

PROSPECTUS

December 2015

# BBVA-10 PYME FONDO DE TITULIZACIÓN

ISSUE OF ASSET-BACKED BONDS  
EUR 780,000,000

DBRS / MOODY'S / SCOPE

Series A	EUR 596,700,000	A(low) (sf) / Aa2 (sf) / AA-SF
Series B	EUR 183,300,000	CCC(low) (sf) / B3 (sf) / B+SF

Backed by loans assigned and serviced by

**BBVA**

*Subscriber*

**BBVA**

*Lead Manager*

**BBVA**

*Paying Agent*

**BBVA**

*Fund established and managed by*

 **Europea de  
Titulización**  
Sociedad Gestora de Fondos de Titulización

Prospectus entered in the Registers of the Comisión Nacional del Mercado de Valores  
on December 10, 2015

*This is a Certified Translation into English of the Spanish Prospectus. No document other than the Spanish Prospectus registered by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.*

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This document is a prospectus (the “**Prospectus**”) registered at the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (“**CNMV**”), as provided for in Commission Regulation (EC) no. 809/2004 of April 29, 2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as currently worded (“**Regulation 809/2004**”) and Royal Decree 1310/2005, November 4, partly implementing Securities Market Act 24/1988, July 28, in regard to admission to trading of securities in official secondary markets, public offerings for sale or subscription and the prospectus required for that purpose, as currently worded (“**Royal Decree 1310/2005**”), and comprises:

1. A description of the major risk factors linked to the Issuer, the securities and the assets backing the issue (the “**Risk Factors**”).
2. An asset-backed securities registration document, prepared using the outline provided in Annex VII to Regulation 809/2004 (the “**Registration Document**”).
3. A securities note, prepared using the outline provided in Annex XIII to Regulation 809/2004 (the “**Securities Note**”).
4. A Securities Note building block, prepared using the block provided in Annex VIII to Regulation 809/2004 (the “**Building Block**”).
5. A glossary of definitions.

## RISK FACTORS

### 1 RISKS DERIVED FROM THE ISSUER'S LEGAL NATURE AND OPERATIONS.

#### a) Nature of the Fund and obligations of the Management Company.

BBVA-10 PYME FONDO DE TITULIZACIÓN (the “Fund” and/or the “Issuer”) is a separate, closed-end fund (closed assets and liabilities) devoid of legal personality and, in accordance with Part III of Encouragement of Business Financing Act 5/2015, April 27 (“Act 5/2015”) setting out the legal system for securitisations, is managed by a management company, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the “Management Company” or “EUROPEA DE TITULIZACIÓN”). The Fund shall be liable only for its obligations to its creditors with its assets.

The Management Company shall be applied the obligations laid down in article 26 of Act 5/2015, which include using its best endeavours and acting transparently in enforcing Bondholders’ and financiers’ interests, and servicing and managing the Loans. Notwithstanding the foregoing, the Management Company may delegate such servicing to third parties and, additionally, in the case of the Mortgage Loans, under article 26.3 and additional provision one of Royal Decree 716/2009. BBVA shall continue to be the custodian and servicer of the Mortgage Loans, as issuer of the Mortgage Certificates and the Pass-Through Certificates and the Non-Mortgage Loans, by virtue of the Management Company’s delegated authority. No provision is made for a creditors’ meeting to be convened and the capacity to enforce Bondholders’ interests shall depend on the Management Company’s means.

#### b) Forced substitution of the Management Company.

In accordance with article 33 of Act 5/2015, where the Management Company is adjudged insolvent, it shall find a substitute management company. In any such event, if four months should have elapsed from the occurrence determining the substitution and no new management company should have been found willing to take over management, the Fund shall be liquidated early and the Bonds issued by the same shall be amortised early, by means of the sale of the Loans and the remaining assets, as provided for in the Deed of Constitution and in this Prospectus.

#### c) Limitation of actions.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against Loan Obligors who may have defaulted on their payment obligations, or against BANCO BILBAO VIZCAYA ARGENTARIA, S.A., as originator of the Loan receivables (the “Originator” or “BBVA”). Any such rights shall lie with the Management Company, representing the Fund.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against the Fund or against the Management Company in the event of non-payment of amounts due by the Fund resulting from the existence of Loan default or, as the case may be, prepayment, a breach by the Originator of its obligations or by the counterparties to the transactions entered into for and on behalf of the Fund, or shortfall of the financial hedging transactions for servicing the Bonds in each Series.

Bondholders and all other creditors of the Fund shall have no recourse against the Fund Management Company other than as derived from breaches of its duties or inobservance of the provisions of the Deed of Constitution and of this Prospectus. Those actions shall be resolved in the relevant ordinary declaratory proceedings depending on the amount claimed.

#### d) Applicability of the Bankruptcy Act.

Both the Originator of the Loan receivables and the Fund Management Company may be declared insolvent.

In particular, insolvency of the Originator could affect its contractual relationships with the Fund, in accordance with the provisions of Bankruptcy Act 22/2003, July 9, as currently worded (the “Bankruptcy Act”).

As for the transaction involving the assignment of the Loans, the latter cannot be the subject of restitution other than by an action brought by the Originator's receivers, in accordance with the provisions of the Bankruptcy Act and after proving the existence of fraud in that transaction, all as set down in article 16.4 and in additional provision 4 of Act 5/2015 and in articles 10 and 15 of Mortgage Market Regulation Act 2/1981, March 25, as currently worded ("**Act 2/1981**").

In the event of the Originator being decreed insolvent, in accordance with the Bankruptcy Act, the Fund, acting through the Management Company, shall have a right of separation with respect to the Loans assigned, on the terms provided for in articles 80 and 81 of the Bankruptcy Act. In addition, the Fund, acting through its Management Company, shall be entitled to obtain from the insolvent Originator the resulting Loan amounts from the date on which insolvency is decreed, for those amounts will be considered to be the Fund's property, and must therefore be transferred to the Fund, represented by the Management Company. This right of separation would not necessarily extend to the monies received and kept by the insolvent Originator on behalf of the Fund before that date, for they might be earmarked as a result of the insolvency given the essential fungible nature of money.

Notwithstanding the above, both the Prospectus and the Deed of Constitution make provision for certain mechanisms in order to mitigate the aforesaid effects in relation to money because it is by nature a fungible asset.

Section 3.3.1 of the Building Block provides that the Originator's assignment of the Loans to the Fund will not be notified to the Obligors. However, in order to mitigate the consequences of the Originator being decreed insolvent on the rights of the Fund, in particular within the meaning of article 1527 of the Civil Code, in the event of insolvency, liquidation or substitution of the Originator as Servicer, or a termination process in terms of Credit Institution Restructuring and Termination and Investment Services Firms Act 11/2015, June 18 ("**Act 11/2015**"), or because the Management Company deems it reasonably justified, the Management Company may demand the Servicer to notify Obligors of the transfer to the Fund of the outstanding Loans, and that Loan payments will only be effective as a discharge if made into the Treasury Account opened in the name of the Fund. However, both in the event of the Servicer failing to notify Obligors within five (5) Business Days of receiving the request and in the event of the Servicer becoming insolvent, the Management Company itself shall directly or, as the case may be, through a new servicer it shall have designated, notify the relevant Obligors.

In the event of insolvency of the Management Company, it must be replaced by another management company in accordance with the provisions of article 33 of Act 5/2015.

The structure of this securitisation transaction does not, failing a breach by the parties, allow for the existence of cash amounts which may be included in the Management Company's estate, because Fund income amounts shall be paid, on the terms provided for in this Prospectus, into the accounts opened in the Fund's name by the Management Company (which is involved in opening those accounts as its authorised representative), and the Fund would therefore have a right of separation in that connection, on the terms provided for in articles 80 and 81 of the Bankruptcy Act.

Notwithstanding the above, insolvency of any of the parties involved (whether BBVA, the Management Company or any other counterparty institution of the Fund) could affect their contractual relationships with the Fund.

## **2 RISKS DERIVED FROM THE SECURITIES.**

### **a) Issue Price.**

The Bond Issue is made in order to be fully subscribed for by the Originator in order to have liquid assets available which may be used as security for Eurosystem transactions or be subsequently sold in the market, and, consequently, the terms of the Bond Issue are not an estimate of the prices at which those instruments could be sold in the secondary market or of the Eurosystem's valuations in due course for the purpose of using them as security instruments in its lending transactions to the banking system.



**b) Liquidity.**

The Bond Issue shall be subscribed for by BBVA.

There is no assurance that the Bonds will be traded on the market with a minimum frequency or volume.

In addition, there is no undertaking that any institution will be involved in secondary trading, giving the Bonds liquidity by offering any consideration.

Moreover, the Fund may in no event repurchase the Bonds from Bondholders, although they may be fully subject to early amortisation in the event of Early Liquidation of the Fund, on the terms laid down in section 4.4.3 of the Registration Document.

**c) Yield and duration.**

Calculation of the yield (internal rate of return) and duration of the Bonds in each Series contained in section 4.10 of the Securities Note is subject, inter alia, to assumed Loan prepayment (CPR) and delinquency rates that may not be fulfilled, and future market interest rates, given that the Nominal Interest Rate floats.

Calculation of the average life and duration of the Bonds in each Series contained in section 4.10 of the Securities Note is subject, inter alia, to fulfilment of Loan repayment and to assumed Loan prepayment rates that may not be fulfilled. Loan repayment performance is influenced by a number of economic and social factors such as market interest rates, the Obligors' financial circumstances and the general level of economic activity, preventing their predictability.

**d) Late-payment interest.**

Late interest payment or principal repayment to holders of the Bonds in either Series shall under no circumstances result in late-payment interest accruing to their favour.

**e) Subordination of the Bonds.**

Series B Bond interest payment and principal repayment are deferred with respect to Series A Bonds. There is however no assurance whatsoever that the subordination rules shall protect Series A and B Bondholders from the risk of loss.

The subordination rules among the different Series are established in the Priority of Payments and in the Fund Liquidation Priority of Payments in accordance with section 3.4.6 of the Building Block.

**f) Deferment of interest.**

This Prospectus and all other supplementary documents relating to the Bonds provide for deferment in Series B Bond interest payment in the event of the circumstances provided for in section 3.4.6.2.1.2 of the Building Block being met.

Series A Bond interest will not be subject to these deferment rules.

**g) Bond Rating.**

The credit risk of the Bonds in each Series issued by the Fund has been assessed by the credit rating agencies DBRS, Moody's and Scope (the "Rating Agencies").

The Rating Agencies may revise, suspend or withdraw the final ratings assigned to the Bonds in each Series at any time, based on any information that may come to their notice.

These ratings are not and cannot therefore be howsoever construed as an invitation, recommendation or encouragement for investors to proceed to carry out any transaction whatsoever on the Bonds and, in particular, acquire, keep, charge or sell those Bonds.

**h) Provisional ratings not confirmed.**

The Rating Agencies' failure to confirm the provisional ratings given to the Bonds in each Series by 2pm (CET) on December 15, 2015 shall be an event of termination of the establishment of the Fund and the Bond Issue.

**3 RISKS DERIVED FROM THE ASSETS BACKING THE ISSUE.**

**a) Loan default risk.**

The holders of the Bonds issued by the Fund shall bear the risk of default on the Loans pooled in the Fund.

BBVA, as Originator, shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Loans. As provided for under article 348 of the Commercial Code and 1,529 of the Civil Code, BBVA will be liable to the Fund exclusively for the existence and lawfulness of the Loans and for the personality with which the Mortgage Loan Mortgage Certificates and Pass-Through Certificates will be issued and the Non-Mortgage Loan receivables will be assigned. BBVA will have no liability whatsoever to directly or indirectly guarantee that the transaction will achieve its goals and will not give any guarantees or security, or indeed agree to repurchase the Non-Mortgage Loan receivables or the Mortgage Certificates or the Pass-Through Certificates, beyond making the undertakings set out in section 2.2.9 of the Building Block regarding substitution or redemption of any Non-Mortgage Loan receivables or Mortgage Certificates or Pass-Through Certificates that fail to conform, upon the Fund being established, to the representations given in section 2.2.8 of the Building Block.

**b) Limited Liability.**

The Bonds issued by the Fund neither represent nor constitute an obligation of BBVA or the Management Company. No guarantees have been granted by any public or private organisation whatsoever, including BBVA, the Management Company and any of their subsidiary or affiliated companies.

**c) Limited Hedging.**

A high level of delinquency of the Loans might reduce or indeed exhaust the limited hedging against Loan losses that the Bonds in each Series distinctly have as a result of the existence of the credit enhancement transactions described in section 3.4.2 of the Building Block.

The degree of subordination in interest payment and principal repayment between the Bonds in both Series derived from the Priority of Payments and the Liquidation Priority of Payments is a mechanism for distinctly hedging the Series.

**d) Loan prepayment risk.**

There will be Loan prepayment when Obligors prepay the portion of capital not yet due, or in the event that BBVA should be substituted in the relevant Loans by any other financial institution licensed to do so, or in any other event having the same effect.

That prepayment risk shall pass quarterly on each Payment Date to the holders of the Bonds in each Series by the partial amortisation thereof, in accordance with the terms for amortisation and the rules for Distribution of Available Funds for Amortisation on each Payment Date contained in sections 4.9.2 and 4.9.3.5 of the Securities Note.

**e) Delinquency.**

In calculating the amounts and details tabled in section 4.10 of the Securities Note, the assumption has been that on each Payment Date 1.50% of the Outstanding Balance of the Loans shall fall in arrears and reach a delinquency rate of 14.16%, this being BBVA's SME loan delinquency rate at September 30, 2015 and, in any event, that the other assumed values referred to at the beginning of that section will apply. The 14.16% delinquency rate would be reached on the Payment Date falling on October 20,

2018 for 6%, 7% and 8% CPRs. This 14.16% loan delinquency rate would not trigger a reduction of the Required Cash Reserve, as set down in section 3.4.2.2 of the Building Block. Additionally, assuming 1.50% of the Outstanding Balance of the Loans on each Payment Date become delinquent until the 14.16% delinquency rate is reached, this would result in deferment in Series B interest payment in the Priority of Payments on the Payment Date falling on October 20, 2018, for the 6%, 7% and 8% CPRs, because the cumulative Outstanding Balance of the Delinquent Loans, reckoned at the amount of the Outstanding Balance at the Delinquent Loan classification date, from the establishment of the Fund, is in excess of 10.00% of the initial Outstanding Balance of the Loans upon the Fund being established and the Bonds have not been fully amortised, as set down in the Building Block in 3<sup>rd</sup> place of the Priority of Payments in section 3.4.6.2.2.

**f) Concentration by business group.**

The sum of the outstanding balance at November 18, 2015 of the 10 business groups weighing most out of the selected loans accounts for 8.23% of the total outstanding balance.

The sum of the outstanding balance at November 18, 2015 of the 20 obligors weighing most out of the selected loans accounts for 13.52% of the total outstanding balance, as opposed to 5% of the Initial Cash Reserve and 28.5% of the sum of the Initial Cash Reserve amount and the face amount of Series B Bonds.

**g) Sector concentration.**

Out of the loans selected at November 18, 2015 to be assigned to the Fund upon being established, 15.79%, in terms of outstanding balance, have obligors whose business (Spanish Business Activity Code CNAE-2009) is comprised within the real estate activities sector (CNAE 68), 8.44%, in terms of outstanding balance, is comprised under the heading wholesale trade and trade intermediaries, excluding motor vehicles and motorcycles (CNAE 46), and 6.79%, in terms of outstanding balance, of the selected loans is comprised under the heading retail trade, excluding motor vehicles and motorcycles (CNAE 47).

**h) Geographical concentration.**

The number of selected loans at November 18, 2015 to be assigned to the Fund upon being established with obligors domiciled in Catalonia (24.31% in terms of outstanding balance), Andalusia (15.64% in terms of outstanding balance) and the Community of Madrid (9.71% in terms of outstanding balance) is 2,189 loans (44.28% of the total) and their outstanding balance amounts to EUR 437,128,431.25 (49.66% of the total), as detailed in section 2.2.2.q) of the Building Block.

**i) Selected loan origination date concentration.**

Selected portfolio loans originated in the years 2011, 2012, 2013, 2014 and 2015 respectively account for 12.13%, 10.22%, 7.06%, 10.49% and 13.49% (jointly 53.39%), in terms of outstanding balance, of the total selected portfolio. The weighted average age of the portfolio is 4.99 years at November 18, 2015, the portfolio selection date.

**j) Selected loan repayment system and principal repayment exclusion.**

As detailed in section 2.2.2.m) of the Building Block, the selected loans at November 18, 2015 to be assigned to the Fund upon being established with a repayment system consisting of an only payment at maturity (bullet loans) account for 1.46%, in terms of outstanding balance, of the selected loans. Additionally, 2.53%, in terms of outstanding balance, of the selected loans are loans whose last repayment instalment accounts for more than 25% of the outstanding balance at November 18, 2015.

Out of the selected loans, 3.96%, in terms of outstanding balance, have a principal repayment exclusion period at November 18, 2015, the average exclusion period being 11.60 months weighted by the outstanding balance at that date. There is no selected loan making provision for an interest-free period.

**k) Collaterals.**

Selected portfolio selected loans at November 18, 2015 with real estate mortgage security account for 51.13%, in terms of outstanding balance, of that portfolio.

Selected portfolio selected loans at November 18, 2015 without special security (i.e. other than the obligor's personal liability) account for 21.57%, in terms of outstanding principal, of that portfolio.

Selected mortgage loans at November 18, 2015 with security consisting of residential properties and annexes account for 19.36%, in terms of outstanding balance, of the selected mortgage portfolio, the rest being business premises and offices (24.25%), industrial warehouses (31.87%), assets in operation and unsold real estate promotion properties (9.79%) and rustic and urban land (14.52%). All the mortgage loan mortgages are registered as a first mortgage.

Selected mortgage loans secured with residential properties, parking spaces and lumber rooms with a ratio, expressed as a percentage, of the outstanding balance at November 18, 2015 to the appraisal value of the mortgaged properties adjusted, as the case may be, pro rata to the current mortgage loan balance with respect to the total current balance of all the similarly ranked mortgage loans sharing the same mortgage security (the "LTV") in excess of 80% account for 1.69%, in terms of outstanding balance, of the selected mortgage portfolio.

Selected mortgage loans with security other than residential properties, parking spaces and lumber rooms with an LTV at November 18, 2015 in excess of 60% account for 25.13%, in terms of outstanding balance, of the selected mortgage portfolio.

**l) Intended use of the Loans.**

The intended use of 40.48%, in terms of outstanding balance, of the selected loan portfolio at November 18, 2015, is funding for cash and working assets. The intended use of 38.01%, in terms of outstanding balance, of the selected loan portfolio at November 18, 2015, is funding for the purchase of real estate and fixed assets.

## **ASSET-BACKED SECURITIES REGISTRATION DOCUMENT**

### **(Annex VII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

#### **1. PERSONS RESPONSIBLE**

##### **1.1 Persons responsible for the information given in the Registration Document.**

Mr Mario Masiá Vicente, acting for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, the company sponsoring BBVA-10 PYME FONDO DE TITULIZACIÓN, takes responsibility for the contents of this Registration Document.

Mr Mario Masiá Vicente, General Manager of the Management Company, is acting using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and March 31, 2010, and by the Board of Directors' Executive Committee at its meetings held on January 28, 2000 and November 23, 2009, and is expressly acting for establishing the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee on November 3, 2015.

##### **1.2 Declaration by those responsible for the contents of the Registration Document.**

Mr Mario Masiá Vicente declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

#### **2. STATUTORY AUDITORS**

##### **2.1 Fund's Auditors.**

In accordance with the provisions of section 4.4.2 of this Registration Document, the Fund has no historical financial information.

The Fund's annual accounts shall be audited and reviewed every year by statutory auditors. The annual report referred to in article 35 of Act 5/2015, containing the Fund's annual accounts and their audit report, shall be filed with the CNMV.

The Management Company shall proceed to designate, for periods of not more than three (3) years, the statutory auditor who is for that period of time to audit the Fund's annual accounts, reporting that appointment to the CNMV. Designation of an auditor for a given period shall not preclude designation of that auditor for subsequent periods, observing in any event the laws in force on the subject. The Management Company shall duly notify the CNMV of that designation.

##### **2.2 Accounting policies used by the Fund.**

Income and expenditure will be accounted for by the Fund in accordance with the accounting principles applicable from time to time, currently set out mainly in CNMV Circular 2/2009, March 25, on Securitisation Fund accounting rules, annual accounts, public financial statements and non-public statistical information statements, as currently worded ("**Circular 2/2009**").

The Fund's financial year shall match a calendar year. However, the first financial year will exceptionally begin on the date of establishment of the Fund and the last financial year will end on the date on which the Fund terminates.

### 3. RISK FACTORS

The risk factors linked to the Issuer are described in section 1 of the preceding Risk Factors section of this Prospectus.

### 4. INFORMATION ABOUT THE ISSUER

#### 4.1 Statement that the Issuer has been established as a securitisation fund.

The Issuer is a closed-end securitisation fund with closed assets and liabilities to be established in accordance with Spanish laws.

#### 4.2 Legal and commercial name of the Issuer.

The Issuer's name is "BBVA-10 PYME FONDO DE TITULIZACIÓN" and the following short names may also be used without distinction to identify the Fund:

- BBVA-10 PYME FT
- BBVA-10 PYME F.T.

#### 4.3 Place of registration of the Issuer and registration number.

The place of registration of the Fund is in Spain at the CNMV. The Fund has been entered in the Official Registers of the CNMV.

##### *Companies Register*

For the record, the establishment of the Fund shall not be entered in the Companies Register, in pursuance of the facultative authority for which provision is made in article 22.5 of Act 5/2015.

#### 4.4 Date of establishment and existence of the Issuer.

##### 4.4.1 Date of establishment of the Fund.

The Management Company and BBVA, as Originator of the Loan receivables, shall proceed to execute on December 14, 2015 a public deed whereby BBVA-10 PYME FONDO DE TITULIZACIÓN will be established, BBVA will assign Non-Mortgage Loan receivables and Mortgage Loan receivables to the Fund, the latter by issuing Mortgage Certificates and Pass-Through Certificates subscribed for by the Fund, and the Fund will issue the Asset-Backed Bonds (the "**Deed of Constitution**").

The Management Company represents that the contents of the Deed of Constitution shall match the draft Deed of Constitution it has submitted to the CNMV and the terms of the Deed of Constitution shall at no event contradict, change, alter or invalidate the contents of this Prospectus, notwithstanding the need to complete the relevant details and amounts of the Non-Mortgage Loan receivables and the Mortgage Loan Mortgage Certificates and Pass-Through Certificates which are to be issued and subscribed for under the Deed of Constitution.

As provided for in article 24 of Act 5/2015, the Deed of Constitution may be amended, upon request by the Management Company and subject to the requirements established in that article.

##### 4.4.2 Existence of the Fund.

The Fund shall commence its operations on the date of execution of the Deed of Constitution.

The Fund shall be in existence until January 20, 2048 or the following Business Day if that is not a Business Day (the "**Final Maturity Date**"), other than in the event of Early Liquidation before then as set forth in section 4.4.3 of this Registration Document or if any of the events laid down in section 4.4.4 thereof should occur.

#### 4.4.3 Early Liquidation of the Fund.

4.4.3.1 Following notice served on the CNMV, the Management Company shall be entitled to proceed to early liquidation of the Fund (“**Early Liquidation**”) and thereby early amortisation of the entire Bond Issue (“**Early Amortisation**”) on a date which could be different from a Payment Date and in any of the following events (the “**Early Liquidation Events**”):

- (i) When the amount of the Outstanding Balance of the Loans yet to be repaid is less than ten (10) percent of the initial Outstanding Balance of the Loans upon the Fund being established, and provided that the payment obligations derived from the Bonds in each Series then outstanding may be honoured and settled in full in the Liquidation Priority of Payments.

Payment obligations derived from the Bonds in each Series on the Early Liquidation date of the Fund shall at all events be deemed to be the Outstanding Principal Balance of Bonds in the Series on that date plus interest accrued and not paid until that date, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

- (ii) Where, in any event or circumstance whatsoever unrelated to the Fund’s operations, a substantial alteration occurs or the financial balance of the Fund is permanently damaged. This event includes such circumstances as the existence of any change in the law or supplementary implementing regulations, the establishment of withholding obligations or other situations which might permanently affect the financial balance of the Fund.
- (iii) Mandatorily, in the event that the Management Company should be adjudged insolvent and/or have its licence to operate as a securitisation fund management company revoked by the CNMV and the four-month term should elapse but a new management company should not have been designated in accordance with the provisions of section 3.7.1.3 of the Prospectus Building Block.
- (iv) If the Management Company should have the express consent and acceptance of all Bondholders and of all lenders and other financial creditors to the Fund there may be, as regards both payment of amounts resulting from, and the procedure for, Early Liquidation.
- (v) When a default occurs indicating a major permanent imbalance in relation to any Bond Series issued or that it is about to occur.
- (vi) Upon the lapse of thirty-six (36) months from the date of the last maturity of the Loans, even if they still have overdue amounts.

4.4.3.2 The following requirements shall have to be satisfied to proceed to that Early Liquidation of the Fund:

- (i) That Bondholders be given not less than fifteen (15) Business Days’ notice, as prescribed in section 4.1.3.2 of the Building Block, of the Management Company’s resolution to proceed to Early Liquidation of the Fund.
- (ii) That the Management Company previously advise the CNMV and the Rating Agencies of the notice referred to in the preceding paragraph.
- (iii) The notice of the Management Company’s resolution to proceed to Early Liquidation of the Fund shall contain a description (i) of the event or events triggering Early Liquidation of the Fund, (ii) of the liquidation procedure, and (iii) of the manner in which the Bond payment obligations are to be honoured and settled in the Liquidation Priority of Payments.

4.4.3.3 In order for the Fund, through its Management Company, to proceed to Early Liquidation of the Fund and Early Amortisation of the Bond Issue, the Management Company shall, for and on behalf of the Fund:

- (i) Proceed to sell the Loan receivables remaining in the Fund at a price equivalent to the fair value, initially not less than the sum of the principal still outstanding plus interest accrued and not paid on the relevant Loans, subject to the provisions of paragraph (iv) below.

- (ii) Proceed to terminate such agreements as are not necessary for the Fund liquidation procedure.
- (iii) Be entitled to arrange for a loan, which shall be fully allocated to early amortisation of the Bonds in the Series then outstanding. Financial expenses due shall be paid and loan principal shall be repaid in accordance with the Liquidation Priority of Payments.
- (iv) Finally, both due to the preceding actions falling short and the existence of Loan receivables or other remaining assets of the Fund, the Management Company shall proceed to sell them and shall therefore invite a bid from at least five (5) entities who may, in its view, give a reasonable market price if the Early Liquidation Events should be other than (i) and (iv) of section 4.4.3.1 above. The Management Company shall be bound to accept the best bid received for the Loan receivables and for the assets on offer. In order to set the price equivalent to the fair value, the Management Company may secure, at the Fund's expense, such valuation reports as it shall deem necessary.

However, in (i) and (iv) above, the Originator shall have a pre-emptive right and will therefore have priority over third parties to voluntarily acquire the Loan receivables or other of their assets still on the assets of the Fund, and in (iii) above, the Originator shall have priority to grant to the Fund, as the case may be, the loan designed for early amortisation of the Bonds in the Series then outstanding. In relation to (iv) above, the Management Company shall send the Originator a list of the assets and of third-party bids received, if any, and the latter may use that right for all of the Loans or other assets offered by the Management Company, within ten (10) Business Days of receiving said notice, and provided that its bid is at least equal to the best of the third-party bids, if any. The Originator shall notify the Management Company that the exercise of the pre-emptive right was subject to its usual credit revision procedures and that the exercise of the right is not designed to implicitly support securitisation.

- 4.4.3.4 The Management Company shall forthwith apply all proceeds from time to time from the sale of the Fund's assets to paying the various items, in such manner, amount and order as shall be requisite in the Liquidation Priority of Payments, other than the amounts, if any, drawn under the loan arranged for early amortisation of the Bonds in the Series then outstanding, which shall be applied to honouring the payment obligations for the Bonds in these Series.

#### **4.4.4 Termination of the Fund.**

The Fund shall terminate in any case, after the relevant legal procedure, in the following events:

- (i) Upon the Loans pooled therein being fully repaid.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) When the Early Liquidation procedure established in section 4.4.3 above is over.
- (iv) At all events, upon final liquidation of the Fund on the Final Maturity Date (on January 20, 2048 or the following Business Day if that is not a Business Day).
- (v) Upon the establishment of the Fund terminating in the event that DBRS or Moody's should not confirm any of the provisional ratings assigned to the Bonds as final ratings by 2pm (CET) on December 15, 2015. In this event, the Management Company shall terminate the establishment of the Fund, the assignment of the Non-Mortgage Loan receivables, subscription for the Mortgage Certificates and the Pass-Through Certificates by the Fund and the Bond Issue.

In this case, termination of the establishment of the Fund shall be notified to the CNMV as soon as such is confirmed, and shall be publicised by means of the procedure specified in section 4.1.3.2 of the Building Block. Within not more than one (1) month after the occurrence of the event of termination, the Management Company shall execute a statutory declaration before a notary declaring that the Fund's obligations have been settled and terminated and that the Fund has terminated. However, the Management Company shall defray the Fund set-up and Bond issue expenses payable with the Start-Up Loan, and the Start-Up Loan agreement shall not be terminated but shall rather be cancelled after those amounts are settled, principal repayment being subordinated



to fulfilment of all other obligations undertaken by the Management Company, acting for and on behalf of the Fund.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments to the various creditors by distributing the Liquidation Available Funds in the Liquidation Priority of Payments, that remainder shall be for the Originator on the liquidation terms established by the Management Company. If that remainder is not a liquid amount, since relating to Loan receivables that are pending the outcome of court or out-of-court proceedings instituted as a result of default by the Loan Obligor, both their continuation and the proceeds of their termination shall be for the Originator.

In any event, the Management Company, acting for and on behalf of the Fund, shall not proceed to terminate the Fund and strike it off the relevant administrative registers until the Loans and the Fund's remaining assets have been liquidated and the Fund's Liquidation Available Funds have been distributed, in the Fund Liquidation Priority of Payments.

Upon a period of three (3) months elapsing from liquidation of the Fund's remaining assets and distribution of the Liquidation Available Funds, the Management Company will execute a statutory declaration before a notary declaring (i) that the Fund has terminated, and the events prompting its termination, (ii) as the case may be, how Bondholders and the CNMV were notified, and (iii) how the Liquidation Available Funds were distributed in the Liquidation Priority of Payments; this shall be the subject of an extraordinary notice and all other appropriate administrative procedures will be observed. The Management Company will submit that statutory declaration to the CNMV.

