

# Transaction Overview

## 1. General overview

In 2003 the Portuguese Republic through its government made the decision to securitise tax and social security claims.

At the cut-off date (30 September 2003), the portfolio included over 1.5 million claims and totalled EUR 11.441bn. It included both tax debt (82,6% of the portfolio) and social security (17,4%). The following table shows the tax debt breakdown:

<b>Claim category</b>	<b>% of the total portfolio</b>
VAT ("IVA")	45.9%
Corporation tax ("IRC")	22.5%
Personal income tax ("IRS")	10.3%
Other taxes (car and truck tax, gift and inheritance tax and stamp duty)	3.9%

In SAGRES STC – Explorer 2004 Series 1 were securitised EUR 10.95 bn. It included both tax debt (82,2% of the portfolio) and social security (17,8%).The following table shows the tax debt breakdown:

<b>Claim category</b>	<b>% of the total portfolio</b>
VAT ("IVA")	46.0%
Corporation tax ("IRC")	22.3%
Personal income tax ("IRS")	10.0%
Other taxes (car and truck tax, gift and inheritance tax and stamp duty)	3.9%

## 2. Tax claims

Each tax claim may have the following elements:

- originally assessed debt;
- compensatory interest, which is calculated for the period between the tax due date and the date of assessment by DGI (together with the originally assessed debt, "the principal");
- interest on late payment, which accrues during the period between the tax assessment and the payment date and currently stands at 1% per month or 0.5% per month if the taxpayer posts collateral;
- legal fees (which do not form part of the securitised claims);
- penalties and fines.

### **3. Servicers**

The securitised claims are serviced by the Portuguese Republic through Direcção Geral de Impostos - DGCI (Tax Claim Servicer) and Instituto de Gestão Financeira da Segurança Social - IGFSS (Social Security Claims Servicer). The Tax Claims Servicer will act as servicer in respect of the Tax Claims Portfolio and the Claims in the Social Security Claims Portfolio in relation to which Enforcement Proceedings were initiated on or before 31 July 2001, and the Social Security Claims Servicer will act as servicer in respect of the Claims in the Social Security Claims Portfolio, in relation to which Enforcement Proceedings were initiated after 31 July 2001 in accordance with the terms of the State and Social Security Securitisation Law.

The two entities disclose semi-annual information regarding the securitised receivables and the actual collection levels

### **4. Claims collection base case**

The “base case” was projected according to historical data retrieved from the collection period between 1993 and 2003, according to the securitised claims pool.