuant to the Receivables Servicing Agreement in an amount equal to a maximum of 0.35 per cent. per annum (or such amount as is agreed with a replacement servicer) of the Outstanding Principal Amount of the Receivables as at the first day of the preceding Collection Period payable by the Fund on such Interest Payment Date.

“**Stabilising Agent**” has the meaning given to it on page iii.

“**STC**” has the meaning given to it on page 88.

“**Step-up Date**” has the meaning given to it on the front page.

“**Stop Purchase Event**” means any of the following events:

- (a) a Potential Notification Event or a Notification Event;
- (b) on any Interest Payment Date following the making of the payments and provisions required to be made by the Issuer on such a date, a debit balance remaining outstanding on any Principal Deficiency Ledger; and
- (c) if, prior to any Interest Payment Date falling after the first Interest Payment Date, the amount standing to the credit of the Cash Reserve Account was at least equal to the Cash Reserve Account Required Balance but, on such Interest Payment Date, following the making of payments and provisions required to be made by the Issuer on such date, the amount standing to the credit of the Cash Reserve Account is not equal to the Cash Reserve Account Required Balance.

“**Structuring Assumptions**” has the meaning given to it on page 37.

“**Subscription Agreement**” means a subscription agreement dated 15 December 2003 and made between the Issuer, EIF and the Lead Managers upon the terms and subject to the conditions contained therein.

“**Swap Agreement**” means the ISDA Master together with the confirmation thereunder, dated as of the Closing Date and made between the “**Issuer**”, the Trustee and BNP PARIBAS (in such capacity the “**Swap Counterparty**”).

“**Swap Counterparty**” has the meaning given to it on pages 2 and 81.

“**Temporary Global Note**” has the meaning given to it on the front page.

“**Termination Event**” has the meaning given to it on page 52.

“**Transaction Management Agreement**” means an agreement to be entered into on the Closing Date between the Issuer, JPMorgan Chase Bank (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.

“**Transaction Manager**” has the meaning given to it on page 1.

“**Transfer Agent**” means Crédit Agricole Investor Services Bank Luxembourg.

“**Treaty**” has the meaning given to it on page iii.

“**Trust Deed**” has the meaning given to it on pages 6 and 91.

“**Trustee**” has the meaning given to it on pages 1 and 91.

“**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.

“**UK interest**” has the meaning given to it on page 106.

“**Unit Distributions**” means distributions in respect of the Units from the Fund Operating Account which shall be the amount standing to the credit of the Fund Operating Account after the payment of any Incorrect Payments and Fund Expenses pursuant to the Custodian Agreement.

“**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 Titularização de Créditos*) 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 the agreement between the Issuer and the Fund pursuant to which certain Units are purchased by the Issuer.

“**Units**” has the meaning given to it on pages i and 126.

A “**Written-off Receivable**” has the meaning given to it on page 34.

“**1990 Act**” has the meaning given to it on page 18.

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