#### **4.5 Domicile, legal form and legislation applicable to the Issuer.**

In accordance with the provisions of article 15.1 of Act 5/2015, the Fund has no own legal personality and the Management Company is entrusted with establishing, managing and being the Fund's authorised representative.

The Fund shall have the same domicile as the Management Company:

- Street: Lagasca number 120
- Town: Madrid
- Post Code: 28006
- Country: Spain
- Telephone: (34) 91 411 84 67

The establishment of the Fund is subject to Spanish Law and in particular is carried out pursuant to the legal system provided for by (i) Act 5/2015, (ii) Legislative Royal Decree 4/2015, October 23, approving the consolidation of the Securities Market Act (the "**Securities Market Act**"), (iii) Act 2/1981, (iv) Royal Decree 716/2009, April 24, implementing certain aspects of Act 2/1981 and other mortgage and financial system rules, as currently worded ("**Royal Decree 716/2009**"), (v) Royal Decree 1310/2005, (vi) Regulation 809/2004, and (vii) all other legal and statutory provisions in force and applicable from time to time.

##### **4.5.1 Tax system of the Fund.**

In accordance with the provisions of article 15.1 of Act 5/2015, article 7.1.h) of Corporation Tax Act 27/2014, November 27 ("**Act 27/2014**"), article 20.One.18 of Value Added Tax Act 37/1992, December 28, article 61 k of the Corporation Tax Regulations approved by Royal Decree 634/2015, July 10 ("**Corporation Tax Regulations**"), article 45.I.B).15 and 20.4 of the Consolidation of the Capital Transfer and Documents Under Seal Tax Act approved by Legislative Royal Decree 1/1993, September 24, and all other applicable laws and provisions, the most relevant characteristics of each tax under the current tax system of the Fund are mainly as follows:

- (i) The establishment of the Fund and all transactions subject to the "corporate transactions" category of Capital Transfer and Documents under Seal Tax are exempt from that tax.

- (ii) Bond issue, subscription, transfer, repayment and redemption are not subject to or exempt from, as the case may be, payment of Value Added Tax and Capital Transfer and Documents Under Seal Tax.
- (iii) The Fund pays Corporation Tax, the taxable income being determined in accordance with the provisions of Title IV of Corporation Tax Act 27/2014, applying the general rate in force from time to time, which currently stands at 28% (25% for tax periods starting from 2016), and subject to common rules regarding tax credit, set-off of losses and other substantial constituent elements of the tax.

Rule 13 of CNMV Circular 2/2009, lays down the criteria based on which securitisation funds must make the relevant valuation adjustments for impairment in the value of financial assets. Article 13.1 of Act 27/2014, which applies to tax periods starting from January 1, 2015, lays down that the rules relating to the circumstances determining deductibility of valuation adjustments due to impairment in the value of debt instruments valued at their depreciated cost held by securitisation funds shall be established by way of regulations. Chapter III of the Corporation Tax Regulations refers to those circumstances. Additionally, pursuant to article 16.6 a) of Act 27/2014, the Fund shall not be applied the limitation regarding deductibility of financial expenses for tax periods starting from January 1, 2015.

- (iv) Returns on investments obtained by securitisation funds are not subject to the general Corporation Tax withholding system, because article 61 k) of the Corporation Tax Regulations provides that “returns on mortgage participation certificates, loans or other receivables constituting securitisation fund income” shall not be liable to withholding.
- (v) The management and custody services provided to the Fund are exempt from Value Added Tax.
- (vi) The assignment of Non-Mortgage Loans and of Mortgage Loans by issuing and subscribing for the Mortgage Certificates and the Pass-Through Certificates is a transaction subject to and exempt from Value Added Tax and Capital Transfer and Documents Under Seal Tax, in terms of the consolidation of the Capital Transfer and Documents Under Seal Tax Act and its implementing regulations and, in the case of Mortgage Loans, Act 2/1981 and its implementing regulations.
- (vii) The establishment and assignment of security is subject to the general tax system and no special provision is made for securitisation funds.
- (viii) The Fund shall be applied the reporting duties established by Additional Provision One of Credit Institution Arrangement, Supervision and Solvency Act 10/2014, June 26.

The procedure to satisfy those reporting duties is set out in Royal Decree 1065/2007, July 27, approving General Regulations for tax management and inspection actions and procedures and implementing rules common to procedures applicable to taxes, as currently worded.

#### 4.6 Issuer’s authorised and issued capital.

Not applicable.

### 5. BUSINESS OVERVIEW

#### 5.1 Brief description of the Issuer’s principal activities.

The Fund’s activity is to subscribe for a number of mortgage participation certificates (the “**Mortgage Certificates**”) and of pass-through certificates (the “**Pass-Through Certificates**”) issued on mortgage loans and to acquire a number of non-mortgage loan receivables (both types of loans, the “**Loans**”) granted by BBVA to small and medium-sized and autonomous enterprises (“**SMEs**” as defined by the Bank of Spain in Technical Application no. 3/2013: entities which, whatever their legal form may be, or where the entity is part of a consolidated group, the consolidated group, carry on business with an annual turnover below EUR 50 million) domiciled in Spain (the “**Obligors**”), and to issue asset-backed bonds

(either the “**Asset-Backed Bonds**” or the “**Bonds**”), the subscription for and acquisition of which are designed to finance acquisition of the Loan receivables.

The Loans may be classified based on their collaterals into:

- (i) Loans with real estate mortgage security, originated in a public deed (the “**Mortgage Loans**”).

The Mortgage Loan receivables shall be assigned to the Fund upon BBVA issuing and the Fund subscribing for Mortgage Certificates and Pass-Through Certificates subject to the provisions of Act 2/1981, Additional Provision Four of Act 5/2015, Royal Decree 716/2009 and on the terms provided for in section 3.3 of this Building Block.

- (ii) Loans without special security, loans with other non-real estate security interests and/or loans with third-party personal surety, originated in a public document, which are enforceable, pursuant to article 517 of Civil Procedure Act 1/2000, January 7, as currently worded (the “**Civil Procedure Act**”) (the “**Non-Mortgage Loans**”).

In this Registration Document and elsewhere in the Prospectus the term “Loans” shall be used to refer collectively to the Non-Mortgage Loan and the Mortgage Loan receivables or to the Mortgage Certificates and the Pass-Through Certificates perfecting the assignment of the Mortgage Loan receivables.

Loan interest and repayment income received by the Fund shall be allocated quarterly on each Payment Date to Bond interest payment and principal repayment in each Series in the Priority of Payments established for Fund payments.

Moreover, the Fund, represented by the Management Company, shall arrange a number of financial and service transactions in order to consolidate the Fund’s financial structure, enhance Bond payment safety or regularity, cover timing differences between the scheduled Loan and Bond principal and interest flows, and, generally, enable the financial transformation carried out in respect of the Fund’s assets between the financial characteristics of the Loans and the financial characteristics of each Bond Series.

## 5.2 Global overview of the parties to the securitisation program.

- EUROPEA DE TITULIZACIÓN is the Management Company that will establish, manage and be the authorised representative of the Fund and has, together with BBVA, structured the financial terms of the Fund and of the Bond Issue. As a securitisation fund management company, its duty is to service and manage the Loans under article 26.1.b) of Act 5/2015, pursuant to which it is the management company’s duty to service and manage the assets pooled in the Fund. Notwithstanding the foregoing, the Management Company may delegate such servicing to third parties and, additionally, in the case of the Mortgage Loans, under article 26.3 and additional provision one of Royal Decree 716/2009. BBVA shall continue to be the custodian and servicer of the Mortgage Loans and the Pass-Through Certificates and the Non-Mortgage Loans, by virtue of the Management Company’s delegated authority.

EUROPEA DE TITULIZACIÓN is a securitisation fund management company incorporated in Spain and entered in the CNMV’s special register under number 2.

TIN: A-805144 66 Business Activity Code No.: 6630

Address: Calle Lagasca number 120, 28006 Madrid (Spain).

- BBVA is the Originator of the Loan receivables to be assigned to the Fund upon being established, and shall be the Lead Manager and the Subscriber of the Bond Issue.

Out of the functions and activities that lead managers may discharge in accordance with article 35.1 of Royal Decree 1310/2005, BBVA has, together with the Management Company, structured the financial terms of the Fund and the Bond Issue.

In addition, it shall take on the duties of article 35.3 of the same Royal Decree.

Moreover, BBVA shall be the Fund's counterparty under the Lead Management and Subscription, Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Financial Intermediation and Bond Paying Agent Agreements. Additionally, BBVA shall act as (i) Non-Mortgage Loan Servicer, under the authority delegated to it by the Management Company, and (ii) Mortgage Loan Servicer, as issuer of the Mortgage Certificates and the Pass-Through Certificates, as established in article 26.3 and additional provision one of Royal Decree 716/2009; all in accordance with the Loan Servicing and Mortgage Certificate and Pass-Through Certificate Custody Agreement.

BBVA is a bank incorporated in Spain and entered in the Bank of Spain's Special Register of Banks and Bankers under number 3, its code number being 0182.

TIN No.: A-48265169 Business Activity Code No.: 6419  
Registered office: Plaza de San Nicolás number 4, 48005 Bilbao (Spain).  
Principal places of business: Calle de Saucedo number 28, 28050 Madrid.  
Gran Vía number 1, 48001 Bilbao  
Paseo de Recoletos number 10, 28001 Madrid

Ratings for BBVA's short- and long-term unsecured and unsubordinated debt obligations assigned by the Rating Agencies, effective at the registration date of this Prospectus:

	DBRS Ratings	Moody's Ratings	Scope* Ratings
<b>Short-term</b>	R-1 (low) (February 2015)	P-2 (June 2015)	S-1 (August 2015)
<b>Long-term</b>	A (February 2015)	Baa1 (October 2015)	A (August 2015)
<b>Outlook</b>	Stable	Stable	Stable

\* Unsolicited rating

- DBRS Ratings Limited ("**DBRS**") is one of the Rating Agencies rating each Bond Issue Series.

DBRS is a rating agency with place of business at 1 Minster Court, 10<sup>th</sup> Floor, Mincing Lane, London, EC3R 7AA, United Kingdom, and has VAT Number: N8263023G.

DBRS Ratings Limited was registered and authorised on October 31, 2011 as a credit rating agency in the European Union in accordance with Regulation no. 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, as currently worded ("**Regulation 1060/2009**").

- Moody's Investors Service Ltd. ("**Moody's**") is one of the Rating Agencies rating each Bond Issue Series.

Moody's is a rating agency with place of business at One Canada Square, Canary Wharf, London, E14 5FA, United Kingdom.

Moody's Investors Service Ltd. was registered and authorised on October 31, 2011 as a credit rating agency in the European Union in accordance with Regulation 1060/2009.

- Scope Ratings A.G. ("**Scope**") is one of the Rating Agencies rating each Bond Issue Series.

Scope is a rating agency with place of business at Lennéstraße 5, D-10785 Berlin, Federal Republic of Germany, and has VAT Number: DE 222618588.

- The law firm URÍA MENÉNDEZ ABOGADOS, S.L.P. ("**URÍA MENÉNDEZ**"), an independent adviser, has provided legal advice for establishing the Fund and issuing the Bonds and has been involved in reviewing this Prospectus (including its legal, tax and contractual aspects), the transaction and financial service agreements referred to herein and the Deed of Constitution.

TIN: B-28563963

Registered Office: Príncipe de Vergara, no. 187, Plaza de Rodrigo Uría, 28002 Madrid (Spain).

- Deloitte S.L. ("**Deloitte**") has issued the audit report on certain features and attributes of a sample of all of BBVA's selected loans from which the Loans will be taken in order for their receivables to be mostly assigned to the Fund upon being established.

Deloitte is entered in the Official Register of Auditors (ROAC) of Spain under number S0692.

TIN: B-79104469

Address: Plaza Pablo Ruiz Picasso number s/n (Torre Picasso) 28020 Madrid (Spain).

BBVA has an 87.86% interest in the share capital of EUROPEA DE TITULIZACIÓN.

No other direct or indirect ownership or controlling interest whatsoever is known to exist between the above-mentioned legal persons involved in the securitisation transaction.

## **6. ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES**

The Management Company, EUROPEA DE TITULIZACIÓN, shall be responsible for managing and being the authorised representative of the Fund on the terms set in Act 5/2015, and other applicable laws, and on the terms of the Deed of Constitution and this Prospectus.

### **6.1 Incorporation and registration at the Companies Register.**

EUROPEA DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before Madrid Notary Mr Roberto Blanquer Uberos, his protocol number 117, with the prior authorisation of the Economy and Finance Ministry, given on December 17, 1992, and entered in the Companies Register of Madrid at volume 5,461, book 0, folio 49, section 8, sheet M-89355, entry 1, on March 11, 1993; the company was re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and of the single transitional provision of Royal Decree 926/1998, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated October 4, 1999 and in a deed executed on October 25, 1999 before Madrid Notary Mr Luis Felipe Rivas Recio, his protocol number 3,289, which was entered under number 33 of the sheet opened for the Management Company in said Companies Register.

EUROPEA DE TITULIZACIÓN has perpetual existence, other than upon the occurrence of any of the events of dissolution thereof provided by the laws and the articles of association.

### **6.2 Audit.**

The annual accounts of EUROPEA DE TITULIZACIÓN for the years ended December 31, 2014 and 2013 have been audited by the firm Deloitte.

In addition, Deloitte has audited BBVA's individual and consolidated annual accounts for the years ended December 31, 2014 and 2013.

### **6.3 Principal activities.**

The main objects of EUROPEA DE TITULIZACIÓN are to establish, manage and be the authorised representative of securitisation funds.

The following table itemises the 80 securitisation funds managed by EUROPEA DE TITULIZACIÓN at October 31, 2015, giving their date of establishment and the face amount of the bonds issued by those funds and their outstanding principal balances as at that date.

Securitisation Fund	Establishment	Initial Bond Issue	Bond Issue Balance 31.10.2015		Bond Issue Balance 31.12.2014		Bond Issue Balance 31.12.2013
		EUR	EUR	Δ%	EUR	Δ%	EUR
<b>TOTAL</b>		<b>129,613,574,000.00</b>	<b>47,638,655,009.57</b>	<b>-0.59%</b>	<b>48,322,474,012.31</b>	<b>-1.65%</b>	<b>49,133,231,438.93</b>
BBVA Consumo 7 FT	27/07/2015	1,450,000,000.00	1,450,000,000.00	0.00%			
BBVA RMBS 15 FTA	11/05/2015	4,000,000,000.00	3,949,264,304.00	0.00%			
BBVA RMBS 14 FTA	24/11/2014	700,000,000.00	633,092,641.30	-9.56%	700,000,000.00		
BBVA CONSUMO 6 FTA	15/10/2014	300,000,000.00	300,000,000.00	0.00%	300,000,000.00		
BBVA RMBS 13 FTA	14/07/2014	4,100,000,000.00	3,851,218,047.50	-5.02%	4,054,904,797.00		
Rural Hipotecario XVII FTA	03/07/2014	101,124,000.00	88,267,464.00	-11.25%	99,457,227.00		
BANKIA PYME I FTA	20/12/2013	645,000,000.00	251,043,645.75	-45.02%	456,645,261.75	-29.20%	645,000,000.00
BBVA RMBS 12 FTA	09/12/2013	4,350,000,000.00	3,966,223,707.75	-5.29%	4,187,915,628.75	-3.73%	4,350,000,000.00
Rural Hipotecario XVI FTA	24/07/2013	150,000,000.00	125,517,261.45	-10.13%	139,662,093.75	-5.81%	148,272,056.10
Rural Hipotecario XV FTA	18/07/2013	529,000,000.00	458,029,010.86	-5.52%	484,814,015.98	-6.48%	518,414,916.31
Rural Hipotecario XIV FTA	12/07/2013	225,000,000.00	192,461,955.75	-5.54%	203,745,377.25	-7.21%	219,567,390.75
BBVA Securitised Funding 1 FTA	11/03/2013	850,000,000.00	414,242,980.00	-33.07%	618,941,260.00	-27.18%	850,000,000.00
BBVA-9 PYME FTA	24/12/2012	470,000,000.00	156,818,280.00	-32.03%	230,732,440.00	-31.74%	338,028,200.00
BBVA RMBS 11 FTA	11/06/2012	1,400,000,000.00	1,206,738,134.00	-4.72%	1,266,508,185.60	-4.44%	1,325,381,979.60
BBVA EMPRESAS 6 FTA	19/12/2011	1,200,000,000.00	0.00	-100.00%	388,128,816.00	-37.36%	619,655,835.60
BBVA RMBS 10 FTA	20/06/2011	1,600,000,000.00	1,369,579,305.60	-3.97%	1,426,229,088.00	-3.81%	1,482,672,745.60
BBVA Empresas 5 FTA	14/03/2011	1,250,000,000.00	0.00	-100.00%	298,691,622.50	-40.06%	498,323,067.50
MBS BANCAJA 8 FTA	23/12/2010	450,000,000.00	315,464,036.40	-6.72%	338,179,213.35	-8.65%	370,186,599.60
MBS BANCAJA 7 FTA	23/07/2010	875,000,000.00	612,057,388.25	-7.14%	659,102,417.75	-8.49%	720,262,109.00
BBVA Empresas 4 FTA	19/07/2010	1,700,000,000.00	204,561,170.00	-22.88%	265,234,340.00	-33.40%	398,249,990.00
BBVA RMBS 9 FTA	19/04/2010	1,295,000,000.00	1,010,186,247.00	-3.75%	1,049,546,736.00	-4.89%	1,103,462,118.50
BBVA Empresas 3 FTA	21/12/2009	2,600,000,000.00	0.00	-100.00%	294,408,790.00	-33.05%	439,738,039.00
BBVA Consumo 4 FTA	09/12/2009	1,100,000,000.00	84,545,656.83	-40.18%	141,336,325.74	-46.10%	262,215,498.26
Rural Hipotecario XII FTA	04/11/2009	910,000,000.00	571,347,153.28	-6.62%	611,858,310.04	-9.14%	673,419,648.70
Bancaja Leasing 1 FTA	22/10/2009	800,000,000.00	0.00	-100.00%	319,456,678.40	-14.59%	374,048,518.40
VAL Bancaja 1 FTA	27/05/2009	300,000,000.00	198,691,923.00	-5.42%	210,085,961.20	-8.29%	229,064,138.92
Bancaja - BVA VPO 1 FTA	03/04/2009	390,000,000.00	218,297,137.50	-11.79%	247,462,436.70	-9.96%	274,831,794.06
BBVA Empresas 2 FTA	09/03/2009	2,850,000,000.00	0.00	-100.00%	467,802,534.00	-26.84%	639,446,570.16
Rural Hipotecario XI FTA	25/02/2009	2,200,000,000.00	1,184,408,639.92	-7.53%	1,280,789,455.33	-11.68%	1,450,215,066.30
MBS Bancaja 6 FTA	02/02/2009	1,000,000,000.00	523,969,510.40	-8.87%	574,990,999.20	-12.07%	653,910,560.80
Valencia Hipotecario 5 FTA	17/12/2008	500,000,000.00	0.00	-100.00%	0.00	-100.00%	330,907,388.00
Bancaja 13 FTA	09/12/2008	2,895,000,000.00	1,825,604,503.04	-7.78%	1,979,541,090.67	-8.43%	2,161,749,298.81
Bankinter 4 FTPYME FTA	15/09/2008	400,000,000.00	0.00	-100.00%	128,074,630.80	-19.01%	158,137,683.40
BBVA-8 FTPYME FTA	21/07/2008	1,100,000,000.00	99,455,401.65	-21.19%	126,199,991.09	-27.12%	173,169,886.34
Rural Hipotecario X FTA	25/06/2008	1,880,000,000.00	947,426,471.36	-7.67%	1,026,081,080.64	-11.26%	1,156,267,798.08
BBVA RMBS 5 FTA	26/05/2008	5,000,000,000.00	2,885,874,305.00	-4.47%	3,020,881,760.00	-6.40%	3,227,376,510.00
BBVA Consumo 3 FTA	14/04/2008	975,000,000.00	30,345,131.70	-46.54%	56,758,531.05	-49.32%	111,989,597.85
BBVA-7 FTGENCAT FTA	11/02/2008	250,000,000.00	0.00	-100.00%	24,089,271.93	-32.03%	35,441,609.49
Bankinter 3 FTPYME FTA	12/11/2007	617,400,000.00	157,831,662.12	-13.48%	182,417,746.68	-17.31%	220,597,490.40
BBVA Empresas 1 FTA	05/11/2007	1,450,000,000.00	0.00	-100.00%	82,683,965.43	-40.92%	139,961,241.60
FTPYME Bancaja 6 FTA	26/09/2007	1,027,000,000.00	112,797,719.84	-11.92%	128,068,213.30	-20.36%	160,802,572.30
BBVA RMBS 3 FTA	23/07/2007	3,000,000,000.00	1,942,005,374.25	-3.67%	2,015,955,352.05	-4.67%	2,114,644,751.25
PYME Valencia 1 FTA	20/07/2007	865,300,000.00	116,636,909.68	-15.18%	137,506,288.24	-16.09%	163,880,066.56
Bancaja 11 FTA	16/07/2007	2,022,900,000.00	1,047,754,678.00	-7.53%	1,133,098,438.30	-7.22%	1,221,245,867.90
BBVA Leasing 1 FTA	25/06/2007	2,500,000,000.00	190,610,000.56	-19.13%	235,699,104.22	-24.79%	313,382,311.36
BBVA-6 FTPYME FTA	11/06/2007	1,500,000,000.00	82,600,000.00	-7.16%	88,974,145.20	-35.23%	137,376,852.64
BBVA Finanzia Autos 1 FTA	30/04/2007	800,000,000.00	16,569,061.12	-58.67%	40,094,060.64	-45.77%	73,932,260.00
MBS Bancaja 4 FTA	27/04/2007	1,873,100,000.00	669,102,521.51	-12.66%	766,124,623.20	-11.74%	867,987,260.66
Rural Hipotecario IX FTA	28/03/2007	1,515,000,000.00	651,749,345.54	-7.65%	705,739,038.64	-10.86%	791,709,372.12
BBVA RMBS 2 FTA	26/03/2007	5,000,000,000.00	2,550,743,040.00	-5.66%	2,703,754,320.00	-6.91%	2,904,606,720.00
BBVA RMBS 1 FTA	19/02/2007	2,500,000,000.00	1,321,927,600.00	-5.01%	1,391,627,020.00	-6.14%	1,482,708,080.00
Bancaja 10 FTA	26/01/2007	2,631,000,000.00	1,245,297,057.20	-6.12%	1,326,517,363.00	-7.60%	1,435,645,285.20
BBVA Consumo 2 FTA	27/11/2006	1,500,000,000.00	0.00	-100.00%	44,377,144.25	-57.42%	104,216,127.62
Ruralpyme 2 FTPYME FTA	24/11/2006	617,050,000.00	71,417,340.48	-21.62%	91,114,304.85	-19.20%	112,767,449.76
Bankinter 13 FTA	20/11/2006	1,570,000,000.00	728,111,919.02	-8.39%	794,787,388.38	-7.74%	861,501,919.44

Securitisation Fund	Establishment	Initial Bond Issue	Bond Issue Balance 31.10.2015		Bond Issue Balance 31.12.2014		Bond Issue Balance 31.12.2013
		EUR	EUR	Δ%	EUR	Δ%	EUR
Valencia Hipotecario 3 FTA	15/11/2006	911,000,000.00	358,192,452.30	-7.59%	387,613,678.29	-10.43%	432,726,740.07
BBVA-5 FTPYME FTA	23/10/2006	1,900,000,000.00	56,054,808.90	-28.07%	77,926,592.40	-31.77%	114,219,254.75
PYME Bancaja 5 FTA	02/10/2006	1,178,800,000.00	87,888,681.64	-10.15%	97,814,768.80	-15.48%	115,725,000.04
Bankinter 2 PYME FTA	26/06/2006	800,000,000.00	123,213,475.80	-14.47%	144,059,010.40	-18.49%	176,728,515.40
Consumo Bancaja 1 FTA	26/06/2006	612,900,000.00	13,586,812.80	-3.70%	14,109,264.00	-26.12%	19,097,366.40
Rural Hipotecario VIII FTA	26/05/2006	1,311,700,000.00	454,598,305.76	-12.21%	517,816,549.72	-10.82%	580,670,750.52
BBVA Consumo 1 FTA	08/05/2006	1,500,000,000.00	0.00	-100.00%	44,441,818.80	-47.82%	85,172,535.75
MBS Bancaja 3 FTA	03/04/2006	810,000,000.00	245,622,632.40	-9.39%	271,070,626.80	-10.70%	303,547,116.80
Bancaja 9 FTA	02/02/2006	2,022,600,000.00	673,975,620.00	-8.33%	735,186,500.00	-9.70%	814,198,420.00
BBVA Autos 2 FTA	12/12/2005	1,000,000,000.00	0.00	-100.00%	25,958,793.00	-56.85%	60,154,516.00
Valencia Hipotecario 2 FTH	07/12/2005	950,000,000.00	280,948,334.90	-11.81%	318,583,444.90	-11.47%	359,866,923.20
EdT FTPYME Pastor 3 FTA	05/12/2005	520,000,000.00	14,640,994.06	-23.48%	19,134,457.12	-22.62%	24,729,482.53
Bankinter 11 FTH	28/11/2005	900,000,000.00	356,899,544.37	-8.04%	388,092,908.26	-9.04%	426,679,902.45
Rural Hipotecario Global I FTA	18/11/2005	1,078,000,000.00	307,361,684.97	-11.79%	348,456,579.04	-12.45%	398,019,714.73
BBVA-4 PYME FTA	26/09/2005	1,250,000,000.00	0.00	-100.00%	26,234,779.96	-34.57%	40,098,493.32
Bankinter 10 FTA	27/06/2005	1,740,000,000.00	585,441,472.03	-7.66%	633,995,674.82	-9.24%	698,510,855.45
MBS Bancaja 2 FTA	27/06/2005	809,200,000.00	175,470,957.28	-11.11%	197,405,288.16	-11.92%	224,114,744.72
BBVA Hipotecario 3 FTA	13/06/2005	1,450,000,000.00	56,641,382.12	-27.31%	77,920,784.88	-32.56%	115,545,213.39
Rural Hipotecario VII FTA	29/04/2005	1,100,000,000.00	286,331,402.26	-10.12%	318,579,843.07	-12.65%	364,697,004.48
Bancaja 8 FTA	22/04/2005	1,680,100,000.00	466,570,467.12	-10.77%	522,901,610.80	-9.34%	576,751,213.18
Bankinter 9 FTA	14/02/2005	1,035,000,000.00	320,417,261.24	-10.82%	359,303,750.75	-9.61%	397,500,283.92
BBVA-3 FTPYME FTA	29/11/2004	1,000,000,000.00	0.00	-100.00%	14,556,430.62	-43.11%	25,587,706.14
FTPYME Bancaja 3 FTA	11/10/2004	900,000,000.00	22,989,961.43	-18.35%	28,157,405.16	-30.18%	40,329,875.20
Bancaja 7 FTA	12/07/2004	1,900,000,000.00	408,638,172.04	-9.45%	451,281,021.66	-10.92%	506,616,918.92
Rural Hipotecario VI FTA	07/07/2004	950,000,000.00	207,655,789.67	-14.52%	242,925,273.83	-12.10%	276,350,954.18
MBS Bancaja 1 FTA	17/05/2004	690,000,000.00	62,369,071.92	-15.95%	74,203,037.64	-18.23%	90,747,080.88
Valencia Hipotecario 1 FTA	23/04/2004	472,000,000.00	82,311,611.54	-13.22%	94,856,197.44	-15.45%	112,185,470.91
Bankinter 8 FTA	03/03/2004	1,070,000,000.00	249,502,544.02	-8.85%	273,725,519.01	-10.86%	307,088,538.01
Bankinter 7 FTH	18/02/2004	490,000,000.00	111,572,803.70	-9.83%	123,735,920.06	-10.94%	138,933,790.90
Bancaja 6 FTA	03/12/2003	2,080,000,000.00	327,117,987.56	-9.76%	362,498,652.36	-11.86%	411,270,258.36
Rural Hipotecario V FTA	28/10/2003	695,000,000.00	126,071,122.72	-10.78%	141,302,007.46	-12.91%	162,241,044.44
Bankinter 6 FTA	25/09/2003	1,350,000,000.00	307,494,220.38	-9.70%	340,516,051.33	-11.58%	385,119,051.45
FTPYME Bancaja 2 FTA	19/09/2003	500,000,000.00	0.00	-100.00%	17,495,991.65	-28.78%	24,565,274.15
Bancaja 5 FTA	14/04/2003	1,000,000,000.00	137,822,849.20	-13.02%	158,452,756.35	-12.83%	181,777,165.65
Bankinter 5 FTH	16/12/2002	710,000,000.00	120,660,554.59	-10.34%	134,578,816.09	-12.50%	153,811,878.94
Rural Hipotecario IV FTH	14/11/2002	520,000,000.00	66,309,520.19	-12.21%	75,534,772.01	-15.02%	88,889,509.18
Bancaja 4 FTH	05/11/2002	1,000,000,000.00	118,796,211.05	-10.85%	133,255,981.70	-13.76%	154,512,357.95
Bankinter 4 FTH	24/09/2002	1,025,000,000.00	166,818,444.84	-11.15%	187,754,100.50	-13.38%	216,756,691.49
Bancaja 3 FTA	29/07/2002	520,900,000.00	84,261,893.53	-15.95%	100,254,363.91	-19.68%	124,812,686.60
Rural Hipotecario III FTH	14/05/2002	325,000,000.00	0.00	-100.00%	35,482,878.37	-18.89%	43,748,303.86
Bankinter 3 FTH	22/10/2001	1,322,500,000.00	144,520,318.63	-15.88%	171,809,136.59	-15.36%	202,997,099.43
BCL Municipios I FTA	21/06/2000	1,205,000,000.00	0.00	-100.00%	61,540,080.00	-22.53%	79,440,630.00
Bankinter 2 FTH	25/10/1999	320,000,000.00	0.00	-100.00%	25,156,010.75	-17.04%	30,322,861.25

#### 6.4 Share capital and equity.

The Management Company's wholly subscribed for, paid-up share capital amounts to one million eight hundred and three thousand and thirty-seven Euros and fifty Eurocents (EUR 1,803,037.50) represented by 2,500 registered shares, all in the same class, correlatively numbered from 1 to 2,500, both inclusive, wholly subscribed for and paid up, and divided into two series:

- Series A comprising 1,250 shares, numbers 1 to 1,250, both inclusive, having a unit face value of EUR 276.17.
- Series B comprising 1,250 shares, numbers 1,251 to 2,500, both inclusive, having a unit face value of EUR 1,166.26.

The shares are all in the same class and confer identical political and economic rights.

(EUR)	30.09.2015*	31.12.2014	Δ%	31.12.2013
<b>Equity</b>	<b>34,047,496.46</b>	<b>31,736,426.20</b>	<b>8.97%</b>	<b>29,122,908.50</b>
Capital	1,803,037.50	1,803,037.50	0.00%	1,803,037.50
Reserves	32,244,458.96	29,933,388.70	9.57%	27,319,871.00
<i>Legal</i>	360,607.50	360,607.50	0.00%	360,607.50
<i>Voluntary</i>	31,883,851.46	29,572,781.20	9.69%	26,959,263.50
Previous financial year's result				
<b>Year's profit</b>	<b>2,562,174.80</b>	<b>3,851,783.77</b>	<b>-11.57%</b>	<b>4,355,862.83</b>

\* Unaudited details.

The Management Company' total equity and share capital are sufficient to carry on its business as required by article 29.1 d) of Act 5/2015.

#### 6.5 Existence or not of shareholdings in other companies.

There are no shareholdings in any other company.

#### 6.6 Administrative, management and supervisory bodies.

Under the articles of association, the General Shareholders' Meeting and the Board of Directors are entrusted with governing and managing the Management Company. Their duties and authorities are as prescribed for those bodies in the Companies Act and in Act 5/2015, in relation to the objects.

As provided for in the articles of association, the Board of Directors has delegated to an Executive Committee all its authorities that may be delegated by law and in accordance with the articles, including resolving to set up Securitisation Funds. There is also a General Manager vested with extensive authorities within the organisation and vis-à-vis third parties.

#### Board of Directors.

The Board of Directors has the following membership:

<b>Chairman:</b>	Mr Luis Manuel Megías Pérez (*) (**)
<b>Vice-Chairman:</b>	Mr Pedro María Urresti Laca (**)
<b>Directors:</b>	Mr Ignacio Echevarría Soriano (*) (**)
	Mr Juan Isusi Garteiz Gogeoasca (*) (**)
	Mr Carlos Goicoechea Argul (**)
	Mr Sergio Fernández Sanz (**)
	Mr Mario Masiá Vicente (*)
	Mr Antonio Muñoz Calzada, on behalf of Bankinter, S.A.
	Mr Ignacio Benlloch Fernández-Cuesta, on behalf of Banco Cooperativo Español, S.A.
<b>Non-Director Secretary:</b>	Mr Ángel Munilla López

(\*) Member of the Board of Directors' Executive Committee.

(\*\*) Proprietary Directors on behalf of BBVA.



The business address of the directors of EUROPEA DE TITULIZACIÓN is for these purposes at Madrid, calle Lagasca number 120.

**General Manager.**

The Management Company's General Manager is Mr Mario Masiá Vicente.

**6.7 Principal activities of the persons referred to in section 6.6 above, performed outside the Management Company where these are significant with respect to the Fund.**

Mr Luis Manuel Megías Pérez, Mr Pedro María Urresti Laca, Mr Ignacio Echevarría Soriano, Mr Juan Isusi Garteiz Gogeoasca, Mr Carlos Goicoechea Argul and Mr Sergio Fernández Sanz are currently members of staff of BBVA, in turn the Originator of the assets to be pooled in the Fund, Lead Manager, Subscriber and Paying Agent of the Bond Issue and counterparty to the remaining agreements entered into by the Fund, represented by the Management Company. The following are the positions held in BBVA by the persons responsible for or directly involved in selecting the assets to be pooled in or financially structuring the Fund:

- Mr Ignacio Echevarría Soriano is currently Director, Capital and Securitisations Management at BBVA.

**6.8 Lenders of the Management Company in excess of 10 percent.**

The Management Company has received no loan or credit from any person or institution whatsoever.

**6.9 Litigation in the Management Company.**

The Management Company is not involved in any event in the nature of insolvency or in any litigation or actions which might affect its economic and financial position or, in the future, its capacity to discharge its Fund management and administration duties as at the registration date of this Registration Document.

**7. MAJOR SHAREHOLDERS**

**7.1 Statement as to whether the Management Company is directly or indirectly owned or controlled.**

The ownership of shares in the Management Company is distributed among the companies listed below, specifying the percentage share capital holding of each one:

Name of shareholder company	Holding (%)
Banco Bilbao Vizcaya Argentaria, S.A.	87.86
J.P. Morgan España, S.A.	4.00
Banco de Sabadell, S.A.	3.07
Bankinter, S.A.	1.56
Banco Cooperativo Español, S.A.	0.81
Banco Popular Español, S.A.	0.78
CaixaBank, S.A.	0.77
BNP Paribas España, S.A.	0.77
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	0.38
<b>TOTAL</b>	<b>100.00</b>

For the purposes of Commercial Code article 42, EUROPEA DE TITULIZACIÓN is a member of BBVA Group.

EUROPEA DE TITULIZACIÓN has established an Internal Code of Conduct for the Securities Market in fulfilment of the provisions of Chapter III of Royal Decree 217/2008, February 15, on the legal system of investment services companies and other undertakings providing investment services and partially amending the implementing Regulations of Undertakings for Collective Investment Act 35/2003, November 4, approved by Royal Decree 1309/2005, November 4, which has been notified to the CNMV.

**8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS AND LOSSES**

**8.1 Statement as to commencement of operations and financial statements of the Issuer as at the date of the Registration Document.**

In accordance with the provisions of section 4.4.2 of this Registration Document, the Fund's operations shall commence on the date of execution of the Deed of Constitution and therefore the Fund has no financial statement as at the date of this Registration Document.

**8.2 Historical financial information where an issuer has commenced operations and financial statements have been prepared.**

Not applicable.

**8.2 bis Historical financial information for issues of securities having a denomination per unit of at least EUR 100,000.**

Not applicable.

**8.3 Legal and arbitration proceedings.**

Not applicable.

**8.4 Material adverse change in the Issuer's financial position.**

Not applicable.

**9. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

**9.1 Statement or report attributed to a person as an expert.**

No statement or report is included.

**9.2 Information sourced from a third party.**

No information sourced from a third party is included.

**10. DOCUMENTS ON DISPLAY**

**10.1 Documents on display.**

If necessary, the following documents or copies thereof shall be on display during the period of validity of this Registration Document and/or throughout the life of the Fund:

- a) the Deed of Constitution of the Fund;
- b) the transcripts of the Management Company's and the Originator's corporate resolutions;
- c) this Prospectus;
- d) the audit report on certain features and attributes of a sample of all of BBVA's selected loans from which the Loans will be taken in order for their receivables to be mostly assigned to the Fund upon being established;

- e) the letter from BBVA taking responsibility, with the Management Company, for the Securities Note (including the Building Block);
- f) the notarial certificate recording payment of the Bond Issue, once the Bond Issue is paid up;
- g) the annual reports and the quarterly reports provided for in article 35 of Act 5/2015;
- h) the Rating Agencies' letters notifying the provisional and final ratings assigned to each Bond Issue Series;
- i) the Management Company's annual accounts and the relevant audit reports; and
- j) the Management Company's articles of association and memorandum of association.

Those documents are physically on display at the registered office of EUROPEA DE TITULIZACIÓN at Madrid, calle Lagasca number 120.

Moreover, the Prospectus is also on display at the website of EUROPEA DE TITULIZACIÓN, at [www.edt-sg.com](http://www.edt-sg.com), and at the CNMV's website at [www.cnmv.es](http://www.cnmv.es).

The Deed of Constitution of the Fund is available at EUROPEA DE TITULIZACIÓN's website at [www.edt-sg.com](http://www.edt-sg.com) and is physically on display at the place of business of Iberclear in Madrid, Plaza de la Lealtad number 1, and at the CNMV's headquarters in Madrid, Calle Edison number 4.

In addition, the documents listed in a) to g) are on display at the CNMV's headquarters.

*This is a Certified Translation into English of the Spanish Prospectus. No document other than the Spanish Prospectus registered by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.*

## **SECURITIES NOTE**

### **(Annex XIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

#### **1 PERSONS RESPONSIBLE**

##### **1.1 Persons responsible for the information given in the Securities Note.**

Mr Mario Masiá Vicente, acting for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, the company sponsoring BBVA-10 PYME FONDO DE TITULIZACIÓN, takes responsibility for the contents of this Securities Note (including the Building Block).

Mr Mario Masiá Vicente, General Manager of the Management Company, is acting using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and March 31, 2010, and by the Board of Directors' Executive Committee at its meetings held on January 28, 2000 and November 23, 2009, and is expressly acting for establishing the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee on November 3, 2015.

Ms Fátima Martín Calamardo and Mr Gonzalo Cid Luna Clares, duly authorised for these presents, for and on behalf of BANCO BILBAO VIZCAYA ARGENTARIA S.A., Lead Manager of the Bond Issue by BBVA-10 PYME FONDO DE TITULIZACIÓN, take responsibility for the contents of this Securities Note (including the Building Block).

Ms Fátima Martín Calamardo and Mr Gonzalo Cid Luna Clares are acting as attorneys-in-fact for BBVA using the powers conferred on them before Notary Mr Carlos Rives Gracia on December 22, 2014, his protocol number 2,993.

##### **1.2 Declaration by those responsible for the Securities Note.**

Mr Mario Masiá Vicente declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Securities Note (including the Building Block) is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

Ms Fátima Martín Calamardo and Mr Gonzalo Cid Luna Clares declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Securities Note (including the Building Block) is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

#### **2 RISK FACTORS**

The other risk factors linked to the securities are described in paragraph 2 of the preceding Risk Factors section of this Prospectus.

The risk factors linked to the assets backing the Bond Issue are described in paragraph 3 of the preceding Risk Factors section of this Prospectus.

### 3 KEY INFORMATION

#### 3.1 Interest of natural and legal persons involved in the offer.

The identity of the legal persons involved in the offer and direct or indirect shareholdings or controlling interest or connection between them are detailed in section 5.2 of the Registration Document. Their interest as persons involved in the offer of the Bond Issue are as follows:

- a) EUROPEA DE TITULIZACIÓN is the Fund Management Company and its duty is to service and manage the Loans under article 26.1.b) of Act 5/2015, pursuant to which it is the management company's duty to service and manage the assets pooled in the Fund. Notwithstanding the foregoing, the Management Company may delegate such servicing to third parties and, additionally, in the case of the Mortgage Loans, under article 26.3 and additional provision one of Royal Decree 716/2009. BBVA shall continue to be the custodian and servicer of the Mortgage Loans and the Pass-Through Certificates and the Non-Mortgage Loans, by virtue of the Management Company's delegated authority.
- b) BBVA and EUROPEA DE TITULIZACIÓN have structured the financial terms of the Fund and the Bond Issue.
- c) BBVA is the Originator of the Loans to be pooled in the Fund and shall be the Fund's counterparty under the Lead Management and Subscription, Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Paying Agent and Financial Intermediation Agreements. In addition, BBVA is involved as Lead Manager and shall be the Subscriber of the Bond Issue and the Paying Agent of the Bond Issue. Additionally, BBVA shall act as (i) Non-Mortgage Loan Servicer under the authority delegated to it by the Management Company, and (ii) Mortgage Loan Servicer, as issuer of the Mortgage Certificates and the Pass-Through Certificates, as established in article 26.3 and additional provision one of Royal Decree 716/2009; all in accordance with the Loan Servicing and Mortgage Certificate and Pass-Through Certificate Custody Agreement.
- d) Deloitte has audited certain features and attributes of a sample of all of BBVA's selected loans from which the Loans will be taken to be assigned to the Fund upon being established.
- e) URÍA MENÉNDEZ, as independent adviser, has provided legal advice for establishing the Fund and the Bond Issue and has been involved in reviewing the legal, tax and contractual aspects of this Prospectus, the transaction and financial service agreements referred to herein and the Deed of Constitution.
- f) DBRS, Moody's and Scope are the Rating Agencies that have rated each Bond Issue Series.

The Management Company is not aware of the existence of any other significant link or economic interest between the aforesaid institutions involved in the Bond Issue, other than what is strictly professional derived from their involvement as detailed in this section and in section 5.2 of the Registration Document.

### 4 INFORMATION CONCERNING THE SECURITIES TO BE OFFERED AND ADMITTED TO TRADING.

#### 4.1 Total amount of the securities and subscription.

##### 4.1.1 Total amount of the securities.

The total face value amount of the Issue of Asset-Backed Bonds (the "**Bond Issue**" or the "**Bonds**") is EUR seven hundred and eighty million (780,000,000.00), comprising seven thousand eight hundred (7,800) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries and denominated in Euros and pooled in two Series, distributed as follows:

- i) Series A, with ISIN ES0305110001, having a total face amount of EUR five hundred and ninety-six million seven hundred thousand (596,700,000.00) comprising five thousand nine hundred and sixty-seven (5,967) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A**" or "**Series A Bonds**").

- ii) Series B, with ISIN ES0305110019, having a total face amount of EUR one hundred and eighty-three million three hundred thousand (183,300,000.00) comprising one thousand eight hundred and thirty-three (1,833) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either “**Series B**” or “**Series B Bonds**”).

Subscribing for or holding Bonds in one Series does not imply subscribing for or holding Bonds in the other Series.

#### **4.1.2 Bond issue price.**

The Bonds are issued at 100 percent of their face value. The issue price of the Bonds in each Series A and B shall be EUR one hundred thousand (100,000.00) per Bond, clear of taxes and subscription costs for the subscriber.

The expenses and taxes attaching to the Bond issue shall be borne by the Fund.

#### **4.1.3 Subscription for the Bond Issue.**

The Bond Issue shall be fully subscribed for by BBVA (the “**Subscriber**” and the “**Lead Manager**”) on the date of establishment of the Fund, under the management and subscription agreement (the “**Management and Subscription Agreement**”) to be entered into with the Management Company for and on behalf of the Fund.

BBVA shall receive no fee for subscribing for the Bond Issue and shall pay to the Fund on the Closing Date, for same day value, the total price for subscribing for the Bonds at face value. BBVA shall receive no fees for leading the Bond Issue.

The Management and Subscription Agreement shall be fully terminated in the event that DBRS or Moody’s should not confirm the provisional ratings assigned to the Bonds in each Series as final ratings by 2pm (CET) on December 15, 2015 or in the events provided for by the laws in force for the time being.

#### **4.2 Description of the type and class of the securities.**

The Bonds legally qualify as marketable fixed-income securities with an explicit yield and are subject to the system prescribed in the Securities Market Act, and implementing regulations.

#### **4.3 Legislation under which the securities have been created.**

The establishment of the Fund and the Bond Issue are subject to Spanish Law and in particular are carried out in accordance with the legal system provided for by (i) Act 5/2015, (ii) the Securities Market Act and applicable implementing regulations, (iii) Royal Decree 1310/2005, (iv) Regulation 809/2004, (v) Order EHA/3537/2005, November 10, implementing article 27.4 of Securities Market Act 24/1988, July 28, and (vi) all other legal and statutory provisions in force and applicable from time to time.

The Deed of Constitution, the Bond Issue and the agreements to be entered into by the Management Company for and on behalf of the Fund shall be subject to Spanish Law and shall be governed by and construed in accordance with Spanish laws.

#### **4.4 Indication as to whether the securities are in registered or bearer form and whether the securities are in certificated or book-entry form.**

The Bonds issued by the Fund will be exclusively represented by means of book entries, and will become such Bonds when entered at Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.U. (“**Iberclear**”), the institution in charge of the accounting record, in accordance with article 11 of Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14, as currently worded (“**Royal Decree 116/1992**”), for the first entry, Thereafter, the Bonds will be subject to the rules laid down in the Securities Market Act and in Royal Decree 116/1992, although from February 3, 2016, and as provided for in additional provision two of Royal Decree 878/2015, October 2, on the clearing, settlement and entry of marketable securities represented by

means of book entries, on the legal system of central securities depositories and on central counterparty entities and on transparency requirements for securities issues admitted to trading on an official secondary market (“**Royal Decree 878/2015**”), part I, chapter II, section one of Royal Decree 116/1992 will be repealed and part I, chapter II, section one of Royal Decree 878/2015 will apply in lieu thereof. In this connection, and for the record, the Deed of Constitution shall have the effects prescribed by article 7 of the Securities Market Act.

Iberclear, with place of business at Plaza de la Lealtad, no. 1, Madrid, shall be the institution designated in the Deed of Constitution to account for the Bonds in order for the Bonds to be cleared and settled in accordance with the operating rules regarding securities admitted to trading on the AIAF and represented by means of book entries, established now or henceforth by Iberclear or AIAF.

Bondholders shall be identified as such when entered in the accounting record kept by the members of Iberclear.

#### **4.5 Currency of the issue.**

The Bonds shall be denominated in Euros.

#### **4.6 Order of priority of the securities and extent of subordination.**

Series B Bond interest payment and principal repayment is deferred with respect to Series A Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

##### **4.6.1 Simple reference to the order number of interest payment on the Bonds in each Series in the Fund priority of payments.**

Payment of interest accrued by Series A Bonds is (i) second (2<sup>nd</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1.2 of the Building Block, and (ii) third (3<sup>rd</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series B Bonds is (i) third (3<sup>rd</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1.2 of the Building Block, other than in the event provided for therein for the same to be deferred, in which case it shall be fifth (5<sup>th</sup>), and (ii) fifth (5<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

##### **4.6.2 Simple reference to the order number of principal repayment on the Bonds in each Series in the Fund priority of payments.**

The Amortisation Withholding amount designed for amortising the Bonds is fourth (4<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1.2 of the Building Block.

Bond principal repayment shall take place in accordance with the rules for Distribution of Available Funds for Amortisation contained in section 4.9.3.5 of this Securities Note.

Series A Bond principal repayment is fourth (4<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Series B Bond principal repayment is sixth (6<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

#### **4.7 Description of the rights attached to the securities.**

The economic and financial rights for Bondholders associated with acquiring and holding the Bonds shall, for each Series, be as derived from the terms as to interest rate, yields and redemption terms on which they are to be issued and given in sections 4.8 and 4.9 of this Securities Note. In accordance with the laws



in force for the time being, the Bonds subject of this Securities Note shall vest the investor acquiring the same in no present and/or future political rights in and to the Fund.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against Loan Obligors who may have defaulted on their payment obligations or against the Originator. Any such rights shall lie with the Management Company, representing the Fund.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against the Fund or against the Management Company in the event of non-payment of amounts due by the Fund resulting from the existence of default or in the event of Loan prepayment, a breach by the Originator of its obligations as such or as counterparty under the transactions entered into for and on behalf of the Fund, or shortfall of the financial hedging transactions for servicing the Bonds in each Series.

Bondholders and all other creditors of the Fund shall have no recourse against the Management Company other than as derived from breaches of its duties or inobservance of the provisions of this Prospectus and of the Deed of Constitution. Those actions shall be resolved in the relevant ordinary declaratory proceedings depending on the amount claimed.

All matters, disagreements, actions and claims arising out of the Management Company establishing, managing and being the authorised representative of the Fund and the Bond Issue by the same shall be heard and ruled upon by the competent Spanish Courts and Tribunals of the city of Madrid.

#### **4.8 Nominal interest rate and provisions relating to interest payable.**

##### **4.8.1 Bond nominal interest rate.**

The Bonds in each Series shall, from the Closing Date until they mature fully, accrue yearly nominal interest, floating and payable quarterly, which shall be the result of applying the policies established hereinafter for each Series.

The resultant yearly nominal interest rate (the “**Nominal Interest Rate**”) for each Series shall be payable by interest periods in arrears on each Payment Date or on the liquidation date on the Outstanding Principal Balance of the Bonds in each Series at the preceding Determination Date, provided that the Fund has sufficient liquidity in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.

Withholdings, interim payments and taxes established or to be established in the future on Bond capital, interest or returns shall be borne exclusively by Bondholders, and their amount, if any, shall be deducted by the Management Company, for and on behalf of the Fund, or through the Paying Agent, as provided by law.

##### **4.8.1.1 Interest accrual.**

For interest accrual purposes, the duration of each Bond Series shall be divided into successive interest accrual periods (the “**Interest Accrual Periods**”) comprising the exact number of days elapsed between every two consecutive Payment Dates, each Interest Accrual Period including the beginning Payment Date but not including the ending Payment Date. Exceptionally:

- (i) the duration of the first Interest Accrual Period shall be equivalent to the exact number of days elapsed between the Closing Date, December 16, 2015, inclusive, and the first Payment Date, April 20, 2016, exclusive, and
- (ii) the duration of the last Interest Accrual Period shall be equivalent to the exact number of days elapsed between the last Payment Date before liquidation of the Fund, inclusive, and the liquidation date, exclusive.

The Nominal Interest Rate shall accrue on the exact number of days elapsed in each Interest Accrual Period for which it was determined, and be calculated based on a 360-day year.

#### 4.8.1.2 **Nominal Interest Rate.**

The Nominal Interest Rate applicable to the Bonds in each Series and determined for each Interest Accrual Period shall be the higher of:

- a) zero per cent (0.00%); and
- b) the result of adding:
  - (i) the Reference Rate, as established in the following section, and
  - (ii) a margin for each Series as follows:
    - **Series A:** a 0.30% margin.
    - **Series B:** a 0.50% margin.

The resultant Nominal Interest Rate shall be expressed as a percentage to three decimal spaces rounding off the relevant number to the nearest thousandth, rounding up when equidistant.

#### 4.8.1.3 **Reference Rate and determining the same.**

The reference rate ("**Reference Rate**") for determining the Nominal Interest Rate applicable to the Bonds in each Series is as follows:

- i) Other than for the first Interest Accrual Period, three- (3-) month Euribor, "Euro Interbank Offered Rate", currently calculated and distributed by Global Rate Set Systems Ltd (GRSS) appointed by the European Money Markets Institute ("EMMI") and EURIBOR ACI, set at 11am (CET or "Central European Time") on the Interest Rate Fixing Date described below, which is currently published on electronic page EURIBOR01 supplied by Reuters, or any other page taking its stead in providing these services.

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be three- (3-) month Euribor, set at 11am (CET) on the Business Day preceding the Closing Date.

Euribor definitions approved by EMMI and EURIBOR ACI supplementing the current definition of Euribor shall be considered included for the purpose of the Euribor Reference Rate without having to amend these Reference Rate terms or have the Management Company notify Bondholders.

- ii) In the event that the Euribor rate established in paragraph i) above should not be available or be impossible to obtain, the substitute Reference Rate shall be the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable three- (3-) month deposit transactions in Euros in an amount equivalent to the Outstanding Principal Balance of the Bond Issue, declared by four (4) prime banks in the Euro zone, following a simultaneous request to each of their headquarters by the Paying Agent as soon as possible after 11am (CET) on the Interest Rate Fixing Date.

Exceptionally, the substitute Reference Rate for the first Interest Accrual Period shall be the rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable three- (3-) month deposit transactions in Euros, declared by the banks as provided for in paragraph one above, following a simultaneous request to each of their headquarters by the Paying Agent as soon as possible after 11am (CET) on the Business Day preceding the Closing Date.

The resultant nominal interest rate shall be expressed as a percentage to three decimal places rounding off the relevant number to the nearest thousandth, rounding up when equidistant.

Should it be impossible to apply the above substitute Reference Rate, upon the failure by any or several of the banks to provide written quotations as provided for in paragraphs one and two of this section, the interest rate resulting from applying the simple arithmetic mean of the interest rates declared by at least two of the other banks shall be applicable.

iii) If the rates established in i) and ii) above should not be available or be impossible to obtain, the last Reference Rate or substitute Reference Rate applied to the next preceding Interest Accrual Period shall apply, and so on for subsequent Interest Accrual Periods whilst matters remain the same. For the first Interest Accrual Period, three- (3-) month Euribor available immediately before 11am (CET) on the Business Day preceding the Closing Date shall be applied, calculated and distributed as described in the first paragraph of (i) above.

On each Interest Rate Fixing Date, the Paying Agent shall notify the Management Company of the Reference Rate determined in accordance with i) and ii) above. The Management Company shall keep the listings and supporting documents on which the Paying Agent shall notify it the Reference Rate determined.

#### 4.8.1.4 Interest Rate Fixing Date.

The Management Company shall, for and on behalf of the Fund, determine the Nominal Interest Rate applicable to each Bond Series for every Interest Accrual Period as provided for in sections 4.8.1.2 and 4.8.1.3 above, on the second Business Day preceding each Payment Date (the “**Interest Rate Fixing Date**”), and it will apply for the following Interest Accrual Period.

Exceptionally, the Management Company shall determine the Nominal Interest Rate applicable to each Bond Series for the first Interest Accrual Period as provided for in sections 4.8.1.2 and 4.8.1.3 above, on the Business Day preceding the Closing Date, and shall notify the same in writing by December 16, 2015 to the Subscriber. The Management Company will also notify this to the Paying Agent, AIAF and Iberclear.

The Nominal Interest Rates determined for each Bond Series for subsequent Interest Accrual Periods shall be communicated to Bondholders within the deadline and in the manner for which provision is made in section 4.1.1.a) of the Building Block.

#### 4.8.1.5 Formula for calculating interest.

Interest settlement for each Bond Series, payable on each Payment Date for each Interest Accrual Period, shall be calculated for each Series in accordance with the following formula:

$$I = P \times \frac{R}{100} \times \frac{d}{360}$$

Where:

*I* = Interest payable on a given Payment Date or on the liquidation date.

*P* = Outstanding Principal Balance of the Series at the Determination Date preceding that Payment Date or on the liquidation date.

*R* = Nominal Interest Rate of the Series expressed as a yearly percentage.

*d* = Exact number of days in each Interest Accrual Period.

#### 4.8.2 Dates, place, institutions and procedure for paying interest.

Interest on the Bonds in each Series will be paid until finally amortised by Interest Accrual Periods in arrears on January 20, April 20, July 20 and October 20 in each year, or the following Business Day if any of those is not a Business Day (each of those dates, a “**Payment Date**”), and interest for the then-current Interest Accrual Period will accrue until the relevant Payment Date, not inclusive, on the terms established in section 4.8.1 of this Securities Note.

The first interest Payment Date for each Bond Series shall be April 20, 2016, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, December 16, 2015, inclusive, and April 20, 2016, exclusive.

In this Bond Issue, business days (“**Business Days**”) shall be deemed to be all days other than a:

- public holiday in the city of Madrid, or
- non-business day in the TARGET 2 calendar (or future replacement calendar).

Both interest resulting for holders of the Bonds in each Series and the amount, if any, of interest accrued and not paid, shall be notified to Bondholders as described in section 4.1.1.a) of the Building Block, at least one (1) calendar day in advance of each Payment Date.

Interest accrued on the Bonds shall be paid provided that the Fund has sufficient liquidity to do so on each Payment Date in the Priority of Payments or, upon liquidation of the Fund, in the Liquidation Priority of Payments, as the case may be.

In the event that on a Payment Date the Fund should be unable to make full or partial payment of interest accrued on the Bonds in either Series, in the Priority of Payments, unpaid amounts shall be accumulated on the following Payment Date to interest in the actual Series, if any, payable on that same Payment Date, and will be paid in the Priority of Payments and applied by order of maturity if it should be impossible once again not to pay the same fully due to a shortfall of Available Funds.

Overdue interest amounts shall not earn additional or late-payment interest and shall not be accumulated to the Outstanding Principal Balance of the Bonds in the relevant Series.

The Fund, through its Management Company, may not defer Bond interest payment beyond January 20, 2048, the Final Maturity Date, or the following Business Day if that is not a Business Day.

The Bond Issue shall be serviced through the Paying Agent, and therefore the Management Company shall, for and on behalf of the Fund, enter into a paying agent agreement with BBVA as set out in section 5.2.1 of this Securities Note.

#### **4.9 Maturity date and amortisation of the securities.**

##### **4.9.1 Bond redemption price.**

The redemption price of the Bonds in each Series shall be EUR one hundred thousand (100,000.00) per Bond, equivalent to 100 percent of their face value, payable as established in section 4.9.2 below.

Each and every one of the Bonds in a same Series shall be amortised in an equal amount by reducing the face amount of each of the Bonds.

##### **4.9.2 Characteristics specific to the amortisation of the Bonds.**

###### **4.9.2.1 Amortisation of Series A Bonds.**

Series A Bond principal shall be amortised by partial amortisation on each Payment Date after Bond amortisation begins, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A, in accordance with the rules for Distribution of Available Funds for Amortisation given in sections 4.9.3.4 and 4.9.3.5 below, prorated between the Bonds in Series A proper by reducing the face amount of each Series A Bond.

The first partial amortisation of the Bonds shall occur on the first Payment Date, April 20, 2016, in accordance with the rules for Distribution of Available Funds for Amortisation.

Final amortisation of Series A Bonds shall occur on the Final Maturity Date (January 20, 2048 or the following Business Day if that is not a Business Day), notwithstanding their possible full amortisation before that date due to the partial amortisation for which provision is made or that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to Early Liquidation of the Fund and thereby Early Amortisation of the Bond Issue before the Final Maturity Date.

#### 4.9.2.2 **Amortisation of Series B Bonds.**

Series B Bond principal shall be amortised by partial amortisation on each Payment Date after Bond amortisation begins, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series B in accordance with the rules for Distribution of Available Funds for Amortisation given in sections 4.9.3.4 and 4.9.3.5 below, prorated between the Bonds in Series B proper by reducing the face amount of each Series B Bond.

The first partial amortisation of Series B Bonds shall occur once Series A Bonds have been fully amortised.

Final amortisation of Series B Bonds shall occur on the Final Maturity Date (January 20, 2048 or the following Business Day if that is not a Business Day), notwithstanding their possible full amortisation before that date due to the partial amortisation for which provision is made or that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to Early Liquidation of the Fund and thereby Early Amortisation of the Bond Issue before the Final Maturity Date.

#### 4.9.3 **Partial amortisation of the Bonds in each Series.**

Irrespective of the Final Maturity Date and subject to Early Amortisation of the Bond Issue in the event of Early Liquidation of the Fund, the Fund shall, through its Management Company, proceed to partial amortisation of the Bonds in each Series on each Payment Date other than the Final Maturity Date or upon Early Liquidation of the Fund on the specific amortisation terms established for each Series in section 4.9.2 of this Securities Note and on the terms described hereinafter in this section common to both Series.

##### 4.9.3.1 **Determination Dates and Determination Periods.**

Determination dates (the “**Determination Dates**”) will be the dates falling on the fifth (5<sup>th</sup>) Business Day preceding each Payment Date on which the Management Company on behalf of the Fund will make all necessary calculations to distribute or withhold the Available Funds and the Available Funds for Amortisation which the Fund shall dispose of on the relevant Payment Date, in the Priority of Payments. The first Determination Date shall be April 13, 2016.

Determination periods (the “**Determination Periods**”) shall be periods comprising the exact number of days elapsed between every two consecutive Determination Dates, each Determination Period excluding the beginning Determination Date and including the ending Determination Date. Exceptionally:

- (i) the duration of the first Determination Period shall be equal to the days elapsed between the date of establishment of the Fund, inclusive, and the first Determination Date, April 13, 2016, inclusive, and
- (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which the Fund terminates or Early Liquidation of the Fund concludes, as provided for in section 4.4.3 of the Registration Document, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), not including the first date b) but including the last date a).

##### 4.9.3.2 **Outstanding Principal Balance of the Bonds.**

The outstanding principal balance (the “**Outstanding Principal Balance**”) of a Series shall be the sum of the principal pending repayment (outstanding balance) at a date of all the Bonds making up that Series.

By addition, the outstanding principal balance of the Bond Issue (the “**Outstanding Principal Balance of the Bond Issue**”) shall be the sum of the Outstanding Principal Balance of both Series A and B making up the Bond Issue.

##### 4.9.3.3 **Outstanding Balance of the Loans.**

The outstanding balance (the “**Outstanding Balance**”) of a Loan shall be the sum of the capital or principal not yet due and the capital or principal due and not paid into the Fund on the specific Loan at that date.

The outstanding balance of the Loans (the “**Outstanding Balance of the Loans**”) at a date shall be the sum of the Outstanding Balance of each and every one of the Loans at that date.

Delinquent Loans (the “**Delinquent Loans**”) shall be deemed to be Loans that at a date are delinquent with a period of arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Loans. Non-delinquent Loans (the “**Non-Delinquent Loans**”) shall be deemed to be Loans that at a date are not deemed to be either Delinquent Loans or Doubtful Loans.

Doubtful Loans (the “**Doubtful Loans**”) shall be deemed to be Loans that are delinquent with a period of arrears equal to or greater than eighteen (18) months in payment of overdue amounts or classified as suspense accounts or bad debts by the Management Company because there are reasonable doubts as to their full repayment based on indications or information received from the Servicer.

Non-doubtful Loans (the “**Non-Doubtful Loans**”) shall be deemed to be Loans that are not deemed to be Doubtful Loans at a date.

#### 4.9.3.4 **Amortisation Withholding and Available Funds for Amortisation on each Payment Date.**

On each Payment Date, the Available Funds shall be used in fourth (4<sup>th</sup>) place in the Priority of Payments for withholding the amount altogether designed for amortising the Bonds without distinguishing between Series A and B (the “**Amortisation Withholding**”), in an amount equal to the positive difference, if any, at the Determination Date preceding the relevant Payment Date, between (i) the Outstanding Principal Balance of the Bond Issue, and (ii) the Outstanding Balance of Non-Doubtful Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied of the Available Funds to Amortisation Withholding shall constitute the available funds for amortisation (the “**Available Funds for Amortisation**”) and be applied in accordance with the rules for Distribution of Available Funds for Amortisation established hereinafter in section 4.9.3.5 below.

#### 4.9.3.5 **Distribution of Available Funds for Amortisation.**

The Available Funds for Amortisation on each Payment Date shall be sequentially applied firstly to amortising Series A until fully amortised, and secondly to amortising Series B until fully amortised (“**Distribution of Available Funds for Amortisation**”).

#### 4.9.4 **Early Amortisation of the Bond Issue.**

Subject to the Fund’s obligation, through its Management Company, to proceed to final amortisation of the Bonds on the Final Maturity Date or partial amortisation of each Series before the Final Maturity Date, the Management Company shall, after first notifying the CNMV, be authorised to proceed, as the case may be, to Early Liquidation of the Fund and hence Early Amortisation of the entire Bond Issue in the Early Liquidation Events, and with the requirements established in section 4.4.3 of the Registration Document, and subject to the Liquidation Priority of Payments.

#### 4.9.5 **Final Maturity Date.**

The final maturity date (the “**Final Maturity Date**”) and consequently final amortisation of the Bonds shall be on January 20, 2048 or the following Business Day if that is not a Business Day, without prejudice to the Management Company, for and on behalf of the Fund, and in accordance with the provisions of sections 4.9.3 and 4.9.4 of this Securities Note, proceeding to amortise either or both Series before the Final Maturity Date. Final amortisation of the Bonds on the Final Maturity Date shall be made subject to the Liquidation Priority of Payments.

#### 4.10 **Indication of yield.**

The average life, yield, term and final maturity of the Bonds in each Series depend on several factors, most significant among which are the following:

- i) Each Loan repayment schedule and system as established in the relevant contracts.

- ii) The Obligors' capacity to prepay the Loans in whole or in part and the aggregate prepayment pace throughout the life of the Fund. In this sense, Loan prepayments by Obligors, subject to continual changes, and estimated in this Prospectus using several performance assumptions of the future effective constant annual early amortisation or prepayment rate ("CPR"), are very significant and shall directly affect the pace at which the Bonds are amortised, and therefore their average life and duration.
- iii) The floating interest rates which apply to the Loans resulting in the repayment amount on every instalment differing.
- iv) The Obligors' delinquency and default in payment of Loan instalments.

The following assumed values have been used for the above-mentioned factors in calculating the amounts contained in the tables of this section:

- Loan interest rate: 2.579% weighted average interest rate of the selected loan portfolio at November 18, 2015 which has been used for calculating the repayment and interest instalments of each of the selected loans;
- Loan portfolio delinquency: the assumption is that on each Payment Date 1.50% of the Outstanding Balance of the Loans falls in arrears and reaches a delinquency rate of 14.16%, this being BBVA's mortgage loan delinquency rate at September 30, 2015, with 60% recoveries within 6 quarters of becoming delinquent, the remaining loans not recovered becoming Doubtful Loans. The 14.16% delinquency rate would be reached on the Payment Date falling on October 20, 2018 for 6%, 7% and 8% CPRs. This 14.16% loan delinquency rate would not trigger a reduction of the Required Cash Reserve, as set down in section 3.4.2.2 of the Building Block. However, assuming 1.50% of the Outstanding Balance of the Loans on each Payment Date become delinquent until the 14.16% delinquency rate is reached, this would result in deferment in Series B interest payment in the Priority of Payments on the Payment Date falling on October 20, 2017, for the 6%, 7% and 8% CPRs, because the cumulative Outstanding Balance of the Delinquent Loans, reckoned at the amount of the Outstanding Balance at the Delinquent Loan classification date, from the establishment of the Fund, is in excess of 10.00% of the initial Outstanding Balance of the Loans upon the Fund being established and Series A Bonds have not been fully amortised, as set down in the Building Block in section 3.4.6.2.2 paragraph 3 of the Priority of Payments;
- Loan portfolio doubtful rate: 3.77% per annum (arrived at based on BBVA's mortgage delinquency rate at September 30, 2015 referred to in the above paragraph and the percentage loans not recovered), 50% per annum of the Outstanding Balance of Doubtful Loan principal being recovered within 18 months of becoming doubtful; the resultant cumulative Loan portfolio doubtful rate from the establishment of the Fund with respect to the initial Outstanding Balance of the Loans upon the Fund being established being: 7.80% for a 6% CPR; 7.57% for a 7% CPR; and 7.34% for an 8% CPR;
- that the Loan prepayment rate remains constant throughout the life of the Bonds; and
- that the Bond Closing Date is December 16, 2015.

The actual adjusted duration and the yield or return on the Bonds will also depend on their floating rate. The nominal interest rates in each Series assumed for the different Interest Accrual Periods are as follows, resulting from 3-month Euribor (-0.124%) at December 3, 2015, and the margins set in section 4.8.1.2 of this Securities Note:

	Series A Bonds	Series B Bonds
<b>Nominal interest rate</b>	0.176%	0.376%

The weighted average interest rate of the loans selected at November 18, 2015, as detailed in section 2.2.2.1) of the Building Block, is 2.579%, which is above the 0.223% weighted average nominal interest rate of the Bonds that has been presumed for hypothetical purposes for the different Interest Accrual Periods.

#### 4.10.1 Estimated average life, yield or return, duration and final maturity of the Bonds.

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option provided in section 4.4.3 of the Registration Document when the Outstanding Balance of the Loans is less than 10% of their initial Outstanding Balance upon the Fund being established, the average life, return (IRR) for the Bond subscriber, duration and final maturity of the Bonds for different CPRs, based on the performance in recent months of similarly characterised SME loans previously securitised by BBVA, would be as follows:

<b>% CPR:</b>	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
	<b>Series A Bonds</b>		
<b>Average life (years)</b>	2.02	1.96	1.91
<b>IRR</b>	0.179%	0.179%	0.179%
<b>Duration (years)</b>	2.01	1.95	1.90
<b>Final maturity (date)</b>	20 07 2020	20 07 2020	20 04 2020
<b>Final maturity (years)</b>	4.60	4.60	4.35
	<b>Series B Bonds</b>		
<b>Average life (years)</b>	6.32	6.12	6.03
<b>IRR</b>	0.382%	0.382%	0.382%
<b>Duration (years)</b>	6.22	6.03	5.94
<b>Final maturity (date)</b>	20 01 2023	20 10 2022	20 10 2022
<b>Final maturity (years)</b>	7.10	6.85	6.85

The Management Company expressly states that the servicing tables described hereinafter for each Series are merely theoretical and given for illustrative purposes, and represent no payment obligation whatsoever, on the basis that:

- Whereas Loan CPRs are assumed to be constant respectively at 6.00%, 7.00% and 8.00% throughout the life of the Bond Issue, actual prepayment changes continually.
- The Outstanding Principal Balance of the Bonds in each Series on each Payment Date and hence interest payable on each such dates shall depend on the actual Loan prepayment, delinquency and default rates.
- Whereas Bond nominal interest rates are assumed to be constant in each Series in all Interest Accrual Periods, the nominal interest rate of the Series is known to float.
- It is assumed that the Management Company will exercise the Early Liquidation option of the Fund and thereby Early Amortisation of the Bond Issue when the Outstanding Balance of the Loans is less than 10% of the initial Outstanding Balance upon the Fund being set up, as provided in section 4.4.3 of the Registration Document.



**ESTIMATED FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER  
(AMOUNTS IN EUR)**

Payment  Date	CPR = 6.00%					
	Series A Bonds			Series B Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
TOTALS	100,000.00	359.83	100,359.83	100,000.00	2,410.05	102,410.05
16/12/2015						
20/04/2016	11,156.10	61.60	11,217.70	0.00	131.60	131.60
20/07/2016	7,961.37	39.53	8,000.89	0.00	95.04	95.04
20/10/2016	7,207.75	36.38	7,244.13	0.00	96.09	96.09
20/01/2017	7,557.50	33.14	7,590.64	0.00	96.09	96.09
20/04/2017	6,427.30	29.09	6,456.39	0.00	94.00	94.00
20/07/2017	6,645.02	26.56	6,671.57	0.00	95.04	95.04
20/10/2017	6,147.46	23.86	6,171.32	0.00	96.09	96.09
22/01/2018	6,164.67	21.55	6,186.22	0.00	98.18	98.18
20/04/2018	5,385.89	17.52	5,403.42	0.00	91.91	91.91
20/07/2018	5,275.95	15.73	5,291.67	0.00	95.04	95.04
22/10/2018	4,693.24	13.82	4,707.06	0.00	98.18	98.18
21/01/2019	4,624.85	11.29	4,636.14	0.00	95.04	95.04
22/04/2019	4,353.68	9.23	4,362.91	0.00	95.04	95.04
22/07/2019	3,830.37	7.30	3,837.66	0.00	95.04	95.04
21/10/2019	3,486.43	5.59	3,492.02	0.00	95.04	95.04
20/01/2020	3,512.36	4.04	3,516.40	0.00	95.04	95.04
20/04/2020	3,015.07	2.48	3,017.55	0.00	95.04	95.04
20/07/2020	2,555.00	1.14	2,556.14	678.60	95.04	773.65
20/10/2020	0.00	0.00	0.00	8,027.62	95.44	8,123.05
20/01/2021	0.00	0.00	0.00	7,529.47	87.72	7,617.20
20/04/2021	0.00	0.00	0.00	7,236.05	78.74	7,314.79
20/07/2021	0.00	0.00	0.00	6,550.71	72.74	6,623.45
20/10/2021	0.00	0.00	0.00	6,090.90	67.24	6,158.14
20/01/2022	0.00	0.00	0.00	5,697.47	61.39	5,758.86
20/04/2022	0.00	0.00	0.00	5,182.92	54.70	5,237.62
20/07/2022	0.00	0.00	0.00	4,573.64	50.38	4,624.02
20/10/2022	0.00	0.00	0.00	4,105.48	46.54	4,152.02
20/01/2023	0.00	0.00	0.00	44,327.14	42.59	44,369.73

**ESTIMATED FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER  
(AMOUNTS IN EUR)**

Payment  Date	CPR = 7.00%					
	Series A Bonds			Series B Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
TOTALS	100,000.00	350.18	100,350.18	100,000.00	2,333.50	102,333.50
16/12/2015						
20/04/2016	11,505.59	61.60	11,567.19	0.00	131.60	131.60
20/07/2016	8,207.92	39.37	8,247.29	0.00	95.04	95.04
20/10/2016	7,419.60	36.11	7,455.71	0.00	96.09	96.09
20/01/2017	7,726.16	32.77	7,758.94	0.00	96.09	96.09
20/04/2017	6,564.92	28.66	6,593.59	0.00	94.00	94.00
20/07/2017	6,756.86	26.06	6,782.92	0.00	95.04	95.04
20/10/2017	6,266.79	23.31	6,290.10	0.00	96.09	96.09
22/01/2018	6,249.86	20.93	6,270.80	0.00	98.18	98.18
20/04/2018	5,452.16	16.91	5,469.07	0.00	91.91	91.91
20/07/2018	5,318.64	15.06	5,333.69	0.00	95.04	95.04
22/10/2018	4,724.07	13.11	4,737.18	0.00	98.18	98.18
21/01/2019	4,632.84	10.59	4,643.43	0.00	95.04	95.04
22/04/2019	4,342.64	8.53	4,351.18	0.00	95.04	95.04
22/07/2019	3,817.07	6.60	3,823.67	0.00	95.04	95.04
21/10/2019	3,466.22	4.90	3,471.12	0.00	95.04	95.04
20/01/2020	3,472.50	3.36	3,475.86	0.00	95.04	95.04
20/04/2020	2,977.66	1.81	2,979.47	0.00	95.04	95.04
20/07/2020	1,098.49	0.49	1,098.98	5,285.53	95.04	5,380.57
20/10/2020	0.00	0.00	0.00	7,895.50	91.01	7,986.51
20/01/2021	0.00	0.00	0.00	7,379.44	83.42	7,462.86
20/04/2021	0.00	0.00	0.00	7,058.15	74.67	7,132.82
20/07/2021	0.00	0.00	0.00	6,377.31	68.79	6,446.10
20/10/2021	0.00	0.00	0.00	5,910.70	63.42	5,974.12
20/01/2022	0.00	0.00	0.00	5,509.37	57.74	5,567.11
20/04/2022	0.00	0.00	0.00	4,995.51	51.31	5,046.82
20/07/2022	0.00	0.00	0.00	4,402.21	47.13	4,449.34
20/10/2022	0.00	0.00	0.00	45,186.30	43.42	45,229.71

**ESTIMATED FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER  
(AMOUNTS IN EUR)**

Payment Date	CPR = 8.00%					
	Series A Bonds			Series B Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
TOTALS	100,000.00	340.82	100,340.82	100,000.00	2,300.18	102,300.18
16/12/2015						
20/04/2016	11,857.72	61.60	11,919.32	0.00	131.60	131.60
20/07/2016	8,454.70	39.21	8,493.91	0.00	95.04	95.04
20/10/2016	7,630.22	35.84	7,666.06	0.00	96.09	96.09
20/01/2017	7,892.46	32.41	7,924.87	0.00	96.09	96.09
20/04/2017	6,699.44	28.23	6,727.67	0.00	94.00	94.00
20/07/2017	6,865.06	25.57	6,890.63	0.00	95.04	95.04
20/10/2017	6,382.14	22.76	6,404.90	0.00	96.09	96.09
22/01/2018	6,330.74	20.32	6,351.06	0.00	98.18	98.18
20/04/2018	5,513.97	16.30	5,530.27	0.00	91.91	91.91
20/07/2018	5,356.80	14.40	5,371.21	0.00	95.04	95.04
22/10/2018	4,750.31	12.42	4,762.73	0.00	98.18	98.18
21/01/2019	4,636.54	9.91	4,646.44	0.00	95.04	95.04
22/04/2019	4,327.83	7.84	4,335.67	0.00	95.04	95.04
22/07/2019	3,800.04	5.92	3,805.96	0.00	95.04	95.04
21/10/2019	3,442.52	4.23	3,446.74	0.00	95.04	95.04
20/01/2020	3,429.88	2.70	3,432.57	0.00	95.04	95.04
20/04/2020	2,629.63	1.17	2,630.79	1,002.67	95.04	1,097.72
20/07/2020	0.00	0.00	0.00	8,719.59	94.09	8,813.69
20/10/2020	0.00	0.00	0.00	7,756.46	86.75	7,843.20
20/01/2021	0.00	0.00	0.00	7,223.99	79.29	7,303.28
20/04/2021	0.00	0.00	0.00	6,877.11	70.78	6,947.88
20/07/2021	0.00	0.00	0.00	6,201.32	65.03	6,266.35
20/10/2021	0.00	0.00	0.00	5,729.12	59.79	5,788.91
20/01/2022	0.00	0.00	0.00	5,321.27	54.28	5,375.55
20/04/2022	0.00	0.00	0.00	4,809.27	48.10	4,857.37
20/07/2022	0.00	0.00	0.00	4,231.90	44.06	4,275.96
20/10/2022	0.00	0.00	0.00	42,127.30	40.48	42,167.78

#### 4.11 Representation of security holders.

The Deed of Constitution does not make provision for a creditors' meeting to be convened on the terms set down in article 37 of Act 5/2015.

On the terms provided for in article 26.1 of Act 5/2015, it shall be the Management Company's duty to act using its best endeavours and transparently in enforcing Bondholders' and financiers' interests. In addition, in accordance with article 26.2 of Act 5/2015, the Management Company shall be liable to Bondholders and other creditors of the Fund for all losses caused to them by a breach of its duties.

#### 4.12 Resolutions, authorisations and approvals for issuing the securities.

##### a) Corporate resolutions.

###### ***Resolution to set up the Fund and issue the Bonds:***

In a resolution dated November 3, 2015, the Executive Committee of EUROPEA DE TITULIZACIÓN's Board of Directors resolved that:

- i) BBVA-10 PYME FONDO DE TITULIZACIÓN be set up in accordance with the legal system for which provision is made in Act 5/2015, and all other legal and statutory provisions in force and applicable.
- ii) Receivables owned by and recorded in the assets of BBVA derived from loans with real estate mortgage security, with non-real estate security and without special security granted to small and medium-sized enterprises (legal persons and autonomous enterprises) ("**SMEs**" as defined by the Bank of Spain in Technical Application no. 3/2013) domiciled in Spain, be pooled in the Fund.
- iii) The Bonds be issued by the Fund.

###### ***Resolution to assign Non-Mortgage Loan receivables and issue the Mortgage Certificates and the Pass-Through Certificates on the Mortgage Loans:***

At a meeting held on September 30, 2014, BBVA's Board of Directors resolved to issue, once or several times, Pass-Through Certificates and/or Mortgage Certificates on loans with mortgage security granted by BBVA to autonomous enterprises and enterprises altogether totalling not more than EUR two billion (2,000,000,000), to be subscribed for by one or several securitisation funds.

In addition, BBVA's Board of Directors resolved to authorise the assignment of loans, credit facilities or receivables on non-mortgage loans or credit facilities or any other non-mortgage credit asset granted by BBVA to finance autonomous enterprises and enterprises, to the securitisation fund or funds ultimately sponsored, limiting the amount of the non-mortgage credit assets assigned to the difference between the aggregate total face amount of the Pass-Through Certificates and/or Mortgage Certificates issued and the amount at which the Fund is finally established, which shall be not more than EUR two billion (2,000,000,000)

##### b) Registration by the CNMV.

There is a condition precedent for the Fund to be established, inter alia, that this Prospectus be approved by and entered at the CNMV, in accordance with the provisions of article 22.1 d) of Act 5/2015.

This Prospectus regarding the establishment of the Fund and Bond Issue has been entered in the CNMV's Official Registers.

##### c) Execution of the Fund public deed of constitution.

Upon the CNMV registering this Prospectus, the Management Company shall in the presence of BBVA, as Originator, proceed to execute on December 14, 2015 a public deed whereby BBVA-10 PYME FONDO DE TITULIZACIÓN will be established, BBVA will assign the Non-Mortgage Loan receivables and the Mortgage Loan receivables to the Fund upon the Mortgage Certificates and the Pass-Through Certificates being issued to be subscribed for by the Fund, and the Fund will issue the Asset-Backed Bonds, on the terms provided in article 2 of Act 5/2015.

The Management Company represents that the contents of the Deed of Constitution shall match the draft Deed of Constitution it has submitted to the CNMV and the terms of the Deed of Constitution shall at no event contradict, change, alter or invalidate the contents of this Prospectus.

The Management Company shall submit a copy of the Deed of Constitution to the CNMV to be entered in the Official Registers by December 16, 2015.

#### **4.13 Issue date of the securities.**

The Bond issue date shall be December 14, 2015.

##### **4.13.1 Bond subscription.**

The Bond Issue shall be fully subscribed for by BBVA as detailed in section 4.1.3 of this Securities Note.

##### **4.13.2 Bond Issue subscription payment method and dates.**

The Subscriber shall subscribe for the Bond Issue on December 14, 2015 and pay to the Fund by 2pm (CET) on December 16, 2015 (the "**Closing Date**"), for same day value, the issue price comprising the face value of all the Bonds subscribed for.

#### **4.14 Restrictions on the free transferability of the securities.**

There are no restrictions on the free transferability of the Bonds. They may be freely transferred by any means admissible at Law and in accordance with the rules of the AIAF market where admission to trading thereof shall be applied for. A transfer in the accounts (book entry) will convey the ownership of each Bond. The effects of entering the conveyance to the transferee in the accounting record shall be the same as handing over the securities and the transfer shall thereupon be enforceable on third parties.

### **5 ADMISSION TO TRADING AND DEALING ARRANGEMENTS.**

#### **5.1 Market where the securities will be traded.**

The Management Company shall, upon the Bonds having been paid up, apply for this Bond Issue to be listed on AIAF Mercado de Renta Fija S.A. ("**AIAF**"), which is a qualified official secondary securities market pursuant to article 43.2 of the Securities Market Act. The Management Company undertakes to do all such things as may be necessary in order that definitive admission to trading is achieved not later than one month after the Closing Date.

The Management Company expressly represents that it is aware of the requirements and terms that must be observed for the Bonds to be eligible to be listed, remain listed and be excluded from listing on the AIAF, in accordance with the laws in force and the requirements of its governing bodies, and the Fund agrees through its Management Company to observe the same.

In the event that, by the end of the one-month period referred to in the first paragraph of this section, the Bonds should not be admitted to trading on the AIAF, the Management Company shall forthwith proceed to notify Bondholders thereof, moreover advising of the reasons resulting in such breach, using the extraordinary notice procedure provided for in section 4.1.2 of the Building Block. This shall be without prejudice to the Management Company being held to be contractually liable, as the case may be, if the delay is due to events attributable to the same.

#### **5.2 Paying agents and depository agents.**

##### **5.2.1 Bond Issue Paying Agent.**

The Bond Issue will be serviced through BBVA as Paying Agent. Payment of interest and repayments shall be notified to Bondholders in the events and in such advance as may be provided for each case in section 4.1.1 of the Building Block. Interest and amortisation shall be paid to Bondholders by the relevant members and to the latter in turn by Iberclear, the institution responsible for the accounting record.

The Management Company shall, for and on behalf of the Fund, enter with BBVA into a Paying Agent Agreement to service the Bond Issue, the most significant terms of which are given in section 3.4.7.1 of the Building Block.

## **6 EXPENSE OF THE OFFERING AND OF ADMISSION TO TRADING.**

The expected expenses deriving from setting up the Fund and issue and admission to trading of the Bond Issue are EUR six hundred and twenty-five thousand (625,000.00). These expenses include, inter alia, the initial Management Company fee, notary's fees, rating and legal advice fees, CNMV fees, AIAF and Iberclear fees, the initial fee payable to European DataWarehouse ("**EDW**") and Prospectus translation expenses.

EDW is a company created with the support of the European Central Bank, funded and governed by market participants. EDW operates as a utility to respond to the need for disclosure to investors in asset-back securities issues.

## **7 ADDITIONAL INFORMATION.**

### **7.1 Statement of the capacity in which the advisors connected with the issue mentioned in the Securities Note have acted.**

URÍA MENÉNDEZ, as independent adviser, has provided legal advice for establishing the Fund and issuing the Bonds and has been involved in reviewing the legal, tax and contractual aspects of this Prospectus, the transaction and financial service agreements referred to herein and the Deed of Constitution.

BBVA and EUROPEA DE TITULIZACIÓN have structured the financial terms of the Fund and of the Bond Issue.

### **7.2 Other information in the Securities Note which has been audited or reviewed by auditors.**

Not applicable.

### **7.3 Statement or report attributed to a person as an expert.**

Deloitte has audited the most significant features of a sample of the selected loans from which the Loans will be taken to be assigned to the Fund upon being established, on the terms set forth in section 2.2 of the Building Block. In addition, it audited the Management Company's and BBVA's annual accounts for the years ended December 31, 2014, 2013 and 2012.

### **7.4 Information sourced from a third party.**

Within its duties to verify the information contained in this Prospectus, the Management Company has received confirmation from BBVA as to the truthfulness of the characteristics of BBVA as Originator of the Loans, of the Mortgage Certificates and of the Pass-Through Certificates, given in section 2.2.8 of the Building Block, and of the remaining information on BBVA and the selected loans from which the Loans will be taken given in this Prospectus.

In the Deed of Constitution of the Fund, BBVA shall reaffirm to the Management Company the fulfilment of those characteristics on the date on which the Fund is established.

The Management Company confirms that the information sourced from BBVA on the selected loans from which the Loans will be taken and on the Originator proper has been accurately reproduced and, to the best of its knowledge and ability to determine based on that information provided by BBVA, no fact has been omitted which might result in the information reproduced being inaccurate or deceptive.

## 7.5 Credit ratings assigned to the securities by rating agencies.

DBRS, Moody's and Scope have, on the Registration date of this Prospectus, assigned the following provisional ratings to each Bond Series, and expect to assign the same final ratings by 2pm (CET) on December 15, 2015.

	DBRS Rating	Moody's Rating	Scope Rating
Series A	A(low) (sf)	Aa2 (sf)	AA-SF
Series B	CCC(low) (sf)	B3 (sf)	B+SF

If the Rating Agencies should not confirm any of the assigned provisional ratings as final by 2pm (CET) on December 15, 2015, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section 4.1.2.2 of the Building Block. Furthermore, this circumstance would result in the establishment of the Fund, the Bond Issue and the issue of and subscription for the Pass-Through Certificates terminating, as provided for in section 4.4.4 (v) of the Registration Document.

### Rating considerations.

The meaning of the ratings assigned to the Bonds by DBRS, Moody's and Scope can be viewed at those Rating Agencies' websites: respectively [www.dbrs.com](http://www.dbrs.com), [www.moodys.com](http://www.moodys.com) and [www.scoperatings.com](http://www.scoperatings.com).

The Rating Agencies' ratings are not an assessment of the likelihood of obligors prepaying principal, nor indeed of the extent to which such prepayments differ from what was originally forecast. The ratings are not by any means a rating of the level of actuarial performance.

The ratings assigned, and any revision or suspension of the ratings:

- (i) are assigned by the Rating Agencies based on manifold information received with respect to which they can give no assurance, nor even as to their accuracy or wholeness, wherefore the Rating Agencies may in no event be deemed to be responsible therefor; and
- (ii) are not and cannot therefore be howsoever construed as an invitation, recommendation or encouragement for investors to proceed to carry out any transaction whatsoever on the Bonds and, in particular, acquire, keep, charge or sell those Bonds.

In carrying on the rating and monitoring process, the Rating Agencies rely on the accuracy and wholeness of the information provided by BBVA, the Management Company, Deloitte as auditors of certain features and attributes of a sample of the selected loans, and URÍA MENÉNDEZ, as independent legal adviser.

The ratings take into account the structure of the Bond Issue, the transaction documents (including this Prospectus and the transaction and financial service agreements referred to herein), the legal aspects thereof and of the issuing Fund, the characteristics of the selected loans to be assigned to the Fund and the regularity and continuity of the operating flows.

The Rating Agencies may revise, suspend or withdraw the final ratings assigned to the Bonds at any time, based on any information that may come to their notice. Those events, which shall not constitute early liquidation events of the Fund on their own, shall forthwith be notified to both the CNMV and Bondholders, in accordance with the provisions of section 4.1 of the Building Block.

*This is a Certified Translation into English of the Spanish Prospectus. No document other than the Spanish Prospectus registered by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.*



## **ASSET-BACKED SECURITIES NOTE BUILDING BLOCK**

**(Annex VIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

### **1. SECURITIES**

#### **1.1 Minimum denomination of the issue.**

The Fund shall be set up with the Mortgage Certificates and the Pass-Through Certificates issued on the Mortgage Loans and the Non-Mortgage Loan receivables which BBVA will assign to the Fund upon being established, and their Outstanding Balance shall be equal to or slightly above EUR seven hundred and eighty million (780,000,000.00), the face value amount of the Bond Issue.

#### **1.2 Confirmation that the information relating to an undertaking or obligor not involved in the issue has been reproduced.**

Not applicable.

### **2. UNDERLYING ASSETS**

#### **2.1 Confirmation that the securitised assets have capacity to produce funds to service any payments due and payable on the securities.**

In accordance with the information supplied by the Originator, the Management Company confirms that, based on their contractual characteristics, the flows of principal, interest and any other amounts generated by the securitised Loan receivables allow the payments due and payable on the Bonds in the Series issued to be satisfied.

Nevertheless, in order to cover for potential payment defaults by securitised Loan Obligors, a number of credit enhancement transactions have been arranged allowing the amounts payable on the Bonds in each Series to be covered to a different extent. In exceptional circumstances, the enhancement transactions could actually fall short for meeting payments on the Bonds or to other creditors of the Fund. The credit enhancement transactions are described in sections 3.4.2, 3.4.3 and 3.4.4 of this Building Block.

Not all the Bonds issued have the same risk of default. Hence the different credit ratings assigned by the Rating Agencies to the Bonds in each Series, detailed in section 7.5 of the Securities Note.

Upon the occurrence of a (i) substantial alteration or permanent financial imbalance of the Fund due to any event or circumstance whatsoever unrelated to the Fund's operations or (ii) default indicating a serious permanent imbalance in relation to any of the Bonds issued or suggesting that it will occur, the Management Company may proceed to Early Liquidation of the Fund and thereby Early Amortisation of the Bond Issue on the terms laid down in section 4.4.3 of the Registration Document.

The contents of the preceding paragraphs are provided by the Management Company based on (i) the Originator's representations set out in section 2.2.8 of the Building Block in relation to the Mortgage Certificates, the Pass-Through Certificates and the Loans and to the Originator proper, (ii) the information supplied by the Originator and (iii) the audit report on certain features and attributes of a sample of the portfolio of selected loans that will mostly be assigned to the Fund.

## 2.2 Assets backing the issue.

The receivables to be pooled in the Fund, represented by the Management Company, upon being established, shall be exclusively receivables owned by BBVA deriving from Loans granted by BBVA to small and medium-sized and autonomous enterprises ("SMEs" as defined by the Bank of Spain in Technical Application no. 3/2013: entities which, whatever their legal form may be, or where the entity is part of a consolidated group, the consolidated group, carry on business with an annual turnover below EUR 50 million) domiciled in Spain.

The selected loan portfolio from which the Loans will be taken in order for their receivables to be assigned to the Fund upon being established comprises 4,943 loans, their outstanding principal at November 18, 2015 being EUR 880,004,717.55 and the overdue principal being EUR 224,428.85.

The Mortgage Loan receivables will be assigned to the Fund by issuing mortgage participation certificates and pass-through certificates, based on the contents established in BBVA's special accounting record for mortgage loans and credit facilities prepared in accordance with Royal Decree 716/2009.

Tabled below is the distribution of the mortgage loans selected at November 18, 2015, observing the eligibility criteria for mortgage participation certificates to be issued thereon, in terms of number and outstanding balances at the mortgage loan selection date:

Type of mortgage loan	Mortgage loans		Outstanding balance	
		%	(EUR)	%
Eligible	878	49.60	127,864,415.89	28.41
Ineligible	892	50.40	322,192,290.39	71.59
	<b>1,770</b>	<b>100.00</b>	<b>450,056,706.28</b>	<b>100.00</b>

### **Audit of the assets securitised through the Fund.**

Deloitte has audited the most significant features of the selected loans.

That audit was made using sampling techniques consisting of analysing a number of transactions fewer (sample) than the full selection of loans (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative attributes regarding the sample transactions and specifically: nature of the loan, ownership, identification of the borrower, loan transfer, SME accreditation, loan arrangement date, loan maturity date, initial loan amount, current loan balance (outstanding capital), reference rate or benchmark index, interest rate spread, interest rate applied, loan origination, type of collateral, arrears in payment, insolvency status, and developer loan. The following attributes have been additionally verified for the mortgage loan sub-sample: mortgage loan origination, mortgage security, mortgaged property, mortgaged property address, appraisal value, current loan-to-value ratio (% LTV) and damage insurance. The following attributes have been additionally verified for the mortgage loan eligible loan sub-sample: current loan-to-value ratio (% LTV). Selected loans in respect of which errors are detected in verifying the sample shall not be assigned to the Fund by BBVA.

The audit results shall be set out in a report prepared by Deloitte, which is one of the documents on display as determined in section 10 of the Registration Document.

### **2.2.1 Legal jurisdiction by which the pool of assets is governed.**

The securitised assets are governed by Spanish Law.

### **2.2.2 Description of the general characteristics of the obligors and the economic environment, as well as global statistical data referred to the securitised assets.**

#### **a) Information as to number and distribution of the selected loan obligors.**

Tabled below is the concentration of the twenty obligors weighing most in the portfolio of selected loans at November 18, 2015.

Loan portfolio at 18.11.2015				
Classification by concentration by obligor				
	Loans		Outstanding balance	
		%	(EUR)	%
Obligor 1	1	0.02	8,163,922.93	0.93
Obligor 2	1	0.02	8,000,000.00	0.91
Obligor 3	1	0.02	7,713,610.04	0.88
Obligor 4	1	0.02	6,931,000.00	0.79
Obligor 5	2	0.04	6,899,953.52	0.78
Obligor 6	1	0.02	6,785,123.00	0.77
Obligor 7	1	0.02	6,745,000.00	0.77
Obligor 8	1	0.02	6,669,137.78	0.76
Obligor 9	1	0.02	6,656,425.81	0.76
Obligor 10	2	0.04	6,192,508.22	0.70
Obligor 11	1	0.02	5,994,380.37	0.68
Obligor 12	1	0.02	5,630,000.00	0.64
Obligor 13	1	0.02	4,880,952.40	0.55
Obligor 14	1	0.02	4,750,006.60	0.54
Obligor 15	8	0.16	4,734,678.25	0.54
Obligor 16	1	0.02	4,713,621.44	0.54
Obligor 17	1	0.02	4,545,446.75	0.52
Obligor 18	1	0.02	4,424,703.42	0.50
Obligor 19	2	0.04	4,321,684.96	0.49
Obligor 20	1	0.02	4,250,000.00	0.48
<i>Subtotal: 20 largest obligors</i>	<i>30</i>	<i>0.61</i>	<i>119,002,155.49</i>	<i>13.52</i>
<i>Rest</i>	<i>4,913</i>	<i>99.39</i>	<i>761,226,990.91</i>	<i>86.48</i>
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

b) Information as to the 10 and the 20 largest groups of selected loan obligors.

Loan portfolio at 18.11.2015				
Classification by business group				
	Loans		Outstanding balance	
		%	(EUR)	%
Group 1	2	0.04	8,274,183.00	0.94
Group 2	1	0.02	8,163,922.93	0.93
Group 3	1	0.02	8,000,000.00	0.91
Group 4	1	0.02	7,713,610.04	0.88
Group 5	1	0.02	6,931,000.00	0.79
Group 6	4	0.08	6,907,769.62	0.78
Group 7	1	0.02	6,745,000.00	0.77
Group 8	1	0.02	6,669,137.78	0.76
Group 9	1	0.02	6,656,425.81	0.76
Group 10	2	0.04	6,388,961.06	0.73
<i>Subtotal 10 largest business groups</i>	<i>15</i>	<i>0.30</i>	<i>72,450,010.24</i>	<i>8.23</i>
Group 11	2	0.04	6,192,508.22	0.70
Group 12	4	0.08	5,994,161.06	0.68
Group 13	1	0.02	5,630,000.00	0.64
Group 14	1	0.02	4,880,952.40	0.55
Group 15	8	0.16	4,734,678.25	0.54
Group 16	1	0.02	4,713,621.44	0.54
Group 17	2	0.04	4,701,496.75	0.53
Group 18	1	0.02	4,545,446.75	0.52
Group 19	2	0.04	4,506,956.52	0.51

Loan portfolio at 18.11.2015				
Classification by business group				
	Loans		Outstanding balance	
		%	(EUR)	%
Group 20	1	0.02	4,250,000.00	0.48
<i>Subtotal 20 largest business groups</i>	38	0.77	122,599,831.63	13.93
<i>Rest</i>	4,905	99.23	757,629,314.77	86.07
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

**c) Information on type of company of the selected loan obligors.**

Tabled below is the intended use of the selected loans at November 18, 2015.

Loan portfolio at 18.11.2015				
Classification by type of company				
Type of company	Loans		Outstanding balance	
		%	(EUR)	%
Autonomous enterprises	1,925	38.94	123,179,152.91	13.99
Small and medium-sized enterprises	3,018	61.06	757,049,993.49	86.01
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

All selected loan obligors are considered SMEs, as defined by the Bank of Spain in Technical Application no. 3/2013: entities which, whatever their legal form may be, or where the entity is part of a consolidated group, the consolidated group, carry on business with an annual turnover below EUR 50 million.

**d) Information on the obligors' economic activity by economic activity sectors in accordance with the Business Activity Code (2009 CNAE).**

Tabled below is the distribution of the selected loans based on the corporate obligors' 2009 CNAE activity.

Loan portfolio at 18.11.2015					
Classification by economic activity sectors					
		Loans		Outstanding principal	
			%	(EUR)	%
01	Farming, stockbreeding, hunting and related service activities	298	6.03	26,989,434.29	3.07
02	Silviculture and forestry operations	9	0.18	564,277.75	0.06
03	Fishing and aquaculture	13	0.26	1,711,267.44	0.19
05	Extracting anthracite, coal and lignite	1	0.02	105,000.00	0.01
06	Extracting crude oil and natural gas	1	0.02	328,421.64	0.04
07	Extracting metallic minerals	1	0.02	332,889.71	0.04
08	Other extractive industries	9	0.18	2,668,937.72	0.30
09	Activities supporting extractive industries	2	0.04	56,763.64	0.01
10	Food industry	139	2.81	30,467,798.13	3.46
11	Drinks manufacture	52	1.05	17,525,922.09	1.99
12	Tobacco industry	1	0.02	30,000.00	0.00
13	Textile industry	39	0.79	8,684,483.32	0.99
14	Clothing manufacture	16	0.32	1,249,919.33	0.14
15	Leather and footwear industry	21	0.42	1,146,157.02	0.13
16	Wood and cork industry, excepting furniture, basketwork and wickerwork	32	0.65	2,164,686.76	0.25
17	Paper industry	32	0.65	7,449,771.95	0.85
18	Graphic arts and reproduction of recorded media	36	0.73	11,304,591.00	1.28
19	Cokeries and oil refinery	1	0.02	105,065.73	0.01
20	Chemical industry	39	0.79	12,302,351.83	1.40
21	Manufacture of pharmaceutical products	10	0.20	10,332,415.76	1.17
22	Manufacture of rubber products and plastic materials	45	0.91	10,210,026.44	1.16
23	Manufacture of other non-metallic mineral products	26	0.53	3,650,650.00	0.41
24	Metallurgy; manufacture of iron, steel and ferroalloys	32	0.65	6,284,327.27	0.71
25	Manufacture of metallic products, other than machinery and equipment	133	2.69	24,410,148.11	2.77

Loan portfolio at 18.11.2015					
Classification by economic activity sectors					
		Loans		Outstanding principal	
		%		(EUR)	
				%	
26	Manufacture of computer, electronic and optical equipment	11	0.22	820,851.37	0.09
27	Manufacture of electric material and equipment	19	0.38	2,975,432.77	0.34
28	Manufacture of machinery and equipment not included elsewhere	46	0.93	11,952,572.46	1.36
29	Manufacture of motor vehicles, trailers and semi-trailers	11	0.22	975,939.72	0.11
30	Manufacture of other transport material	4	0.08	1,282,074.29	0.15
31	Manufacture of furniture	20	0.40	2,346,953.89	0.27
32	Other manufacturing industries	23	0.47	1,981,929.41	0.23
33	Repairing and installing machinery and equipment	20	0.40	961,391.39	0.11
35	Supply of electric power, gas, steam and air-conditioning	100	2.02	22,684,280.99	2.58
36	Water collection, treatment and distribution	3	0.06	631,512.56	0.07
37	Waste water collection and treatment	1	0.02	119,281.18	0.01
38	Waste collection, treatment and disposal; valorisation	21	0.42	3,292,104.98	0.37
39	Depollution activities and other waste management services	4	0.08	709,660.93	0.08
41	Building construction	123	2.49	48,880,890.34	5.55
42	Civil engineering	61	1.23	14,501,176.83	1.65
43	Specialised construction activities	154	3.12	23,705,297.44	2.69
45	Sale and repair of motor vehicles and motorcycles	134	2.71	20,336,296.61	2.31
46	Wholesale trade and trade intermediaries, excepting motor vehicles and motorcycles	449	9.08	74,296,939.73	8.44
47	Retail trade, excepting motor vehicles and motorcycles	559	11.31	59,748,223.86	6.79
49	Land and pipeline transport	319	6.45	34,650,983.27	3.94
50	Transport by sea and other inland waterways	3	0.06	200,821.72	0.02
51	Air transport	1	0.02	104,977.96	0.01
52	Storage and transport-related activities	39	0.79	12,535,736.40	1.42
53	Post and mail activities	2	0.04	36,996.49	0.00
55	Accommodation services	159	3.22	45,453,225.89	5.16
56	Catering services	262	5.30	22,241,984.98	2.53
58	Publishing	13	0.26	1,173,364.88	0.13
59	Film, video, TV program, sound recording and music publishing activities	14	0.28	4,398,245.76	0.50
60	Programming and radio and television broadcasting activities	2	0.04	73,925.58	0.01
61	Telecommunications	22	0.45	2,244,522.65	0.25
62	Programming, consultancy and other IT related activities	25	0.51	3,820,980.21	0.43
63	Information services	1	0.02	1,968.38	0.00
64	Financial services, excepting insurance and pension funds	46	0.93	10,272,526.50	1.17
65	Insurance, reinsurance and pension funds, excepting compulsory Social Security	4	0.08	746,884.43	0.08
66	Supporting activities for financial services and insurance	27	0.55	3,487,320.95	0.40
68	Real estate activities	388	7.85	138,968,154.37	15.79
69	Legal and accountancy activities	91	1.84	15,596,668.70	1.77
70	Head office activities; consultancy and business management activities	43	0.87	12,086,287.03	1.37
71	Technical architectural and engineering services; technical testing and trials	52	1.05	5,706,017.78	0.65
72	Research and development	6	0.12	347,194.26	0.04
73	Advertising and market surveys	12	0.24	869,299.36	0.10
74	Other professional, scientific and technical activities	28	0.57	2,426,005.56	0.28
75	Veterinary activities	14	0.28	669,530.64	0.08
77	Rental activities	27	0.55	4,593,815.12	0.52
79	Travel agency and tour operator activities, booking services and activities relating thereto	11	0.22	698,896.54	0.08
80	Security and investigation activities	4	0.08	222,490.41	0.03
81	Building services and gardening activities	16	0.32	708,949.45	0.08
82	Office clerical activities and other ancillary business activities	79	1.60	11,245,563.78	1.28
84	Government and defence; compulsory Social Security	7	0.14	763,533.50	0.09
85	Education	61	1.23	11,584,860.55	1.32
86	Health activities	154	3.12	24,191,137.23	2.75
87	Residential establishment assistance	19	0.38	13,238,928.84	1.50
88	Social services activities without accommodation	8	0.16	562,143.00	0.06
90	Creation, artistic and show activities	11	0.22	772,375.89	0.09
91	Library, archive, museum and other cultural activities	1	0.02	36,409.52	0.00
92	Gambling and betting activities	18	0.36	1,486,486.85	0.17

Loan portfolio at 18.11.2015					
Classification by economic activity sectors					
	Loans		Outstanding principal		
		%	(EUR)	%	
93	Sport, recreational and entertainment activities	47	0.95	11,186,262.69	1.27
94	Associative activities	8	0.16	985,687.23	0.11
95	Computer, personal effect and household appliance repair	17	0.34	1,236,303.25	0.14
96	Other personal services	129	2.61	5,861,728.51	0.67
97	Household activities as employers of domestic staff	1	0.02	333,466.84	0.04
99	Extraterritorial organisation and body activities	1	0.02	128,365.77	0.01
<b>Total</b>		<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

Out of the loans selected at November 18, 2015 to be assigned to the Fund upon being established, 21.34%, in terms of outstanding balance, have obligors whose business activity (CNAE-2009) is comprised within the real estate activities and construction sectors (CNAEs 68 and 41). Out of the selected loans, 15.23%, in terms of outstanding balance, have obligors whose business activity is comprised within the headings for the sectors of wholesale trade and trade intermediaries and retail trade, excepting motor vehicles and motorcycles (CNAEs 46 and 47) and 5.16%, in terms of outstanding balance, is comprised within the accommodation services sector (CNAE 55).

**e) Information regarding selected loan collaterals.**

Tabled below is the distribution of the selected loans based on their collaterals.

Loan portfolio at 18.11.2015				
Classification by type of collateral				
Type of collateral	Loans		Outstanding Balance	
		%	(EUR)	%
Loans with real estate mortgage security <sup>1</sup>	1,770	35.81	450,056,706.28	51.13
Loans with other security interests <sup>2</sup>	380	7.69	58,401,284.63	6.63
Loans with third-party personal guarantee <sup>3</sup>	1,413	28.59	181,923,476.48	20.67
Loans without special security	1,380	27.92	189,847,679.01	21.57
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

<sup>1</sup> May in addition include third-party personal guarantees, as the case may be, units in investment funds and/or listed securities.

<sup>2</sup> Money pledge and/or units in investment funds and/or listed securities. May in addition include third-party personal guarantees, as the case may be.

<sup>3</sup> Incorporate that collateral only.

Tabled below is the distribution by type of property mortgaged as security for the selected mortgage loans. In the case of mortgage loans with several mortgaged properties, the type of property having the highest appraisal value has been taken.

Mortgage loan portfolio at 18.11.2015				
Classification by type of mortgaged property				
Type of collateral	Loans		Outstanding balance	
		%	(EUR)	%
Finished homes	536	30.28	74,144,461.80	16.47
Parking spaces and lumber rooms	35	1.98	13,008,005.55	2.89
Rustic and urban properties	162	9.15	65,346,606.04	14.52
Assets in operation and promotion <sup>1</sup>	51	2.88	44,049,023.59	9.79
Industrial warehouses	495	27.97	143,454,702.67	31.87
Business premises and offices	491	27.74	110,053,906.63	24.45
<b>Total</b>	<b>1,770</b>	<b>100.00</b>	<b>450,056,706.28</b>	<b>100.00</b>

<sup>1</sup> Assets in operation are properties where the obligor carries on a business activity (hotels, b&b, etc.). Promotions are residential and commercial properties in finished promotions available to be sold.

In order to be assigned to the Fund upon being established, BBVA shall choose from the selected loans i) loans that have not fully matured and are in good standing or that have no payments that are more than one (1) month overdue and ii) with an aggregate outstanding balance for each obligor group from lowest to highest up to an outstanding principal balance equal to or slightly above EUR seven hundred and eighty million (780,000,000.00), and the percentages represented by each mortgage security in the Loan portfolio that is finally assigned to the Fund may therefore differ from the distribution shown for the selected loan portfolio.

Tabled below is the distribution of the selected mortgage loans based on whether their underlying mortgage collaterals are shared with other mortgage loans or whether they only secure the actual mortgage loan.

<b>Mortgage loan portfolio at 18.11.2015</b>				
<b>Classification by shared mortgage collaterals</b>				
	<b>Loans</b>		<b>Outstanding balance</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
No shared mortgage collaterals	1,667	94.18	401,030,516.13	89.11
Some shared mortgage collateral	103	5.82	49,026,190.15	10.89
<b>Total</b>	<b>1,770</b>	<b>100.00</b>	<b>450,056,706.28</b>	<b>100.00</b>

Mortgage loan mortgages are registered as senior mortgages or, as the case may be, as junior mortgages although BBVA has documents supporting cancellation of the debts originated by previous mortgages, which are however yet to be struck off the register.

**f) Information regarding selected loan intended use.**

Tabled below is the distribution of the selected loans based on their intended use.

<b>Loan portfolio at 18.11.2015</b>				
<b>Classification by loan intended use</b>				
<b>Intended Use</b>	<b>Loans</b>		<b>Outstanding balance</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Acquisition of real estate	647	13.09	216,604,484.87	24.61
Acquisition of machinery	93	1.88	6,764,137.55	0.77
Cash or current assets	2,138	43.25	356,291,349.94	40.48
Funding fixed assets	377	7.63	117,957,012.39	13.40
Funding projects*	1,226	24.80	130,377,523.44	14.81
Other purposes	462	9.35	52,234,638.21	5.93
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

\* Includes loans for funding micro- and small and medium-sized enterprise projects.

None of the selected loans are an extension or reinstatement of earlier loans in arrears, nor are they finance lease or syndicated transactions.

**g) Information regarding selected loan origination date.**

Tabled below is the distribution of the selected loans based on origination year, and average, minimum and maximum age. The latest selected loan origination date is June 26, 2015. The average age weighted by the outstanding balance of each mortgage loan is 4.99 years at November 18, 2015.

Loan portfolio at 18.11.2015				
Classification by loan origination year				
Origination year	Loans		Outstanding balance (EUR)	
		%		%
2000	9	0.18	2,153,593.12	0.24
2001	26	0.53	1,552,535.33	0.18
2002	66	1.34	8,457,227.40	0.96
2003	94	1.90	21,199,401.90	2.41
2004	156	3.16	25,140,018.32	2.86
2005	127	2.57	24,183,180.02	2.75
2006	281	5.68	44,049,670.77	5.00
2007	315	6.37	66,343,724.32	7.54
2008	431	8.72	70,673,742.78	8.03
2009	640	12.95	72,155,028.82	8.20
2010	489	9.89	74,388,723.89	8.45
2011	788	15.94	106,745,395.96	12.13
2012	612	12.38	89,955,290.91	10.22
2013	343	6.94	62,158,390.30	7.06
2014	284	5.75	92,300,090.28	10.49
2015	282	5.71	118,773,132.28	13.49
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>
	<b>4.99</b>	<b>years</b>	<b>Weighted average age</b>	
<b>(16/02/2000)</b>	<b>15.76</b>	<b>years</b>	<b>Maximum age</b>	
<b>(26/06/2015)</b>	<b>0.40</b>	<b>years</b>	<b>Minimum age</b>	

#### h) Information regarding selected loan outstanding balance.

Tabled below is the distribution of the outstanding balance of the loans at November 18, 2015, and the average, minimum and maximum amount. No details are given of intervals with no contents.

Loan portfolio at 18.11.2015				
Classification by outstanding balance				
Outstanding balance interval (EUR)	Loans		Outstanding balance (EUR)	
		%		%
0.00 - 49,999.99	2,016	40.78	35,449,278.24	4.03
50,000.00 - 99,999.99	878	17.76	65,754,959.17	7.47
100,000.00 - 149,999.99	679	13.74	83,295,430.42	9.46
150,000.00 - 199,999.99	372	7.53	64,441,999.18	7.32
200,000.00 - 249,999.99	253	5.12	56,296,808.46	6.40
250,000.00 - 299,999.99	190	3.84	51,438,598.90	5.84
300,000.00 - 349,999.99	111	2.25	36,174,758.75	4.11
350,000.00 - 399,999.99	61	1.23	22,713,370.76	2.58
400,000.00 - 449,999.99	51	1.03	21,697,722.15	2.47
450,000.00 - 499,999.99	48	0.97	22,579,930.55	2.57
500,000.00 - 749,999.99	92	1.86	56,151,804.00	6.38
750,000.00 - 999,999.99	57	1.15	48,289,098.14	5.49
1,000,000.00 - 1,249,999.99	31	0.63	33,770,674.51	3.84
1,250,000.00 - 1,499,999.99	23	0.47	31,359,201.23	3.56
1,500,000.00 - 1,749,999.99	13	0.26	21,217,434.90	2.41
1,750,000.00 - 1,999,999.99	10	0.20	18,951,379.38	2.15
2,000,000.00 - 2,249,999.99	12	0.24	25,176,034.37	2.86
2,250,000.00 - 2,499,999.99	12	0.24	28,277,878.87	3.21
2,500,000.00 - 2,749,999.99	6	0.12	15,620,650.63	1.77
2,750,000.00 - 2,999,999.99	3	0.06	8,533,756.32	0.97
3,000,000.00 - 3,249,999.99	1	0.02	3,182,981.30	0.36



Loan portfolio at 18.11.2015				
Classification by outstanding balance				
Outstanding balance interval (EUR)	Loans		Outstanding balance (EUR)	
		%		%
3,250,000.00 - 3,499,999.99	1	0.02	3,277,805.19	0.37
3,500,000.00 - 3,749,999.99	4	0.08	14,502,114.00	1.65
4,000,000.00 - 4,249,999.99	2	0.04	8,328,338.82	0.95
4,250,000.00 - 4,499,999.99	2	0.04	8,674,703.42	0.99
4,500,000.00 - 4,749,999.99	2	0.04	9,259,068.19	1.05
4,750,000.00 - 4,999,999.99	2	0.04	9,630,959.00	1.09
5,500,000.00 - 5,749,999.99	1	0.02	5,630,000.00	0.64
5,750,000.00 - 5,999,999.99	1	0.02	5,994,380.37	0.68
6,500,000.00 - 6,749,999.99	3	0.06	20,070,563.59	2.28
6,750,000.00 - 6,999,999.99	3	0.06	20,609,930.62	2.34
7,500,000.00 - 7,749,999.99	1	0.02	7,713,610.04	0.88
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>
<b>Average outstanding balance:</b>			<b>178,075.89</b>	
<b>Minimum outstanding balance:</b>			<b>616.51</b>	
<b>Maximum outstanding balance:</b>			<b>8,163,922.93</b>	

The outstanding balance of 34.68% of the loans, in terms of outstanding balance, at November 18, 2015 is less than EUR 250,000, whereas the outstanding balance of 35.89% is at least as high as EUR 1,000,000.

i) **Information regarding the nature of the reference rate and benchmark indices applicable for determining the floating interest rates applicable to the selected loans.**

Tabled below is the distribution of the selected loans according to reference rate and benchmark index.

Loan portfolio at 18.11.2015					
Classification by Interest rate benchmark index					
Benchmark Index	Loans		Outstanding balance		Margin*** over Index %
		%	(EUR)	%	
<b>Fixed interest rate</b>	<b>943</b>	<b>19.08</b>	<b>131,643,011.61</b>	<b>14.96</b>	<b>3.725 ****</b>
<b>Floating interest rate *</b>	<b>4,000</b>	<b>80.92</b>	<b>748,586,134.79</b>	<b>85.04</b>	<b>2.063</b>
1-MONTH EURIBOR	10	0.20	18,020,756.89	2.05	1.052
3-MONTH EURIBOR	603	12.20	195,728,561.70	22.24	1.867
6-MONTH EURIBOR	1,476	29.86	254,857,030.71	28.95	2.753
1-YEAR EURIBOR	1,714	34.68	267,474,695.47	30.39	1.643
MORTGAGE LOAN BENCHMARK INDEX ALL INSTITUTIONS	21	0.42	1,373,127.18	0.16	0.229
OFFICIAL CREDIT INSTITUTE (ICO) FLOATING RATE**	176	3.56	11,131,962.84	1.26	1.687
	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>	

\* Same-term EURIBOR and MIBOR indices have been grouped because their respective values are similar and they have been considered to be financially comparable for the purpose of the financial transaction structure.

\*\* The ICO Floating Rate is for loans arranged in the year 2009, and consists of the sum of: (i) 6-month Euribor and (ii) the margin agreed to by the ICO in attracting funds, by means of public transactions with a term to maturity equal to or above 2 years, during the quarter next preceding the start of each calendar month.

\*\*\* Average margin over index weighted by the outstanding balance of the floating-rate loans.

\*\*\*\* This is the weighted average interest rate of fixed-rate loans.

**j) Information regarding applicable nominal interest rates: selected loan maximum, minimum and average rates.**

Tabled below is the distribution of the selected loans by 0.50% nominal interest rate intervals applicable at November 18, 2015, and their average, minimum and maximum values. No details are given of intervals with no contents.

Loan portfolio at 18.11.2015					
Classification by applicable nominal interest rate					
Interest Rate % Interval	Loans		Outstanding balance (EUR)		% Interest Rate*
		%		%	
0.0000 - 0.4999	95	1.92	42,053,699.73	4.78	0.390
0.5000 - 0.9999	541	10.94	89,346,635.75	10.15	0.746
1.0000 - 1.4999	555	11.23	118,177,202.09	13.43	1.224
1.5000 - 1.9999	414	8.38	120,277,079.97	13.66	1.715
2.0000 - 2.4999	703	14.22	134,725,770.00	15.31	2.146
2.5000 - 2.9999	352	7.12	77,664,700.03	8.82	2.665
3.0000 - 3.4999	406	8.21	55,838,247.83	6.34	3.157
3.5000 - 3.9999	430	8.70	65,757,010.77	7.47	3.662
4.0000 - 4.4999	272	5.50	44,714,701.86	5.08	4.185
4.5000 - 4.9999	252	5.10	36,816,363.81	4.18	4.645
5.0000 - 5.4999	209	4.23	30,583,867.06	3.47	5.115
5.5000 - 5.9999	190	3.84	27,980,768.09	3.18	5.645
6.0000 - 6.4999	155	3.14	12,575,864.71	1.43	6.242
6.5000 - 6.9999	144	2.91	10,987,631.65	1.25	6.682
7.0000 - 7.4999	70	1.42	3,983,183.75	0.45	7.133
7.5000 - 7.9999	57	1.15	6,255,294.40	0.71	7.759
8.0000 - 8.4999	46	0.93	1,348,433.62	0.15	8.249
8.5000 - 8.9999	22	0.45	787,349.04	0.09	8.649
9.0000 - 9.4999	16	0.32	213,329.38	0.02	9.083
9.5000 - 9.9999	1	0.02	13,602.88	0.00	9.750
10.0000 - 10.4999	7	0.14	85,943.02	0.01	10.009
10.5000 - 10.9999	1	0.02	12,058.96	0.00	10.500
11.0000 - 11.4999	2	0.04	21,819.98	0.00	11.000
12.0000 - 12.4999	1	0.02	3,533.60	0.00	12.250
15.0000 - 15.4999	2	0.04	5,054.42	0.00	15.000
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>	
	<b>Weighted average:</b>				<b>2.579 %</b>
	<b>Simple average:</b>				<b>3.107 %</b>
	<b>Minimum:</b>				<b>0.,230 %</b>
	<b>Maximum:</b>				<b>15.000 %</b>

\*Average nominal interest rate of the interval weighted by the outstanding balance.

**k) Information regarding selected loan instalment payment frequency.**

Tabled below is the selected loan distribution based on loan instalment interest payment frequency.

<b>Loan portfolio at 18.11.2015</b>				
<b>Classification by instalment interest payment frequency</b>				
<b>Instalment interest payment frequency</b>	<b>Loans</b>		<b>Outstanding balance</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Monthly	4,269	86.36	678,119,554.39	77.04
Quarterly	518	10.48	167,702,807.02	19.05
Six-Monthly	98	1.98	24,363,938.69	2.77
Yearly	58	1.17	10,042,846.30	1.14
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

Tabled below is the selected loan distribution based on loan instalment principal payment frequency.

<b>Loan portfolio at 18.11.2015</b>				
<b>Classification by instalment principal payment frequency</b>				
<b>Instalment principal payment frequency</b>	<b>Loans</b>		<b>Outstanding balance</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Monthly	4,243	85.84	662,304,410.70	75.24
Quarterly	432	8.74	154,225,413.50	17.52
Six-Monthly	118	2.39	28,899,679.90	3.28
Yearly	114	2.31	21,961,642.30	2.49
Single upon maturity (bullet)	36	0.73	12,838,000.00	1.46
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

**l) Information regarding selected floating-rate loan interest rate reset frequency.**

Tabled below is the selected floating-rate loan distribution based on selected interest rate reset frequency.

<b>Loan portfolio at 18.11.2015</b>				
<b>Classification by interest rate reset frequency</b>				
<b>Interest rate reset frequency</b>	<b>Loans</b>		<b>Outstanding balance</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Monthly	21	0.53	21,897,583.45	2.93
Quarterly	619	15.48	204,025,598.65	27.25
Six-Monthly	2,066	51.65	330,154,619.14	44.10
Yearly	1,294	32.35	192,508,333.55	25.72
<b>Total</b>	<b>4,000</b>	<b>100.00</b>	<b>748,586,134.79</b>	<b>100.00</b>

**m) Information regarding selected loan repayment system.**

Tabled below is the selected loan distribution based on their repayment system.

Loan portfolio at 18.11.2015				
Classification by repayment system				
	Loans		Outstanding balance	
		%	(EUR)	%
Equated monthly instalment method	4,285	86.69	671,282,934.70	76.26
Single payment at maturity (bullet loans)	36	0.73	12,838,000.00	1.46
Pre-set repayment schedule	622	12.58	196,108,211.70	22.28
<i>Loans whose last instalment accounts for more than 50% of the initial loan outstanding balance</i>	11	0.22	2,485,456.70	0.28
<i>Loans with a last instalment accounting for between 25% and 49.99% of the initial loan outstanding balance</i>	34	0.69	19,778,972.02	2.25
<i>Loans with a constant periodic capital instalment (monthly, six-monthly or yearly)</i>	577	11.67	173,843,782.98	19.75
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

\* Bullet loan interest payment frequency is monthly in 13 loans and quarterly in 23 loans. The final maturity date of these loans lies between December 18, 2015 and April 30, 2029.

**n) Information regarding nominal interest rate caps and floors applicable to the selected loans.**

A significant portion of the selected loans have a nominal interest cap set limiting the upward variability of the applicable floating nominal interest rate. The nominal interest rate caps applicable to the loans selected at November 18, 2015 range between 10.00% and 40.00%.

Tabled below is the distribution of the selected loans by 1.00% intervals of the nominal interest cap applicable for determining the nominal interest rate. No details are given of intervals with no content.

Loan portfolio at 18.11.2015					
Classification by applicable nominal interest rate caps					
% interest rate cap interval	Loans		Outstanding balance		% Interest Rate* Cap
		%	(EUR)	%	
No interest caps	3,613	73.09	560,859,417.16	63.72	
9.01 - 10.00	22	0.45	12,446,155.85	1.41	10.000
10.01 - 11.00	1	0.02	264,244.55	0.03	11.000
11.01 - 12.00	284	5.75	78,010,522.31	8.86	12.000
12.01 - 13.00	5	0.10	2,580,478.45	0.29	12.500
13.01 - 14.00	17	0.34	3,853,645.32	0.44	14.000
14.01 - 15.00	846	17.12	180,560,043.09	20.51	15.000
15.01 - 16.00	12	0.24	1,475,154.99	0.17	16.000
16.01 - 17.00	5	0.10	789,167.07	0.09	17.000
17.01 - 18.00	16	0.32	1,532,613.22	0.17	17.892
18.01 - 19.00	7	0.14	2,528,974.55	0.29	19.000
19.01 - 20.00	14	0.28	2,451,116.18	0.28	20.000
20.01 - 25.00	16	0.32	10,520,279.91	1.20	22.526
25.01 - 30.00	80	1.62	19,711,351.02	2.24	29.194
30.01 - 40.00	5	0.10	2,645,982.73	0.30	34.910
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>	

\*Applicable average interest rate cap in the interval weighted by the outstanding balance.

Some of the floating-rate selected loans have a nominal interest floor set limiting the downward variability of the applicable nominal interest rate. The nominal interest rate caps applicable to the loans selected at November 18, 2015 range between 0.50% and 7.05%.

Loan portfolio at 18.11.2015					
Classification by applicable nominal interest rate floors					
% interest rate floor interval	Loans		Outstanding balance		% Interest Rate* Floor
		%	(euros)	%	
No interest floors	3,862	78.13	616,790,458.58	70.07	
0.50 – 1.00	44	0.89	16,357,622.32	1.86	0.975
1.01 – 2.00 <sup>1</sup>	583	11.79	131,186,446.45	14.90	1.845
2.01 – 3.00 <sup>2</sup>	242	4.90	62,476,190.31	7.10	2.626
3.01 – 4.00	140	2.83	32,748,913.12	3.72	3.565
4.01 – 5.00	38	0.77	14,711,899.11	1.67	4.689
5.01 – 6.00	25	0.51	4,638,676.25	0.53	5.596
6.01 – 7.00	8	0.16	1,233,881.86	0.14	6.685
7.01 – 8.00	1	0.02	85,058.40	0.01	7.050
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>	

\*Applicable average interest rate cap in the interval weighted by the outstanding balance.

Tabled below are details of the selected loans granted to autonomous enterprises for purchasing real properties and secured with finished homes, which account for 0.06%, in terms of outstanding principal, of the selected portfolio at November 18, 2015. No details are given of intervals with no content.

Loan portfolio at 18.11.2015					
Classification by nominal interest rate floors applicable to loans granted to autonomous enterprises for the purchase of real properties and secured with finished homes					
% Interest Rate Floor Interval	Loans		Outstanding balance		% Interest Rate* floor
		%	(EUR)	%	
1.01 – 2.00	1	33.33	80,645.29	14.61	1.75
2.01 – 3.00	2	66.66	471,517.19	85.39	2.20
<b>Total</b>	<b>3</b>	<b>100.00</b>	<b>552.162,48</b>	<b>100.00</b>	

\*Average applicable interest rate floor weighted by the outstanding balance.

**o) Information regarding final maturity date of the selected loans.**

Tabled below is the distribution of the selected loans according to final maturity date by annual intervals, and total weighted average residual life and first and last final maturity dates.

Loan portfolio at 18.11.2015						
Classification by final maturity date						
Final maturity year	Loans		Outstanding balance		Residual Life w.a. *	
		%	(EUR)	%	Months	Date
2015	66	1.34	1,929,212.48	0.22	1.15	23/12/2015
2016	935	18.92	36,540,712.55	4.15	8.41	31/07/2016
2017	625	12.64	60,710,367.12	6.90	19.75	11/07/2017
2018	596	12.06	79,474,441.10	9.03	32.26	26/07/2018
2019	564	11.41	93,469,676.54	10.62	44.12	22/07/2019
2020	428	8.66	90,475,945.83	10.28	55.50	02/07/2020
2021	331	6.70	74,105,039.49	8.42	68.95	15/08/2021
2022	358	7.24	95,832,423.03	10.89	79.14	21/06/2022
2023	224	4.53	85,765,969.61	9.74	93.37	28/08/2023
2024	196	3.97	52,809,333.76	6.00	103.69	07/07/2024
2025	118	2.39	34,143,150.69	3.88	113.69	07/05/2025
2026	113	2.29	41,564,786.56	4.72	128.36	27/07/2026
2027	122	2.47	39,421,277.32	4.48	141.96	14/09/2027

Loan portfolio at 18.11.2015						
Classification by final maturity date						
Final maturity year	Loans		Outstanding balance		Residual Life w.a. *	
		%	(EUR)	%	Months	Date
2028	35	0.71	14,618,777.92	1.66	153.25	22/08/2028
2029	47	0.95	23,355,092.18	2.65	163.67	05/07/2029
2030	31	0.63	17,339,560.29	1.97	173.20	21/04/2030
2031	37	0.75	5,254,423.45	0.60	188.59	02/08/2031
2032	36	0.73	5,427,914.12	0.62	198.85	09/06/2032
2033	15	0.30	4,303,909.88	0.49	212.67	04/08/2033
2034	18	0.36	5,189,695.10	0.59	223.87	10/07/2034
2035	12	0.24	6,347,503.53	0.72	234.86	10/06/2035
2036	14	0.28	2,437,892.35	0.28	247.22	20/06/2036
2037	5	0.10	672,863.36	0.08	257.07	15/04/2037
2038	10	0.20	8,254,375.63	0.94	268.16	19/03/2038
2039	1	0.02	50,767.99	0.01	289.61	31/12/2039
2040	3	0.06	298,689.04	0.03	298.60	29/09/2040
2041	1	0.02	164,913.58	0.02	311.64	31/10/2041
2043	1	0.02	122,330.49	0.01	337.64	31/12/2043
2044	1	0.02	148,101.41	0.02	343.63	30/06/2044
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>81.97</b>	<b>15/09/2022</b>
	<b>Simple average:</b>				<b>55.85</b>	<b>13/07/2020</b>
	<b>Minimum:</b>				<b>0.30</b>	<b>27/11/2015</b>
	<b>Maximum:</b>				<b>343.63</b>	<b>30/06/2044</b>

\* Residual life to final maturity date (months and date) stands for averages weighted by the outstanding balance of loans with final maturity in the relevant year.

**p) Information regarding selected loan principal repayment exclusion period.**

Tabled below is the selected loan distribution according to expiry of the loan principal repayment exclusion period. The average principal repayment exclusion period of the selected loans is 11.60 months weighted by the outstanding balance.

Loan portfolio at 18.11.2015				
Classification by principal repayment exclusion period				
Expiry of the principal exclusion period	Loans		Outstanding balance	
		%	(EUR)	%
No Exclusion	4,907	99.27	845,370,172.74	96.04
With Exclusion	36	0.73	34,858,973.66	3.96
<i>Until 31/12/2015</i>	5	0.10	2,553,982.88	0.29
<i>01/01/2016 to 31/03/2016</i>	5	0.10	1,590,152.03	0.18
<i>01/04/2016 to 30/06/2016</i>	19	0.38	17,874,538.75	2.03
<i>01/10/2016 to 31/12/2016</i>	1	0.02	326,700.00	0.04
<i>01/01/2017 to 31/03/2017</i>	2	0.04	3,200,000.00	0.36
<i>01/04/2017 to 30/06/2017</i>	3	0.06	1,313,600.00	0.15
<i>01/10/2017 to 31/12/2017</i>	1	0.02	8,000,000.00	0.91
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

**q) Information regarding geographical distribution by Autonomous Communities.**

Tabled below is loan distribution by Autonomous Communities according to the location of the corporate obligors' place of business.

<b>Loan portfolio at 18.11.2015</b>				
<b>Classification by Autonomous Communities</b>				
	<b>Loans</b>		<b>Outstanding balance</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Catalonia	1,120	22.66	214,023,628.79	24.31
Andalusia	659	13.33	137,634,846.37	15.64
Madrid	410	8.29	85,469,956.09	9.71
Basque Country	388	7.85	84,242,338.65	9.57
Valencian Community	539	10.90	84,124,734.43	9.56
Canary Islands	261	5.28	54,663,339.59	6.21
Castile and León	349	7.06	42,788,103.68	4.86
Aragón	170	3.44	25,409,133.76	2.89
Murcia	134	2.71	21,695,799.83	2.46
Extremadura	117	2.37	21,317,169.79	2.42
Navarre	185	3.74	21,040,709.60	2.39
Castile La Mancha	174	3.52	20,205,762.57	2.30
Galicia	93	1.88	19,955,799.09	2.27
Balearic Isles	76	1.54	14,963,682.98	1.70
Cantabria	78	1.58	12,576,180.98	1.43
Asturies	88	1.78	8,324,755.62	0.95
La Rioja	73	1.48	7,921,212.74	0.90
Ceuta	17	0.34	2,319,608.63	0.26
Melilla	12	0.24	1,552,383.21	0.18
<b>Total</b>	<b>4,943</b>	<b>100.00</b>	<b>880,004,717.55</b>	<b>100.00</b>

**r) Information regarding delays, if any, in collecting selected loan interest or principal instalments.**

Tabled below are the number of loans, the outstanding principal and the overdue principal on selected loans in good standing or in regard to which there was any delay in payment of amounts due at November 18, 2015.

<b>Arrears in payment of instalments due at 18.11.2015</b>					
<b>Interval Days</b>	<b>Loans</b>	<b>Outstanding balance</b>	<b>%</b>	<b>Principal in Arrears</b>	<b>%</b>
In good standing	4,790	868,026,414.00	92.99	0.00	0.000
1 to 15 days	61	3,252,996.24	6.88	62,378.09	0.007
16 to 30 days	92	8,949,736.16	0.13	162,050.76	0.018
<b>Total</b>	<b>4,943</b>	<b>880,229,146.40</b>	<b>100.00</b>	<b>224,428.85</b>	<b>0.025</b>
* The percentages of outstanding principal and principal in arrears are calculated based on the outstanding balance of the selected loans.					

In accordance with BBVA's representation in section 2.2.8.2.(3) of the Building Block, none of the Loans that will finally be assigned to the Fund upon being established shall have any payments more than one (1) month overdue on their assignment date.

**s) Loan to value ratio or level of collateralisation.**

There are 1,770 selected loans with real estate mortgage security at November 18, 2015, and their outstanding balance is EUR 450,056,706.28. Mortgage loan mortgages are registered as senior mortgages.

The ratio, expressed as a percentage, of the outstanding balance amount at November 18, 2015 to the appraisal value of the selected mortgage loan mortgaged properties adjusted, as the case may be, pro rata to the current mortgage loan balance with respect to the total current balance of all equally ranked mortgage loans sharing the same mortgage security (LTV) ranged between 0.19% and 418.91%, and the average ratio weighted by the outstanding balance of each mortgage loan is 53.46%. The LTV of 11.00%, in terms of outstanding balance, of the selected mortgage loans is in excess of 80% at November 18, 2015.

Out of the selected mortgage loans, 10.89%, in terms of outstanding balance, are loans sharing a mortgage in the same property with other equally ranked loans. In all of these mortgage loans, the mortgagee in all the equally ranked mortgages is BBVA. Out of the selected mortgage loans, 4.44%, in terms of outstanding balance, are mortgage loans sharing security in which all the loans sharing security are included in the portfolio from which the Loans will be taken to be assigned to the Fund upon being set up. Out of the selected mortgage loans, 6.45%, in terms of outstanding balance, are mortgage loans sharing security in which one or several of the loans sharing security are not included in the portfolio from which the Loans will be taken to be assigned to the Fund upon being set up. In the event of the Fund calling the mortgage security of any of the loans sharing equally ranked mortgage security with BBVA, the security would be prorated among the outstanding balance of the loans sharing the same.

Tabled below is the distribution of the mortgage loans by 10.00% LTV intervals.

<b>Mortgage loan portfolio at 18.11.2015</b>					
<b>Classification by loan to value ratio</b>					
<b>Ratio Intervals</b>	<b>Loans</b>		<b>Outstanding balance</b>		<b>% LTV</b>
	<b>%</b>		<b>(EUR)</b>	<b>%</b>	<b>(Loan to Value*)</b>
0.00 - 9.99	206	11.64	23,315,736.97	5.18	5.82
10.00 - 19.99	316	17.85	44,658,068.87	9.92	15.13
20.00 - 29.99	314	17.74	44,239,546.82	9.83	24.67
30.00 - 39.99	307	17.34	74,376,069.39	16.53	35.28
40.00 - 49.99	257	14.52	74,726,740.89	16.60	45.01
50.00 - 59.99	168	9.49	49,701,736.67	11.04	54.21
60.00 - 69.99	79	4.46	52,037,968.82	11.56	65.15
70.00 - 79.99	43	2.43	37,487,879.52	8.33	74.60
80.00 - 89.99	26	1.47	11,317,710.34	2.51	85.19
90.00 - 99.99	14	0.79	7,497,740.27	1.67	95.94
100.00 - 109.99	9	0.51	8,503,520.36	1.89	100.92
110.00 - 119.99	6	0.34	4,953,435.91	1.10	114.80
120.00 - 129.99	1	0.06	148,736.44	0.03	127.51
130.00 - 139.99	1	0.06	392,849.14	0.09	131.83
140.00 - 149.99	1	0.06	598,181.80	0.13	146.88
150.00 - 159.99	3	0.17	1,194,924.25	0.27	153.79
160.00 - 169.99	5	0.28	2,263,995.25	0.50	164.49
170.00 - 179.99	2	0.11	159,369.92	0.04	170.64
190.00 - 199.99	4	0.23	2,264,004.58	0.50	191.83
210.00 - 219.99	2	0.11	102,988.10	0.02	217.77
220.00 - 229.99	1	0.06	1,947,249.77	0.43	222.87
230.00 - 239.99	1	0.06	715,133.61	0.16	230.26
300.00 - 309.99	1	0.06	100,736.65	0.02	305.76
310.00 - 319.99	1	0.06	6,656,425.81	1.48	312.87
320.00 - 329.99	1	0.06	240,961.35	0.05	321.28
410.00 - 419.99	1	0.06	454,994.78	0.10	418.91
<b>Total</b>	<b>1,916</b>	<b>100.00</b>	<b>560,161,190.75</b>	<b>100.00</b>	
	<b>Weighted Average:</b>				<b>53.46 %</b>
	<b>Simple Average:</b>				<b>35.92 %</b>
	<b>Minimum:</b>				<b>0.19 %</b>
	<b>Maximum:</b>				<b>418.91 %</b>

\*LTV (Loan to Value Ratio) refers to averages weighted by the outstanding balance, adjusted to the current outstanding balance of the other mortgage loans sharing an equally ranked security.



There is no overcollateralisation in the Fund since the Outstanding Balance of the Loans that BBVA shall assign to the Fund upon being set up shall be equal to or slightly above EUR seven hundred and eighty million (780,000,000.00), the face value amount of the Bond Issue.

### **2.2.3 Legal nature of the pool of assets.**

The selected loans may be classified based on their collaterals into:

- (i) Loans with real estate mortgage security entered in the Land Registry, and the collateral, if any, specified in paragraph (ii) below, originated in a public deed (the Mortgage Loans).

The Mortgage Loans were originated in a public deed subject to the Mortgage Act, February 8, 1946, Act 2/1981, and ancillary laws.

The Mortgage Loan receivables shall be assigned to the Fund upon BBVA issuing and the Fund subscribing for Mortgage Certificates and Pass-Through Certificates subject to the provisions of Act 2/1981, additional provision four of Act 5/2015, and Royal Decree 716/2009, on the terms provided for in section 3.3 of this Building Block. The Mortgage Certificates and the Pass-Through Certificates shall be issued and subscribed for in the same Deed of Constitution of the Fund.

- (ii) Loans with no special guarantee, exclusively secured by pledging money and/or units in investment funds, and/or listed securities and/or with third-party personal guarantees, originated in a public document, which are enforceable (Civil Procedure Act article 517) (the Non-Mortgage Loans).

The Non-Mortgage Loan receivables shall be directly assigned to the Fund upon being sold by BBVA and acquired by the Fund, on the terms provided for in section 3.3 of this Building Block. The Non-Mortgage Loan receivables shall be assigned to the Fund in the same Deed of Constitution of the Fund.

### **2.2.4 Expiry or maturity date(s) of the assets.**

The selected loans each have a final maturity date without prejudice to periodic partial repayment instalments, on the specific terms applicable to each of them.

Obligors may at any time during the life of the loans prepay all or part of the outstanding capital, in which case interest accrual on the part prepaid will cease as of the date on which repayment occurs.

The final maturity date of the selected loans at November 18, 2015 lies between November 27, 2015 and June 30, 2044, the latter being the latest maturity date of the selected loans, in accordance with 2.2.2.o) above.

### **2.2.5 Amount of the assets.**

The Fund shall be set up with the Loan receivables which BBVA will assign to the Fund upon being established, and their Outstanding Balance shall be equal to or slightly above EUR seven hundred and eighty million (780,000,000.00), the face value amount of the Bond Issue.

The selected loan portfolio from which the Loans will be taken to be assigned to the Fund upon being established comprises 4,943 loans, their outstanding principal at November 18, 2015 being EUR 880,229,146.40 and the overdue principal being EUR 224,428.85.

### **2.2.6 Loan to value ratio or level of collateralisation.**

The loan to value ratio or level of collateralisation of the selected loans is given in section 2.2.2 s) of this Building Block.

## 2.2.7 Method of creation of the assets.

The loans selected for assignment to the Fund have been directly granted by BBVA (without any intermediary whatsoever being involved) following its usual credit risk analysis and assessment procedures for lending to enterprises in place at the loan origination date. Those procedures are described below:

### 1. Introduction.

Banca de Empresas y Corporaciones (BEC) is the Business Unit set up at BBVA to serve businesses. This unit specialises in managing and serving large, medium-sized and small enterprises. Banca Comercial is the Business Unit set up at BBVA to manage the business from the private customer, retail and small enterprise segments.

#### Origination channels.

BEC has a network of 192 Branches, 131 of which serve the enterprise segment, 56 serve the institutions segment and 5 the corporations segment.

Banca Comercial has 3,147 branches nation-wide.

The management model is based on a customised integral customer management; customers are all allocated a personal account manager.

Out of the selected portfolio as of November 18, 2015, 56.62%, in terms of outstanding balance, was originated by BEC, whereas the remaining 43.38% was originated by Banca Comercial.

### 2. Lending procedures.

#### 2.1 System supporting lending decision making: internal rating.

Rating tools are analysis and assessment systems enabling BBVA to assign a customer a credit rating based on data and standards. This is the basis for:

- Providing risk policies consistent with the rating and monitoring the live risk
- Conferring powers
- Permitting distinct pricing policies

This tool is integrated in the risks procedures and circuits covering all stages of the risks cycle, each of them including a value added system avoiding the need to re-collect information (incremental analysis system) and allows efforts to be adjusted and capacities to be assigned based on risk types:

- More in-depth information and analysis in complex risks.

Thus, admission standards can be consistently applied and decision-making can be decentralised, trimming response times. The rating tool was the result of internal development at BBVA and was implemented in September 2002.

- **Rating methodology**

#### *Rating*

The following method is used for rating a customer:

Score-based valuing of the business.

Two types of information are considered:

- Quantitative factors: analysis of financial statements
- Qualitative factors: from customer reports

Each factor carries certain points or weights. The sum determines the customer's final score.

### *Rating models*

The models developed may, depending on the size of the enterprise or client typology, be sorted into:

- Corporate (based on size of business)
- Enterprises (based on size of business)
- SMEs (based on size of business)
- Developers (client typology)
- Institutions

### *Master scale*

One of the prime objectives of a rating system is rating customers based on their credit quality. This quality is defined by the likelihood of a customer being in arrears. A master scale is used to calculate the default rate: it allows each customer to be assigned a default probability. It is unique for the whole of BBVA.

The master scale consists of a number of values or grades and each is assigned a default probability (expected default frequency).

### **General operating diagram**

In order to obtain an internal rating a minimum information on the customer has to be available (financial statements, other information and CIRBE), corporate application data must be captured, the automatic system calculation must be obtained, based on an algorithm calculated as described above, and finally an analysis and assessment of the results provided by the tool must be made.

## **2.2 Lending procedure.**

### **a) Banca Comercial**

The account manager receives a financing proposal by an enterprise or autonomous enterprise who may or may not be a customer of BBVA. The account manager requests such information as is deemed necessary to be able to decide and which shall at a minimum be the information established in the internal risks empowerment rule as detailed in paragraph 2.2.3 concerning risks empowerment.

### **b) Banca de Empresas**

BBVA Group has implemented a customised management model in the enterprise segment.

Admission of transactions begins with the financing application by an enterprise or autonomous enterprise. The customer may be known to have a current risk with BBVA or to have been a customer in the past or not to have ever dealt with BBVA.

### **2.2.1 Required information.**

#### **a) Banca Comercial**

The following will be the minimum information to be able to decide:

- Balance sheet or, alternatively, declaration of assets or wealth return
- Operating account for the last fiscal year
- Primarily, the balance sheets and operating accounts must be audited and otherwise the tax or companies register balance sheets and operating accounts. Companies must satisfy this requirement when at least two of the following circumstances occur:
  - i. The assets are in excess of €2,373,997.81.
  - ii. The turnover is in excess of €4,747,995.62
  - iii. The average number of workers employed during the fiscal year shall have been in excess of 50 workers.

- Checking the RAI, internal delinquency at BBVA, ASNEF, etc.
- Customer's complete position at BBVA and in the banking system.
- Checking the assets and collaterals of the applicant.
- Guarantor's declaration of assets, if any.
- For rated customers, rating history.

#### **b) Banca de Empresas**

Prior to analysing and approving the transaction, the account manager generally does the following:

*Updating or opening a record with the following information:*

- Balance sheets, financial statements, audits
- Guarantors' declaration of assets, if any
- Business activity reports and purpose of the transaction
- Searches in registers
- Current positions at BBVA and in the banking system

*Studying the transaction*

Based on the information provided by the applicant, completed with information available to BBVA proper and other outside sources, a financial plan or base support is prepared including:

- Financial plan: economic and financial position, activity, shareholders, interests, etc.
- Searching for or preparing the rating, with the assistance of an internal tool allowing both the rating of the enterprise and risk and alert indicators for such enterprise previously included to be searched for (business risk conduction or CRE).
- Search in default filters
- Progress of CIRBE, including guarantors
- Previous experience, if a customer
- Any other data relevant to or revealing for decision-making

### **2.2.2 Preparing the proposal and approval.**

#### **a) Banca Comercial**

Proposed transactions shall be entered in a certificate/register of transactions/Committees, in chronological order, whether the proposals are authorised, refused in exercising the empowerment or submitted to be studied and decided on to higher levels.

#### **b) Banca de Empresas**

After the analysis made and the conclusions arrived at, the branch draws up a mandatory proposal. If a dismissal is considered, then a reference is made to such refusal.

If the transaction is accepted, the proposal and supporting information passes to the approval process by the Branch's committee, where it has authority over the customer at issue, or is submitted to the Regional Management or the Central Credit Risks Unit.

### **2.2.3 Empowerment in authorising risks.**

#### **a) Banca Comercial**

The account manager's empowerment figure and the requirements laid down in the internal risks empowerment rule shall determine whether the account manager is able to authorise the transaction. Being empowered to take on risks is a requirement but is not sufficient in order for a person to decide. Powers are conferred personally and based on the empowered person's experience and qualification.

The figure to be empowered with shall be determined based on the empowered person's capacity and the characteristics of the market and segment allocated. The empowerment does not cover certain transactions, depending, for instance on:

- Amount: current account overdrafts and credit account excesses based on days and terms.
- Term: transactions exceeding the maxima established for every specific product.
- Instrumentation: where transaction rules and procedures are not observed.
- Documentation: where minimum information or supporting documents are missing.
- Products: based on each product characteristic limits such as scoring, valuation percentage, etc.
- Type of client: for employees, split transactions, clients at several branches, etc.

At Banca Comercial, empowerment is open and each conferrer may sub-delegate up to 100% of his or her empowerment figure, cascaded as follows: each territorial manager empowers the territorial risks manager or the area manager, who may in turn sub-delegate to the risks coordinator or the Banca Comercial centre managers (5 or 6 branches grouped together) and they in turn sub-delegate to admission and monitoring analysts or branch managers.

#### **b) Banca de Empresas**

Empowerment is implemented under an internal policy. The following is noteworthy among the most relevant aspects influencing the management model:

- The conferment of powers to accept risks is a requirement but is not sufficient in order for a person to decide.
- Powers are conferred personally based on the attorney's experience and qualification.
- It is advisable for powers to be gradually conferred.
- The empowerment figure embodies the maximum limits and risks to be arrived at with a customer or group of customers considered to be an economic group or family unit.
- Empowerment originates in the group's political bodies and is hierarchically conveyed.
- The conferrer shall specify to his or her attorneys the empowerment figure conferred and the extent and capacity in and by which the attorney may in turn subdelegate.

Quantitatively, the general manager, Retail Banking, confers on the Banca de Empresas Manager powers based on an iso-risk curve with reference to the clients' risk.

### **3. Risk monitoring.**

#### **a) Banca Comercial**

Each of the 7 territorial offices (DT) have teams, reporting to the Head Office, in charge of monitoring general progress (of the risk), although responsibility for the transaction being duly performed ultimately lies with the team at the branch originating the investment. Each DT has a team consisting of two Monitoring supervisors and a group of Monitoring Analysts. Each Monitoring Analyst is allocated an area altogether covering between 40 and 50 branches. In turn, the monitoring supervisors at each DT liaise with and support the Risk Monitoring Analysts' performance within their scope of operation.

Although risk management is integral, methodology varies according to client/product typology.

Two different monitoring methods could be pointed to:

- 1- Statistics or development by business lines, and
- 2- Individual clients. The paths for detecting clients with alert signs are mainly as follows:
  - a. List of overdue management information systems (SIG)
  - b. Clients detected via internal audits

- c. Early alerts priorities tool
- d. Risks tool alerts
- e. Development of risks both at BBVA and in the financial system
- f. Searching external databases, mainly RAI (bad debts registry and DBI, claims database)

In addition, Risk Monitoring Committees meet weekly at four levels within the organisation:

- Head Office
- Territorial Office
- Area Office
- Commercial Banking Centre Office (CBC)

Committees review how the different dependent units and clients with alert signs and defaults are developing, drawing up action plans for those who are to be added to the list of alerts and monitoring the progress of listed clients.

#### **b) Banca de Empresas**

The Enterprise segment is structured about 7 Regional Offices and 178 Enterprise Branches spread out throughout national territory.

The BEC Risks Manager is based at the Spain and Portugal Business Head Office, which includes in its team a Risk and Recoveries - Enterprises Monitoring Officer and, together with a team of five people, manages and coordinates the tasks for which he or she is responsible.

In addition, each Regional Office has a specific team of five or seven people (44 in all) in charge of dealing with this function. They are all duly qualified and have professional experience, in many cases in excess of 15 years. In several cases, they originate in Audit. Their goals are as follows:

- Overseeing risk quality, control and monitoring, within an established setting for decision-making and rating
- Supporting and encouraging the Branch network to implement and develop a defined action plan in regard to monitoring live risk, overdue payments and listing as doubtful assets
- Encouraging the achievement of the set risk quality and credit writedown targets

The functions of the Banca de Empresas Unit in the Risks Monitoring area include the following:

- Reviewing risk quality indicators and progress.
- Monitoring the daily development of irregular investments.
- Coordinating and supervising the rating of regional office clients.
- Monitoring the risk of clients singled out for surveillance and problem clients.
- Diagnosing risk portfolios.
- Setting up, preparing, attending and participating on Risk Monitoring Committees.
- Developing, implementing and using suitable risk monitoring tools.
- Coordinating with recoveries and the legal department the transfer of cases of late payment and subsequently monitoring the same.
- Other responsibilities:
  - Visiting branches
  - Monitoring written audit proceedings
  - Sampling case files and sub-delegating
  - Controlling risk admission and management procedures

The risk quality variable is objectified and periodic controls are made in order to ascertain the same through several action plans which, upon being evaluated, are reused to newly feed the circuit.

#### **Client rating systems**

This is for departments and those involved in risk management: account managers, admission and monitoring teams and central credit risks unit (UCRC). It also includes the valuation assigned by Internal Audit, in addition to other indicators sourced in the various products, delinquency filters, CIRBE, etc.

These ratings and information are fed into the alert signs system which shall identify problem groups or groups specifically singled out for surveillance in order to anticipate and mitigate the negative effects of their potentially falling into arrears.

### **4. Recoveries.**

#### **4.1 Units involved in the recovery process.**

##### **a) *Banca Comercial***

Recovery at Banca Comercial is centrally managed by a business unit that is in turn divided into three subunits:

- Outsourcing. Controls and monitors all matters outsourced to external companies. Acts on clients with a client risk and assists actively in the friendly management of cases that are already in court.
- Operations.
  - o Centrally carries out all pre-judicial case preparation stage tasks
  - o Administering and booking all collections and payments in arrears.
- Judicial. Its duties consist of submitting and monitoring all legal proceedings instituted as a result of overdue debts being claimed, aided by internal lawyers, external lawyers and court attorneys.

##### **1-Outsourcing Unit**

The Outsourcing Area is a centralised management unit whose duty it is to control and monitor outsourced matters:

- It manages recovery at all times through external firms that may use friendly proceedings or debt collection proceedings and even in some cases executive proceedings.
- The clients altogether dealt with from outsourcing comprise two major groups:
  - o Exclusive management: clients with a low risk, for which comprehensive recovery Management is carried out, including friendly and court management.
  - o Dual management: clients whose case is already in court and in relation to which the court management of the case remains in the current unit, but friendly management is added from an external agency that is conduct at the same time.

To achieve this, 16<sup>1</sup> external firms in all currently work with BBVA.

##### **2-Operations Unit**

The Unit's main functions are as follows:

- 1) Preparing the judicial file for CER

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<sup>1</sup> The number of firms involved in friendly management varies

2) Accountancy

Its structure is very flexible and readily adapts to the workload.

**3- Judicial Unit (CER)**

Its main function is to manage friendly and judicial recoveries. In so doing, the Unit first acts proactively with obligors from the time when they fall in arrears, including friendly attempts to have the debt regularised and, failing agreements, a legal action is brought, including attachments, court withholdings and enforcements, with lawyers, with respect to legal proceedings, with third parties, and with respect to large claims.

The following are the steps included in the judicial stage:

Judicial enforcement proceedings. The procedural stages for enforcement are as follows:

- Submitting the application.
- Clearing or allowing enforcement
- Court payment demand served on the obligor (attachment of assets)
- Auction: application, scheduling of auction date and notice on the obligor, after publishing such edicts as are established by Law.

**b) Banca de Empresas**

At Banca de Empresas, clients are dealt with at the Business Group level, and the following are the distinctive elements resulting in their being managed by one unit or another:

	<b>Non-developer groups</b>	<b>Developer groups</b>
Group risk < MEUR 1	OPERATIONS (Pre-judicial + Initial friendly management) RECBEC*	
Group risk > MEUR 1	OPERATIONS (Pre-judicial) RECBEC + Legal Services	OPERATIONS (Pre-judicial) Real Estate <sup>2</sup> + Legal Services

\*RECBEC: Corporation and Enterprise Banking (BEC) Recoveries Centre

**1- RECBEC < MEUR 1**

The operating method very much resembles the description given for Banca Comercial with specific features in the different stages mainly due to treatment on a group level.

**2- RECBEC > MEUR 1**

Centralised unit in managing business groups with a risk in excess of 1 million Euros. Its duties focus on friendly proactive management.

Together with Legal Services, it reviews the client's position forthwith upon the client falling in arrears, to find the best solutions for both the client and the bank.

Its duties are focussed on Non-developer groups<sup>3</sup>.

<sup>2</sup> Real Estate does not belong to the Recoveries Unit.

<sup>3</sup> Generally, non-developer groups are considered to be those in which the aggregate risks of the segmented developer components are not in excess of 50% of the total group risk.



### **3- Real Estate**

Its duties are similar to RECBEC but for Developer groups.

### **4- Legal Services**

Each regional office has a legal services department whose main duties are to provide advice, prepare the paperwork for perfecting transactions and deal with recovery in cases of arrears, failures and bad debts shown on the balance sheets of dependent branches within their sphere of authority, including bringing actions and attending hearings.

Both lawyers and staff in charge of providing administrative support in charge of recovering BBVA's overdue accounts have proven skills and ample expertise.

At the Head Office, the Spain and Portugal Legal Services structure has a Spain Banking Business Legal Services Manager to whom the following report: both the lawyers, responsible for each territory described above, and the Recovery Legal Services Manager, with functional legal responsibility within BEC (Banca de Empresas y Grandes Corporaciones) recoveries.

#### **c) Cross-Units**

In addition to the units described, there are two specialised cross units that serve both Banca Comercial and BEC:

##### **- Insolvency-SMEs Centre**

This deals with managing insolvent clients at Banca Comercial and BEC (pure risk of up to €600,000 / €1,000,000, depending on the territory).

##### **- Bad Debts Unit**

The Bad Debts unit deals with insolvent clients whose accounts are long past due, although this does not pre-judge the extent of recovery (as used to be the case with this definition).

The portfolio of clients with limited solvency and any instalment significantly in arrears is managed from the bad debts unit.

#### **4.2 Circuits for transferring matters to arrears**

Once a transaction has been automatically or manually transferred to arrears, it is processed by an automatic strategies system which determines, based on recovery policies in place from time to time, the circuit to be followed.

Those that are selected for legal action remain pending a decision based on the IMAS (Arrears Report in Support of the Decision) which shall include all necessary remarks in order for actions to be taken to recover the overdue debt. At the same time, the so-called Case Manager shall validate the documents required which, upon being obtained, shall be submitted to OP Plus (a wholly-owned company of BBVA Group for outsourcing certain services) for the pre-judicial case file to be prepared.

## **2.2.8 Indication of representations and warranties given to the Issuer relating to the assets.**

BBVA shall, as holder of the Loans until assigned to the Fund and as issuer of the Mortgage Certificates and the Pass-Through Certificates, represent and warrant as follows to the Fund and the Management Company in the Deed of Constitution.

### **1. In relation to BBVA.**

- (1) That it is a credit institution duly incorporated in accordance with the laws in force for the time being, entered in the Companies Register of Biscay and the Bank of Spain's Register of Credit Institutions, and is authorised to operate in the mortgage market.
- (2) That neither at the date hereof nor at any time since it was incorporated has it been decreed to be insolvent or has it been in any circumstance generating a liability which might result in the credit institution authorisation being revoked or in a termination process in terms of Act 11/2015.
- (3) That it has obtained all necessary authorisations, including those required of its corporate bodies and, as the case may be, third parties who may be affected by the assignment of the Loan receivables, to issue the Mortgage Certificates and the Pass-Through Certificates, to validly execute the Fund Deed of Constitution and the agreements relating to the establishment of the Fund and to fulfil the undertakings made therein.
- (4) That it has audited annual accounts for the financial years ended as at December 31, 2014 and 2013 which have been filed with the CNMV and the Companies Register. The audit report on the annual accounts for both financial years are unqualified.

### **2. In relation to the Loans.**

- (1) That the assignment of the Loans, both the assignment of the Non-Mortgage Loan receivables and the issue of the Mortgage Certificates and the Mortgage Loan Pass-Through Certificates, are transactions in the ordinary course of business of BBVA and have been carried out at arm's length.
- (2) That the Loans have all been duly originated in a public document, being either a public deed or an agreement, and that BBVA keeps a copy of the public deed or the notarised agreement at the Management Company's disposal, as the case may be.
- (3) That in order to be assigned to the Fund upon being established, BBVA has chosen from the selected loans, set out in section 2.2.2 of the Prospectus Building Block, i) loans that have not fully matured and are in good standing or that have no payments that are more than one (1) month overdue and ii) with an aggregate outstanding balance amount for each obligor group from lowest to highest up to a total principal outstanding balance to or slightly above EUR seven hundred and eighty million (780,000,000.00).
- (4) That to the best of its knowledge and understanding, all the Loans exist and are valid and enforceable on their own terms and conditions and in accordance with the applicable laws.
- (5) That it holds legal and beneficial title to all the Loans, clear of any claims, and there is no obstacle whatsoever for the Loans to be assigned. In this sense, the respective public documents (deed or agreement) supporting the Loans contain no clauses preventing their assignment or requiring any authorisation or notice for such assignment to be made.
- (6) That the Loans are all denominated in Euros and payable exclusively in Euros.
- (7) That the Loan Obligors are all micro, small and medium-sized and autonomous enterprises (**SMEs**”, as defined by the Bank of Spain in Technical Application no. 3/2013 to be classified as a small and medium-sized enterprise: entities which, whatever their legal form may be, or where the entity is part of a consolidated group, the consolidated group, carry on business with an annual turnover below EUR 50 million) domiciled in Spain million and are not part of BBVA group for consolidation purposes.

- (8) That, in granting all the Loans and in accepting, as the case may be, the subrogation of subsequent borrowers to the initial borrower's position, it has strictly adhered to the lending policies in force at the grant date set out in section 2.2.7 of the Prospectus Building Block.
- (9) That it is not aware of the existence of any lawsuits whatsoever in relation to the Loans that might be detrimental to their validity and enforceability.
- (10) That the Loans are clearly identified in BBVA's information system as from being granted or subrogated to BBVA and have been and are being serviced, analysed and monitored by BBVA in accordance with the usual set procedures.
- (11) That upon the Fund being established, it has not come to BBVA's notice that any of the Loan Obligors has been decreed to be insolvent, or, before the entry into force of the Bankruptcy Act, bankrupt or in suspension of payments.
- (12) That upon the Fund being established, the sum of the Outstanding Balance of the Loans of a same Obligor group is not in excess of 1.00% of the Outstanding Balance of the Loans.
- (13) That, to the best of its knowledge and understanding, the Loan security arrangements, if any, are valid and enforceable in accordance with the applicable laws, and BBVA is not aware of the existence of any circumstance which might prevent the security arrangements from being enforced.
- (14) That upon the Fund being established, it is not aware of having received any notice whatsoever of total prepayment of any Loans.
- (15) That none of the Loans has a final maturity date extending beyond June 30, 2044.
- (16) That it is not aware that the Obligors may howsoever object to paying any Loan amount.
- (17) That upon the Fund being established, at least one interest instalment has matured on each Loan and is not overdue.
- (18) That to the best of its knowledge nobody has a pre-emptive right over the Fund, as holder of the Loan receivables assigned.
- (19) That the data and information relating to the loans selected to be assigned to the Fund given in section 2.2.2 of the Prospectus Building Block, fairly present their status on the relevant date and are accurate.
- (20) That the capital or principal of all the Loans has been fully drawn down by the Obligor.
- (21) That, based on its internal records, none of the Loans, if any, granted to real estate developers is directly financing the building or renovation of homes and/or business or industrial properties designed to be sold or rented, but on the contrary activities other than the aforesaid. However, real estate developer financing for purchasing land is not excluded.
- (22) That to the best of its knowledge and understanding, the Loans all stand as a valid and binding payment obligation for the relevant Obligor and are enforceable on their own terms.
- (23) That the Loan payment obligations are all satisfied by directly debiting an account opened at BBVA.
- (24) That none of the Loans have clauses allowing deferment of periodic interest payment and principal repayment, other than the principal repayment exclusion period that may be in force at the origination date of each Loan.
- (25) That none of the Loans stems from finance lease transactions, or is a structured, syndicated or leveraged loan.

(26) That none of the Mortgage Loans are an extension or reinstatement of earlier loans in arrears.

**3. In relation to the Mortgage Certificates, the Pass-Through Certificates and the Mortgage Loans.**

- (1) That the Mortgage Certificates and the Pass-Through Certificates are issued in accordance with Act 2/1981, Royal Decree 716/2009 and as established by Additional Provision four of Act 5/2015, and other applicable laws. Mortgage Loan receivables assigned to the Fund by issuing Pass-Through Certificates are so assigned because the relevant Mortgage Loans do not satisfy all the requirements established in Chapter II of Royal Decree 716/2009. The issue of the Mortgage Certificates and the Pass-Through Certificates is consistent with the contents laid down in Schedule I to Royal Decree 716/2009 relating to the special book register of mortgage loans and credits.
- (2) That the particulars of the Mortgage Loans and the Mortgage Certificates and the Pass-Through Certificates, represented in two multiple registered certificates, accurately reflect their current status and are true and complete.
- (3) That all the Mortgage Loans are secured with a real estate mortgage established as a senior mortgage on the legal and beneficial title to each and every one of the mortgaged properties, which are not encumbered with any restrictions on their disposal, conditions subsequent or any other limitation as to title. Those mortgage interests are entered in the Land Registry.
- (4) That the Mortgage Loans earmarked for the issue of Pass-Through Certificates do not have any of the characteristics of ineligible or restricted receivables under article 12.1 a), c), d) and f) of Royal Decree 716/2009.
- (5) That all the mortgaged properties (i) are located in Spain, (ii) have been appraised by duly qualified institutions approved by BBVA, which institutions are entered in the Bank of Spain's Register of Appraisal Firms, evidence of which appraisal has been provided in the form of an appropriate certificate, and (iii) in the case of properties relating to constructions in general, building work has been completed.
- (6) That none of the mortgaged properties are officially protected housing.
- (7) That the outstanding principal balance of each Mortgage Loan does not exceed 425 percent of the appraisal value adjusted, as the case may be, pro rata to the current mortgage loan balance with respect to the total current balance of all equally ranked mortgage loans sharing the same mortgage on the same property.
- (8) That the outstanding principal balance of each Mortgage Loan earmarked for the issue of Mortgage Certificates does not exceed 60 percent of the appraisal value adjusted, as the case may be, pro rata to the current mortgage loan balance with respect to the total current balance of all equally ranked mortgage loans sharing the same mortgage on the same property.
- (9) That the public deeds originating the Mortgage Loans provide that until the latter are fully repaid the Obligor is bound to have the mortgaged properties insured against the risk of fire and other damages during the contract term, at least satisfying the minimum requirements laid down by the mortgage market laws in force for the time being (appraisal value of the insured asset, excluding the value of items that are uninsurable by nature, particularly land).
- (10) That the properties mortgaged under the Mortgage Loans earmarked for the issue of Mortgage Certificates are covered at least against the risk of damages and fires under individual policies naming the Originator as the beneficiary and the insured sum is not less than the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature, or the Originator has taken out a global secondary damage insurance policy guaranteeing insurance cover for damages in the event of non-existence of such insurance or shortfall of the insured sums, at the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature.

- (11) That the Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds, mortgage participation certificates or pass-through certificates, other than the issue of the Mortgage Certificates and the Pass-Through Certificates.
- (12) That it is not aware of any circumstance which might prevent foreclosure of the mortgage security.
- (13) That BBVA shall warrant that new loans are not granted with a mortgage on the properties already mortgaged as security for the Mortgage Loans or, as the case may be, the new mortgages shall be entered ranking junior to the mortgage underlying the relevant Mortgage Loan, thereby in order for there to be no detriment to the Mortgage Loan security.
- (14) That nobody has a preferred right over the Fund in and to the Mortgage Loans, as holder of the Mortgage Certificates or the Pass-Through Certificates.
- (15) That the Mortgage Certificates and the Pass-Through Certificates shall be issued for the same term remaining until maturity of and at the same interest rate as each of the underlying Mortgage Loans.

## **2.2.9 Substitution of the securitised assets.**

### **Set rules for substituting the Loans or the Mortgage Certificates or the Pass-Through Certificates or otherwise repayment to the Fund.**

1. In the event of Loan prepayment upon the relevant Loan capital being prepaid, there will be no substitution of the Non-Mortgage Loan receivables or of the relevant Mortgage Certificates or Pass-Through Certificates.
2. In the event that during the full term of the Loans it should be found that any of them fail to conform to the representations given in section 2.2.8 above upon the Fund being established, BBVA agrees, subject to the Management Company's consent, to proceed forthwith to remedy and, if that is not possible, substitute or redeem the affected Loans not substituted, by terminating the assignment of the affected Loan receivables and, as the case may be, cancelling the relevant Mortgage Certificate or Pass-Through Certificate, subject to the following rules:
  - (i) The party becoming acquainted with the existence of a Loan in that circumstance, be it the Originator or the Management Company, shall advise the other party thereof. The Originator shall have a period of not more than fifteen (15) Business Days from said notice to remedy that circumstance if it may be so remedied or proceed, as the case may be, to a substitution of the affected Loans, notifying the Management Company of the characteristics of the loans intended to be assigned to take their stead, which shall fulfil the representations given in section 2.2.8 of this Building Block and be homogeneous as to residual term, class of interest rate, interest rate, instalment payment frequency, BBVA's internal rating of the Obligor, collateral, and outstanding principal value as the affected Loans and also, in the case of Mortgage Certificates or Pass-Through Certificates to be replaced, credit quality in terms of ranking of the collateral, ratio of outstanding principal to the appraisal value of the mortgaged property or properties, in order for the financial balance of the Fund not to be affected by such substitution, nor indeed the ratings of the Bonds in connection with the provisions of section 7.5 of the Securities Note. Once the Management Company has checked the eligibility of the substitute loan or loans, and after advising the Originator expressly of loans suitable for such substitution, such substitution shall be made by terminating the assignment of the affected Loan receivables and, as the case may be, cancelling the relevant Mortgage Certificate or Pass-Through Certificate, and simultaneously assigning the new substitute loans and, as the case may be, issuing the new substitute mortgage participation certificates or pass-through certificates.

The substitution shall be recorded in a public deed subject to the same formalities laid down for the assignment of the Loan receivables upon the Fund being established, in accordance with the specific characteristics of the new loans assigned. The Management Company shall provide the CNMV, the undertaking in charge of the Bond accounting record and the Rating Agencies with a copy of the public deed.

- (ii) In the event that there should be no substitution of the affected Loans in accordance with rule (i) above, the assignment of the affected Loan receivables not substituted shall be terminated and, as the case may be, the relevant Mortgage Certificate and Pass-Through Certificate will be cancelled. That termination shall take place by a repayment in cash to the Fund by the Originator of the outstanding principal of the affected Loans not substituted, interest accrued and not paid, calculated until the repayment date, and any other amount owing to the Fund under those Loans.
  - (iii) In the event of (i) and (ii) above occurring, BBVA shall be vested in all the rights attaching to those Loans accruing from the date of substitution or repayment to the Fund or accrued and not due, and overdue amounts on that same date.
3. In particular, the amendment by the Originator during the life of the Loans of their terms without regard to the limits established in the special laws applicable and, in particular, to the terms agreed between the Fund, represented by the Management Company, and the Originator in this Prospectus, in the Deed of Constitution and in the Servicing Agreement, which would therefore be an absolutely exceptional amendment, would constitute a unilateral breach by the Originator of its duties which should not be borne by the Fund or by the Management Company.

Upon any such breach occurring, the Fund may, through the Management Company: (i) demand payment of the relevant damages and losses and (ii) request replacement or repayment of the affected Loans, in accordance with the procedure provided for in paragraph 2 above of this section, which shall not result in the Originator guaranteeing that the transaction will be successfully completed, but only the requisite redress of the effects resulting from the breach of its duties, in accordance with article 1124 of the Civil Code.

The expenses originated by the actions to remedy the Originator's breach shall be borne thereby and cannot be charged to the Fund or the Management Company. The Management Company shall notify the CNMV of each and every replacement of Loans on the terms of the procedure provided for in paragraph 2 above.

#### **2.2.10 Relevant insurance policies relating to the securitised assets.**

The public deeds originating the Mortgage Loans provide that until the latter are fully repaid the Obligor is bound to have the mortgaged properties insured against the risk of fire and other damages during the contract term, at least satisfying the minimum requirements laid down by the mortgage market laws in force for the time being, but the validity of such damage insurance is not supported in the Originator's databases.

Notwithstanding the above, the properties mortgaged under the Mortgage Loans earmarked for the issue of Mortgage Certificates are covered at least against the risk of damages and fires under individual policies naming the Originator as the beneficiary and the insured sum is not less than the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature, or, otherwise, the Originator has taken out a global secondary damage insurance policy guaranteeing insurance cover for damages in the event of non-existence of such insurance or shortfall of the insured sums, at the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature.

The Originator shall thereupon perfect the assignment attached to the issue of the Mortgage Certificates and the Pass-Through Certificates of the rights it has as the beneficiary of those mortgaged property damage insurance policies taken out by the Obligors and the global secondary damage insurance policy (or any other insurance policy granting equivalent cover). As the holder of the Mortgage Certificates and the Pass-Through Certificates, the Fund shall therefore be entitled to all the amounts it would have received under such insurance contracts.

#### **2.2.11 Information relating to the obligors where the securitised assets comprise obligations of 5 or fewer obligors which are legal persons or where an obligor accounts for 20% or more of the assets, or where an obligor accounts for a material portion of the assets.**

Not applicable.

**2.2.12 Details of the relationship, if it is material to the issue, between the Issuer, guarantor and obligor.**

There are no relationships between the Fund, the Originator, the Management Company and other parties involved in the transaction other than as set forth in section 5.2 of the Registration Document and in section 3.2 of this Building Block.

**2.2.13 Where the assets comprise fixed income securities, a description of the principal terms.**

Not applicable.

**2.2.14 Where the assets comprise equity securities, a description of the principal terms.**

Not applicable.

**2.2.15 If the assets comprise equity securities that are not traded on a regulated or equivalent market, where they represent more than ten (10) per cent of the securitised assets, a description of the principal terms.**

Not applicable.

**2.2.16 Valuation reports relating to the property and cash flow/income streams where a material portion of the assets are secured on real property.**

The appraisal values of the properties securing the selected mortgage loans are taken from appraisals made by appraisers for the purpose of granting and arranging the same.

**2.3 Actively managed assets backing the issue.**

Not applicable.

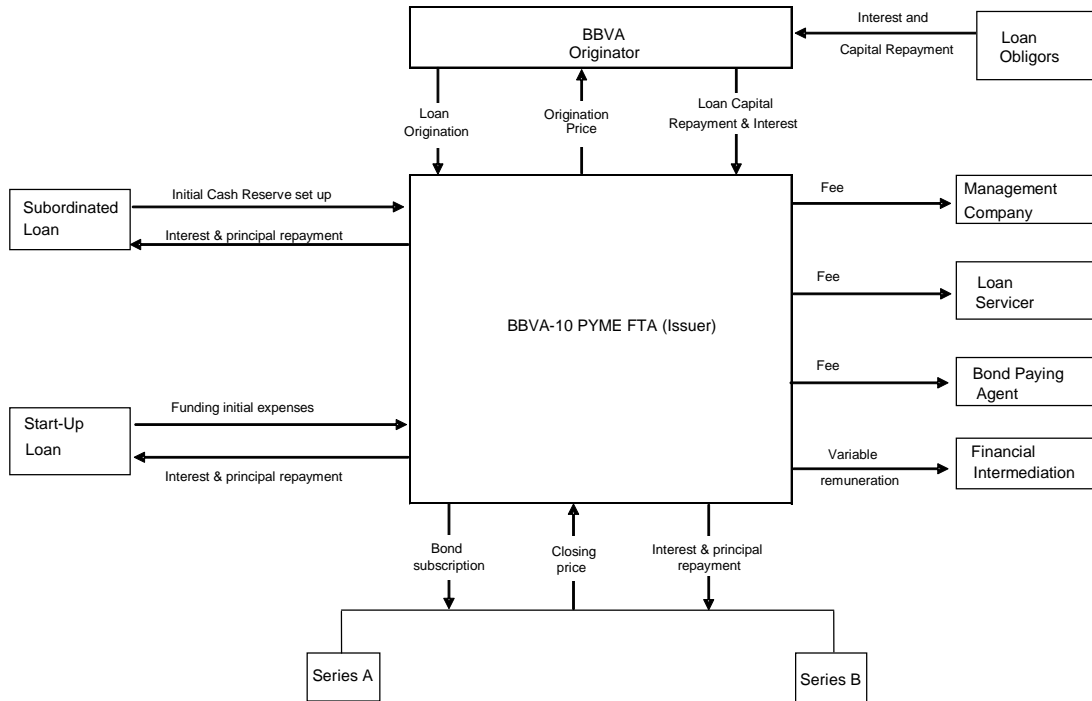
**2.4 Where the Issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.**

Not applicable.

### 3. STRUCTURE AND CASH FLOW

#### 3.1 Description of the structure of the transaction, including if necessary, a diagram.

Transaction structure diagram.



#### Initial balance sheet of the Fund.

The balance sheet of the Fund on the Closing Date will be as follows:

ASSETS		LIABILITIES	
<b>Receivables</b>	<b>780,225,000.00</b>	<b>Obligations and securities</b>	<b>780,000,000.00</b>
Non-Mortgage Loans, PTCs and MCs (adjustment excess to EUR 225,000.00)	780,225,000.00	Series A	596,700,000.00
		Series B	183,300,000.00
<b>Liquid assets</b>	<b>41,375,000.00</b>	<b>Credit institution liabilities</b>	<b>41,600,000.00</b>
Treasury Account (Cash Reserve and interest timing difference on the 1 <sup>st</sup> Payment Date)*	40,750,000.00	Start-Up Loan	2,600,000.00
Resources for paying Fund's initial expenses	625,000.00	Subordinated Loan	39,000,000.00
<b>Short-term debtors</b>	<b>to be determined</b>	<b>Short-term creditors</b>	<b>to be determined</b>
Loan interest due by debtors	to be determined	Loan interest accrued due to BBVA	to be determined
<b>TOTALS</b>	<b>821,600,000.00</b>		<b>821,600,000.00</b>

(Amounts in EUR)

\* Assuming that all Fund set-up and Bond issue and admission expenses are not met on the Closing Date, as detailed in section 6 of the Securities Note.



### 3.2 Description of the entities participating in the issue and of the functions to be performed by them.

- (i) EUROPEA DE TITULIZACIÓN is the Management Company that will establish, manage and legally represent the Fund and has, jointly with BBVA, structured the financial terms of the Fund and the Bond Issue. As a securitisation fund management company, its duty is to service and manage the Loans under article 26.1.b) of Act 5/2015, pursuant to which it is the management company's duty to service and manage the assets pooled in the Fund. Notwithstanding the foregoing, the Management Company may delegate such servicing to third parties and, additionally, in the case of the Mortgage Loans, under article 26.3 and additional provision one of Royal Decree 716/2009. BBVA shall continue to be the custodian and servicer of the Mortgage Loans and the Pass-Through Certificates and the Non-Mortgage Loans, by virtue of the Management Company's delegated authority.
- (ii) BBVA is the Originator of the Loan receivables to be assigned to the Fund upon being established, shall be the Lead Manager and the Subscriber of the Bond Issue and has, jointly with the Management Company, structured the financial terms of the Fund and the Bond Issue.

In addition, BBVA shall be the Fund's counterparty under the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Bond Paying Agent and Financial Intermediation Agreements. Additionally, BBVA shall act as (i) Non-Mortgage Loan Servicer under the authority delegated to it by the Management Company, and (ii) Mortgage Loan Servicer, as issuer of the Mortgage Certificates and the Pass-Through Certificates, as established in article 26.3 and additional provision one of Royal Decree 716/2009; all in accordance with the Loan Servicing and Mortgage Certificate and Pass-Through Certificate Custody Agreement.

- (iii) Deloitte has audited the most significant features and attributes of a sample of all of BBVA's selected loans from which the Loans will be taken to be assigned to the Fund upon being established.
- (iv) URÍA MENÉNDEZ, an independent adviser, has provided legal advice for establishing the Fund and the Bond Issue and has been involved in reviewing the legal, tax and contractual aspects of this Prospectus, the transaction and financial service agreements referred to herein and the Deed of Constitution.
- (v) DBRS, Moody's and Scope are the Rating Agencies that have rated each Bond Series.

The description of the institutions referred to in the preceding paragraphs is given in section 5.2 of the Registration Document.

The Management Company represents that the summary descriptions of those agreements, given in the relevant sections of this Prospectus, which it shall enter into for and on behalf of the Fund, include the most substantial and relevant information on each agreement, duly reflect their contents, and that no information has been omitted which might affect the contents of the Prospectus.

### 3.3 Description of the method and date of the sale, transfer, novation or assignment of the assets or of any rights and/or obligations in the assets to the Issuer.

#### 3.3.1 Perfecting the assignment of the Loan receivables to the Fund.

The Management Company, for and on behalf of the Fund, and BBVA as Originator, shall in the Deed of Constitution perfect the agreement assigning the Loan receivables to the Fund, effective from the actual date of establishment of the Fund, as follows:

- (i) The assignment of the Mortgage Loan receivables shall be perfected upon BBVA issuing and the Fund subscribing for mortgage participation certificates and pass-through certificates (respectively the "**Mortgage Certificates**" and the "**Pass-Through Certificates**") as established by Act 2/1981, Additional Provision four of Act 5/2015, Royal Decree 716/2009 and other applicable laws.

The Mortgage Certificates and the Pass-Through Certificates shall be represented by means of two multiple registered certificates which shall contain the minimum data provided for mortgage participation certificates and pass-through certificates in article 29 of Royal Decree 716/2009, and the registration particulars of the mortgaged properties securing the relevant Mortgage Loans.

The Mortgage Certificates and the Pass-Through Certificates shall be transferable by a written statement on the very certificate and, in general, by any of the means admitted by Law. Transfer of the Mortgage Certificate and the Pass-Through Certificate and the new holder's address shall be notified by the transferee to the issuer. They may only be acquired or held by professional investors, and may not be acquired by the unspecialised public.

Both in the event that any Mortgage Certificate or Pass-Through Certificate should be substituted, as prescribed in section 2.2.9.2 of this Building Block, and in the event that the Management Company, acting for and on behalf of the Fund, should proceed to foreclose a relevant Mortgage Loan, as prescribed in section 3.7.2.1.7 of this Building Block, and moreover if, upon Early Liquidation of the Fund, in the events and on the terms of section 4.4.3 of the Registration Document, Mortgage Certificates or the Pass-Through Certificates have to be sold to a third party, BBVA agrees to split, as the case may be, any multiple certificate into such individual or multiple certificates as may be necessary, or to substitute or exchange the same for the above purposes.

The multiple certificate representing the Mortgage Certificates and multiple certificate representing the Pass-Through Certificates and the multiple or individual certificates, if any, into which the same are split, shall be deposited at BBVA, and relations between the Fund and BBVA shall be governed by the Loan Servicing and Mortgage Certificate and Pass-Through Certificate Custody Agreement to be entered into between BBVA and the Management Company for and on behalf of the Fund. That deposit shall be made for the benefit of the Fund and therefore BBVA shall custody the documents supporting the Pass-Through Certificates deposited, on the Management Company's instructions.

BBVA, as the issuer, shall keep a special book in which it shall enter the Mortgage Certificates and the Pass-Through Certificates issued and the changes of address notified by the Mortgage Certificate and Pass-Through Certificate holders, also including therein (i) Mortgage Loan origination and maturity dates, initial amount and settlement method; and (ii) the registration particulars of the mortgages securing the Mortgage Loans.

Pursuant to section 2 of additional provision one of Royal Decree 716/2009, mortgage participation certificates and pass-through certificates may be issued exclusively to be placed among professional investors or pooled in securitisation funds. In addition, for the purposes of paragraph two of article 32.1 of Royal Decree 716/2009, the Fund's subscription for and holding of the Mortgage Certificates and the Pass-Through Certificates shall not be subject to a marginal note on each entry of the mortgage underlying each Mortgage Loan in the Land Registry, given that securitisation funds are considered professional investors, as established in paragraph 2.a) 7 of article 205 of the Securities Market Act.

- (ii) The Non-Mortgage Loan receivables shall be assigned directly by BBVA to the Fund without any underlying security being issued by means of their sale by BBVA and acquisition by the Fund.

The assignment by BBVA to the Fund of the Loan receivables shall not be notified to either Obligor or third-party guarantors or the insurers with which the Obligors may have entered into the damage insurance contracts, if any, of the properties mortgaged under the Mortgage Loans underlying the Mortgage Certificates and the Pass-Through Certificates. Where the Loans have other security interests or third-party personal guarantees other than a real estate mortgage, the assignment will not be initially notified either to the custodian of the assets, where that is an undertaking other than the Originator, or to the Obligors' guarantors. Where the Loans have security interests in which the custodian of the pledged assets is the Originator proper, the same shall be deemed to have received notice of the transfer upon appearing at the execution of the Deed of Constitution.

However, in the event of insolvency, administration by the Bank of Spain, liquidation or substitution of the Servicer, or a termination process in terms of Act 11/2015, or because the Management Company deems it reasonably justified, the Management Company may demand the Servicer to notify Obligors (and third-party guarantors, custodians of the pledged assets and mortgaged property insurers, if any), of the transfer to the Fund of the outstanding Loan receivables, and that payments derived therefrom will only be effective as a discharge if made into the Treasury Account opened in the name of the Fund. However, both in the event of the Servicer failing to notify Obligors and third-party guarantors and mortgaged property insurers, if any, within five (5) Business Days of receiving the request and in the event of the Servicer becoming insolvent, the Management Company itself shall directly or, as the case may be, through a new Servicer it shall have designated, notify Obligors and third-party guarantors, custodians of the pledged assets and mortgaged property insurers, if any.

Similarly and in the same events, the Management Company may request the Servicer to do such things and satisfy such formalities as may be necessary, including third-party notices and entries in the relevant records, in order to guarantee maximum enforceability of the assignment of the Loan receivables and collaterals with respect to third parties, all on the terms given in section 3.7.2.1.7 of this Building Block.

### **3.3.2 Loan receivables assignment terms.**

1. The Non-Mortgage Loan receivables will be assigned and Mortgage Loan Mortgage Certificates and Pass-Through Certificates will be issued fully and unconditionally for the entire term remaining from the date on which the Fund is established, until maturity of each Loan.

In accordance with article 348 of the Commercial Code and 1529 of the Civil Code, the Originator will be liable to the Fund for the existence and lawfulness of the Mortgage Loans, and for the personality with which the assignment of the Non-Mortgage Loans and the issue of the Mortgage Certificates and the Pass-Through Certificates is made, but shall not be liable for the Obligors' solvency.

The Originator shall not bear the risk of Loan default and shall therefore have no liability whatsoever for the Obligors' default of principal, interest or any other Loan amount whatsoever they may owe. It will not be howsoever liable either to directly or indirectly guarantee that the transaction will be properly performed, nor give any guarantees or security, nor indeed agree to repurchase or substitute the Loans, saving as provided for in section 2.2.9 of this Building Block.

2. The assignment of Loan receivables shall be made for all the outstanding principal pending repayment on the assignment date, which shall be the date of establishment of the Fund, and for all ordinary interest on each Loan.
3. The Fund shall have rights in and to the Loans from the date of establishment of the Fund. Specifically, without limitation and for illustrative purposes only, the assignment shall confer on the Fund the following rights in relation to each Loan:
  - a) To receive all Loan capital or principal repayment amounts accrued, including overdue principal at that same date.
  - b) To receive all Loan capital ordinary interest amounts accrued. This will in addition include interest accrued and not due on each Loan from the last interest settlement date, on or before the assignment date, and overdue interest, if any, at that same date.
  - c) To receive all late-payment interest amounts on the Loans.
  - d) To receive any other amounts, properties, assets, securities or rights received as payment of Loan principal, interest or expenses, either in the form of the auction sale price or amount determined by a court decision or notarial procedure in enforcing the mortgage or non-mortgage securities or given in lieu of foreclosure, on the sale or utilisation of properties, assets or securities awarded or given in lieu of foreclosure to the Fund or, upon foreclosing, in the administration or interim possession of the properties, assets or securities in foreclosure proceedings.

- e) To receive all possible rights or compensations on the Loans accruing for the Originator and derived therefrom, including those derived from the damage insurance contracts, if any, attached to the properties mortgaged by the Mortgage Loans which are also assigned to the Fund, and those derived from any right collateral to the Loans, excluding the fees established for each Loan, which shall remain for the benefit of the Originator.
4. In the event of Loan prepayment upon a full or partial repayment of the capital, there will be no substitution of the affected Loans.
5. The Fund's rights resulting from the Loans shall be linked to payments made by the Obligors and shall therefore be directly affected by the evolution, late payments, prepayments or any other incident in connection therewith.
6. The Fund shall defray any and all expenses or costs advanced or disbursed by the Originator derived from recovery actions in the event of a breach by the Obligors of their obligations, including enforcement proceedings against the same.
7. In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Loans, or their due dates, the change in the terms shall affect the Fund.
8. Until the execution of the Deed of Constitution, BBVA shall be the beneficiary of the damage and fire insurance policies taken out by the Obligors in relation to the properties mortgaged as security for the Mortgage Loans, up to the insured amount.

BBVA shall upon issuing the Mortgage Certificates and the Pass-Through Certificates perfect the ensuing assignment of the rights it has as the beneficiary of those mortgaged property damage insurance policies taken out by the Obligors and the global secondary damage insurance policy (or any other insurance policy granting equivalent cover). As the holder of the Mortgage Certificates and the Pass-Through Certificates, the Fund shall therefore be entitled to all the amounts BBVA would have received under such insurance contracts.

### **3.3.3 Loan receivables sale or assignment price.**

The price for selling the Non-Mortgage Loan receivables and subscribing for the Mortgage Certificates and the Pass-Through Certificates shall be at par with face value of the outstanding capital or principal (outstanding balance). The aggregate amount payable by the Fund represented by the Management Company to BBVA for the assignment of the Loan receivables shall be an amount equivalent to the sum of (i) the face value of the capital or principal outstanding on each Loan, and (ii) ordinary interest accrued and not due and overdue interest, if any, on each Loan at the issue date (the "**accrued interest**").

The Management Company shall pay the total Loan receivables assignment price on behalf of the Fund as follows:

1. The part of the price consisting of the face value of the capital of all the Loans, item (i) of paragraph one of this section, shall be paid by the Fund on the Bond Issue Closing Date, for same day value, upon the Bond Issue being paid up, by means of instructions given by the Management Company to BBVA to debit the Treasury Account opened in the Fund's name. BBVA shall receive no interest on the deferment of payment until the Closing Date.
2. The part of the price consisting of interest accrued on each Loan, item (ii) of paragraph one of this section, shall be paid by the Fund on each Collection Date falling, as described in section 3.4.1 below, on the earlier of the first interest settlement date of each Loan. Payment of accrued interest shall not be made subject to the Priority of Payments.

If the establishment of the Fund and hence the assignment of the Non-Mortgage Loan receivables and the issue of and subscription for the Mortgage Certificates and the Pass-Through Certificates should terminate, in accordance with the provisions of section 4.4.4.(v) of the Registration Document, (i) the Fund's obligation to pay the total Non-Mortgage Loan receivables assignment and Mortgage Certificate and Pass-Through Certificate subscription price shall terminate, and (ii) the Management Company shall be obliged to restore to BBVA any rights whatsoever accrued for the Fund upon the Non-Mortgage Loan receivables being assigned and the Mortgage Certificates and the Pass-Through Certificates being subscribed for.

### **3.3.4 Compliance with Regulation 575/2013.**

In compliance with the provisions of article 405 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of June 26, 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012 ("**Regulation 575/2013**"), the Originator has notified the Management Company that it shall on an ongoing basis retain a material net economic interest in the Fund on the terms required by Regulation 575/2013. In this regard, the Originator has notified the Management Company that "on an ongoing basis" shall be construed in the sense that the net economic interest retained shall not be subject to any credit risk mitigation or any short positions or any other hedge and shall not be sold. The Originator shall agree in the Deed of Constitution to include at its website a reference to the location where all the updated details concerning retention of a net economic interest may be found.

Notwithstanding the above, a number of details shall be provided hereinafter as to such retention. In particular:

- That, pursuant to article 405d), BBVA, as originator of the securitisation, shall agree in the Deed of Constitution to retain on an ongoing basis Series B Bonds and Subordinated Loan principal (first loss tranche), in order for the retention to initially equal 28.50% of the Outstanding Balance of the Mortgage Loans (securitised exposures) and at all times a ratio of not less than five percent (5%) of the Outstanding Balance of the Loans.
- That the Originator shall agree in the Deed of Constitution to notify the Management Company, on a quarterly basis, of fulfilment of the retention commitment taken on in order for the latter in turn to post that information at its website [www.edt-sg.com](http://www.edt-sg.com). In connection with such notice, the Originator shall explicitly declare that it has not taken any action (credit risk cover, sale, short positions, etc.) undermining the application of the retention requirement.

In compliance with the provisions of article 409 of Regulation 575/2013, the Originator shall make sure that potential investors may readily access all relevant data as to credit quality and performance of the different underlying exposures, cash flows and collateral, if any, supporting a securitisation exposure, as well as such information as may be necessary to conduct comprehensive and well informed stress tests on the cash flows and collateral values supporting the underlying exposures.

## **3.4 Explanation of the flow of funds.**

### **3.4.1 How the cash flow from the assets will meet the Issuer's obligations to holders of the securities.**

Loan amounts received by the Servicer and owing to the Fund will be paid by the Servicer into the Fund's Treasury Account on the second day after the date on which they are received by the Servicer or the following business day if that is not a business day, and for value on the second calendar day after the date on which they were received by the Servicer (the "**Collection Dates**"). In this connection, business days shall be taken to be all those that are business days in the banking sector in the city of Madrid.

Quarterly on each Payment Date Bondholders will be paid interest accrued and principal repayment on the Bonds in each Series on the terms set for each of them and in the Priority of Payments given in section 3.4.6.2 of this Building Block or, when the Fund is liquidated, in the Liquidation Priority of Payments given in section 3.4.6.3 of this Building Block, as appropriate.

### 3.4.2 Information on any credit enhancement.

#### 3.4.2.1 Description of the credit enhancement.

The following credit enhancement transactions are incorporated to the financial structure of the Fund:

- (i) Cash Reserve set up by drawing down the Subordinated Loan.

Mitigates the credit risk derived from Loan delinquency and default and the interest rate risk occurring in the Fund because the Loans are subject to fixed interest and floating interest with benchmark indices and reset and settlement periods differing from the floating interest established for the Bonds based on 3-month Euribor with quarterly accrual and settlement periods.

- (ii) Treasury Account.

Partly mitigates the loss of return on the liquidity of the Fund due to the timing difference between Loan income received and until Bond interest payment and principal repayment occurs on the next succeeding Payment Date.

- (iii) Subordination and deferment in interest payment and principal repayment between the Bonds in both Series, derived from their place in the application of the Available Funds as well as the rules for Distribution of Available Funds for Amortisation in the Priority of Payments, or in the application of the Liquidation Available Funds in the Liquidation Priority of Payments, are a means for distinctly hedging the different Series.

#### 3.4.2.2 Cash Reserve.

The Management Company shall set up on the Closing Date a cash reserve (the “**Cash Reserve**”) by drawing fully the Subordinated Loan principal and shall subsequently, on each Payment Date, keep the Required Cash Reserve amount provisioned in the Priority of Payments.

The characteristics of the Cash Reserve shall be as follows:

##### Cash Reserve amount.

1. The Cash Reserve shall be set up on the Closing Date in an amount equal to EUR thirty-nine million (39,000,000.00) (the “**Initial Cash Reserve**”).
2. Subsequently to being set up, on each Payment Date, the Cash Reserve shall be provisioned at the Required Cash Reserve amount established hereinafter out of the Available Funds in the Fund Priority of Payments.

The required Cash Reserve amount on each Payment Date (the “**Required Cash Reserve**”) shall be the lower of:

- (i) EUR thirty-nine million (39,000,000.00).
- (ii) The higher of:
  - a) 10.00% of the Outstanding Principal Balance of the Bond Issue.
  - b) EUR nineteen million five hundred thousand (19,500,000.00).
3. Notwithstanding the above, the Required Cash Reserve shall not be reduced on the relevant Payment Date and shall remain at the Required Cash Reserve amount on the preceding Payment Date whenever any of the following circumstances concur on the Payment Date:
  - i) That on the Determination Date preceding the relevant Payment Date the amount of the Outstanding Balance of Delinquent Loans is higher than 1.00% of the Outstanding Balance of Non-Doubtful Loans.
  - ii) That the Cash Reserve was not provisioned up to the Required Cash Reserve amount on the relevant Payment Date.
  - iii) That three (3) years have not elapsed since the date of establishment of the Fund.

#### **Yield.**

The Cash Reserve amount shall remain credited to the Treasury Account, and will be remunerated on the terms of the Guaranteed Interest Rate Account (Treasury Account) Agreement.

#### **Application.**

The Cash Reserve shall be applied to satisfying Fund payment obligations on each Payment Date in the Priority of Payments (obligations 1 to 5, both inclusive) and upon liquidation of the Fund in the Liquidation Priority of Payments.

### **3.4.3 Details of any subordinated finance.**

#### **3.4.3.1 Subordinated Loan.**

The Management Company shall on the date of establishment of the Fund, for and on behalf of the Fund, enter with BBVA into an agreement whereby BBVA shall grant to the Fund a commercial subordinated loan (the "**Subordinated Loan**") amounting to EUR thirty-nine million (39,000,000.00) (the "**Subordinated Loan Agreement**"). The Subordinated Loan amount shall be delivered on the Closing Date and be applied to setting up the Initial Cash Reserve on the terms for which provision is made in section 3.4.2.2 above of this Building Block, although granting of the Loan by no means guarantees performance of the Loans.

Subordinated Loan principal shall be repaid on each Payment Date in an amount equal to the positive difference existing between (i) the outstanding Subordinated Loan principal on the Determination Date preceding the relevant Payment Date and (ii) the Required Cash Reserve amount at the relevant Payment Date, and in the application priority established for that event in the application of Available Funds in the Priority of Payments.

In the event that the Fund should not have sufficient liquidity to proceed to the relevant Subordinated Loan repayment on a Payment Date, in the Priority of Payments, the portion of principal not repaid shall be repaid on the next succeeding Payment Date along with the amount, if any, that should be repaid on that same Payment Date, until final maturity.

The Subordinated Loan shall at all events be finally due on the Final Maturity Date or, as the case may be, on the date on which the Management Company proceeds to Early Liquidation subject to the Liquidation Priority of Payments of the Fund.

Outstanding Subordinated Loan principal shall earn floating annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the higher of (i) zero percent (0.00%); and (ii) the result of adding (a) the Bond Reference Rate determined for each Interest Accrual Period, and (b) a 0.10% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Priority of Payments or, in the event of liquidation of the Fund, in the Liquidation Priority of Payments. Interest shall be settled and be payable on the expiry date of each Interest Accrual Period on each Payment Date and upon the Fund being liquidated, and shall be calculated based on: (i) the exact number of days in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year. The first interest settlement date shall be April 20, 2016.

Interest accrued and not paid on a Payment Date shall not be accumulated to Subordinated Loan principal and shall not earn late-payment interest.

All Subordinated Loan amounts due and not paid by the Fund because of a shortfall of Available Funds shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments. Payment of amounts not paid on preceding Payment Dates shall take precedence over Subordinated Loan amounts falling due on that Payment Date, in the Priority of Payments or, in the event of liquidation of the Fund, in the Liquidation Priority of Payments.

The Subordinated Loan Agreement shall be fully terminated in the event that DBRS or Moody's should not confirm the provisional ratings assigned to each Series as final ratings by 2pm (CET) on December 15, 2015.

### **3.4.3.2 Start-Up Loan.**

The Management Company shall on the date of establishment of the Fund, for and on behalf of the Fund, enter with BBVA into an agreement whereby BBVA shall grant to the Fund a commercial loan (the “**Start-Up Loan**”) amounting to EUR two million six hundred thousand (2,600,000.00) (the “**Start-Up Loan Agreement**”). The Start-Up Loan amount shall be delivered on the Closing Date and be allocated to financing the Fund set-up and Bond issue and admission expenses, to partly financing the assignment of Loan receivables, at the difference between the total face capital of those Loans and the face amount of the Bond Issue, and to covering the timing difference existing between Loan interest collection and Bond interest payment on the first Payment Date.

Outstanding Start-Up Loan principal will earn annual nominal floating interest, determined quarterly for each Interest Accrual Period, which shall be the higher of (i) zero percent (0.00%); and (ii) the result of adding (a) the Bond Reference Rate determined for each Interest Accrual Period, and (b) a 0.10% margin. This interest will be payable only if the Fund should have sufficient liquidity on each Payment Date in the Priority of Payments or, in the event of liquidation of the Fund, in the Liquidation Priority of Payments. Interest shall be settled and be payable on the expiry date of each Interest Accrual Period on each Payment Date and, as the case may be, upon the Fund being liquidated, and shall be calculated based on: (i) the exact number of days in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year. The first interest settlement date shall be April 20, 2016.

Interest accrued and not paid on a Payment Date will not be accumulated to Start-Up Loan principal and will not accrue late-payment interest.

Start-Up Loan principal will be repaid quarterly on each Payment Date as follows:

- (i) The portion of Start-Up Loan principal actually used to finance the Fund set-up and Bond issue and admission expenses and the portion used to cover the timing difference existing between Loan interest collection and Bond interest payment on the first Payment Date shall be repaid in twelve (12) consecutive quarterly instalments in an equal amount, on each Payment Date, the first of which shall be the first Payment Date, April 20, 2016, and the following until the Payment Date falling on January 20, 2019, inclusive.
- (ii) The portion of Start-Up Loan principal used to partly finance the assignment of Loan receivables and not used, as the case may be, shall be repaid on the first Payment Date, April 20, 2016.

All Start-Up Loan amounts due and not paid by the Fund because of a shortfall of Available Funds shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments. Payment of amounts not paid on preceding Payment Dates shall take precedence over Start-Up Loan amounts falling due on that Payment Date, in the Priority of Payments or, upon liquidation of the Fund, in the Liquidation Priority of Payments.

The Start-Up Loan Agreement shall not be terminated in the event of the Fund being terminated, in accordance with the provisions of section 4.4.4.(v) of the Prospectus Registration Document. In that event, the Start-Up Loan shall be used to pay the Fund set-up and Bond issue expenses and all other obligations undertaken by the Management Company, for and on behalf of the Fund, originated upon the Fund being established and which are due and payable, and principal repayment shall be deferred and subordinated to satisfaction of those obligations, out of the Fund’s remaining resources.

### **3.4.3.3 Subordination of Series B Bonds.**

Series B Bond interest payment and principal repayment is deferred with respect to Series A Bonds, as provided in section 4.9.3.5 of the Securities Note, in the Priority of Payments and in the Liquidation Priority of Payments.

Sections 4.6.1 and 4.6.2 of the Securities Note detail the order numbers in the priority of payments of the Fund of Bond interest payment and principal repayment in each Series in the Priority of Payments and in the Liquidation Priority of Payments.



### 3.4.4 Investment parameters for the investment of temporary liquidity surpluses and parties responsible for such investment.

#### 3.4.4.1 Treasury Account.

The Management Company, for and on behalf of the Fund, and BBVA shall enter into a guaranteed interest rate account agreement (the “**Guaranteed Interest Rate Account (Treasury Account) Agreement**”) whereby BBVA will guarantee a certain variable yield on the amounts paid for the benefit of the Fund through its Management Company into a financial account. The Guaranteed Interest Rate Account (Treasury Account) Agreement shall specifically determine that all amounts received by the Fund will be paid into a financial account in Euros (the “**Treasury Account**”) opened at BBVA, in the name of the Fund by the Management Company, which amounts shall mostly consist of the following items:

- (i) cash amount received upon subscription for the Bond Issue being paid up;
- (ii) Loan principal repaid and interest collected;
- (iii) any other Loan amounts received owing to the Fund, and on the sale or utilisation of properties or assets or securities awarded or given to the Fund in lieu of foreclosure or in administration and interim possession in foreclosure proceedings;
- (iv) Subordinated Loan principal drawn down and the Cash Reserve amount from time to time;
- (v) Start-Up Loan principal drawn down;
- (vi) the amounts of the returns obtained on actual Treasury Account balances; and
- (vii) the amounts, if any, of interim withholdings on the return on investments to be effected on each relevant Payment Date on the Bond interest paid by the Fund, until due for payment to the Tax Administration.

BBVA shall pay an annual nominal interest rate, variable quarterly and settled quarterly, other than for the first interest accrual period, the duration of and the interest settlement for which shall be based on the duration of that period, applicable for each interest accrual period (differing from the Interest Accrual Period established for the Bonds) to the positive daily balances if any on the Treasury Account, equal to the higher of (i) zero percent (0.00%); and (ii) the interest rate resulting from decreasing (a) the Reference Rate determined for each Bond Interest Accrual Period substantially matching each Treasury Account interest accrual period (b) by a 0.10% margin, translated to an interest rate based on calendar years (i.e. multiplied by 365, or 366 in leap years, and divided by 360). Interest shall be settled on the expiry date of each interest accrual period on each of the Fund Determination Dates (the fifth (5<sup>th</sup>) Business Day preceding each Payment Date), and shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty-five (365-) day year or a three-hundred-and-sixty-six (366-) day year if it is a leap year. The first interest accrual period shall comprise the days elapsed between the date of establishment of the Fund and the first Determination Date, April 13, 2016.

In the event that the rating of the long-term unsecured and unsubordinated debt obligations of BBVA or of the substitute institution in which the Treasury Account is opened (both the “**Treasury Account Provider**”) should, at any time during the life of the Bond Issue, be downgraded below Baa3 by Moody’s, or below BBB according to the public rating assigned by DBRS or, where there is no such rating, the private ratings or the internal assessments made by DBRS (the “**DBRS Rating**”), or below BBB according to the public rating assigned by Scope or, where there is no such rating, the private ratings or the internal assessments made by Scope (the “**Scope Rating**”), or Moody’s rating or the DBRS Rating or the Scope Rating should be removed, the Management Company shall, within not more than thirty (30) calendar days from the date of the DBRS Rating downgrade below BBB, or thirty (30) Business Days from the date of Moody’s downgrade below Baa3 or thirty (30) Business Days from the date of the Scope Rating downgrade below BBB, after notifying the relevant Rating Agency, do one of the following in order to allow a suitable level of collateral to be maintained with respect to the commitments derived from the Guaranteed Interest Rate Account (Treasury Account) Agreement in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtain from an institution with long-term unsecured and unsubordinated debt obligations rated at least as high as Baa3 by Moody's, and/or with a long-term DBRS Rating at least as high as BBB (such rating not to be "Under Review (Negative)") and/or with a long-term Scope Rating at least as high as BBB, an unconditional, irrevocable and first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by the Treasury Account Provider of its obligation to repay the amounts credited to the Treasury Account, for such time as the Treasury Account Provider's debt obligations remain downgraded below Baa3 by Moody's and/or BBB by DBRS and/or BBB by Scope.
- b) Transfer the Treasury Account to an institution with long-term unsecured and unsubordinated debt obligations rated at least as high as Baa3 by Moody's, and with a long-term DBRS Rating at least as high as BBB (such rating not to be "Under Review (Negative)") and with a long-term Scope Rating at least as high as BBB, and arranging a yield for its balances, which may differ from that arranged with the Treasury Account Provider under the Guaranteed Interest Rate Account (Treasury Account) Agreement.

In this regard, the Treasury Account Provider shall irrevocably agree to notify the Management Company of any change or removal of the Bond ratings given by DBRS, Moody's and Scope, forthwith upon that occurrence throughout the life of the Bond issue.

In the event of b) above occurring and that BBVA's unsecured and unsubordinated debt obligations should subsequently be upgraded back to Baa3 in the long-term by Moody's, and the long-term DBRS Rating should be upgraded back to BBB and the long-term Scope Rating should be upgraded back to BBB, the Management Company shall subsequently transfer the balances back to BBVA under the Guaranteed Interest Rate Account (Treasury Account) Agreement.

All costs, expenses and taxes incurred in connection with putting in place and arranging the above options shall be borne by BBVA or, as the case may be, the substituted Treasury Account Provider.

The Treasury Account Provider shall agree, forthwith upon its credit rating being downgraded, to use commercially reasonable efforts in order that the Management Company may do either of a) or b) above.

#### **3.4.5 Collection by the Fund of payments in respect of the assets.**

Asset payment collection management by the Fund is detailed in section 3.7.2.1.2 of the Building Block.

#### **3.4.6 Order of priority of payments made by the Issuer.**

##### **3.4.6.1 Source and application of funds on the Bond Closing Date and until the first Payment Date, exclusive.**

The source of the amounts available for the Fund on the Closing Date and their application until the first Payment Date, exclusive, shall be as follows:

**1. Source:** the Fund shall have the following funds:

- a) Bond subscription payment.
- b) Drawdown of Start-Up Loan principal.
- c) Drawdown of Subordinated Loan principal.

**2. Application:** in turn, the Fund will apply the funds described above to the following payments:

- a) Payment of the part of the price for acquiring the Non-Mortgage Loan receivables and subscribing for the Mortgage Certificates and the Pass-Through Certificates at their face value.
- b) Payment of the Fund set-up and Bond issue and admission expenses.
- c) Setting up the Initial Cash Reserve.

**3.4.6.2 Source and application of funds from the first Payment Date, inclusive, until the last Payment Date or liquidation of the Fund, exclusive. Priority of Payments.**

On each Payment Date, other than the Final Maturity Date or upon Early Liquidation of the Fund, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation in accordance with the order of priority of payments given hereinafter for each of them (the “**Priority of Payments**”).

**3.4.6.2.1 Available Funds: source and application.**

**1. Source.**

The available funds on each Payment Date (the “**Available Funds**”) to meet the payment or withholding obligations listed in section 2 below shall be the following amounts credited to the Treasury Account identified as such by the Management Company (based on information received from the Servicer concerning the items applied):

- a) Loan principal repayment income during the Determination Period preceding the relevant Payment Date.
- b) Loan ordinary and late-payment interest income during the Determination Period preceding the relevant Payment Date.
- c) The returns received on amounts credited to the Treasury Account.
- d) The Cash Reserve amount on the Determination Date preceding the relevant Payment Date.
- e) Any other amounts received by the Fund during the Determination Period preceding the relevant Payment Date, including those resulting from the sale or utilisation of real estate, assets, securities or rights awarded or given in a deed-in-lieu-of-foreclosure transaction to the same or under administration or interim possession in enforcement proceedings.
- f) Additionally, on the first Payment Date, the remainder upon the Start-Up Loan being drawn down to the extent not used.

Income under a), b) and e) above received by the Fund and credited to the Treasury Account between the Determination Date, exclusive, preceding the relevant Payment Date, inclusive, shall not be included in the Available Funds on the relevant Payment Date, and that amount shall remain credited to the Treasury Account, to be included in the Available Funds on the following Payment Date.

**2. Application.**

The Available Funds shall be applied on each Payment Date to meeting payment or withholding obligations falling due on each Payment Date in the following order of priority, irrespective of the time of accrual, other than the application established in the 1<sup>st</sup> place, which may be made at any time as and when due:

1. Payment of the Fund’s properly supported taxes and ordinary<sup>(1)</sup> and extraordinary<sup>(2)</sup> expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those arising under the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund’s behalf by and Loan amounts reimbursable to them, provided they are all properly supported and the Servicing Agreement fee if BBVA should be replaced as Servicer will be paid to the Servicer and in relation to the Servicing Agreement in this priority.
2. Payment of interest due on Series A Bonds.
3. Payment of interest due on Series B Bonds unless this payment is deferred to 5<sup>th</sup> place in the order of priority.

This payment shall be deferred to 5<sup>th</sup> place when on the Determination Date preceding the relevant Payment Date the cumulative Outstanding Balance of Delinquent Loans since the Fund was established, reckoned at the amount of the Outstanding Balance at the Delinquent Loan classification date, is in excess of 10.00% of the initial Outstanding Balance of the Loans upon the Fund being established and provided that Series A Bonds have not been and are not to be fully amortised on the relevant Payment Date.

4. Principal Amortisation Due in an amount equivalent to the positive difference existing at the Determination Date preceding the relevant Payment Date between (i) the Outstanding Principal Balance of the Bond Issue, and (ii) the Outstanding Balance of Non-Doubtful Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied to Amortisation Withholding shall be included among the Available Funds for Amortisation to be applied to repayment of the Bonds in accordance with the rules for Distribution of Available Funds for Amortisation established in section 3.4.6.2.2 below.

5. Payment of interest due on Series B Bonds when this payment is deferred from 3<sup>d</sup> place in the order of priority as established therein.
6. Withholding of an amount sufficient for the Required Cash Reserve amount to be maintained.
7. Payment of Subordinated Loan interest due.
8. Repayment of Subordinated Loan principal to the extent amortised.
9. Payment of Start-Up Loan interest due.
10. Repayment of Start-Up Loan principal to the extent amortised.
11. Payment to the Servicer of the Servicing Agreement fee.

If BBVA should be replaced as Loan Servicer by a third party, payment of the servicing fee due to the third party, the new servicer, shall be moved up to 1<sup>st</sup> place above, along with the other payments included therein.

12. Payment of the Financial Intermediation Margin.

When accounts payable for different items exist in a same priority order number on a given Payment Date and the Available Funds are not sufficient to settle the amounts due under all of them, the application of the remaining Available Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be distributed in the priority in which the accounts payable fall due.

- (1) The following shall be considered ordinary expenses of the Fund:
  - a) Any expenses deriving from mandatory administrative verifications, registrations and authorisations, other than payment of the Fund set-up and Bond issue and admission expenses and the ongoing fee payable to EDW.
  - b) Fund management fee due to the Management Company.
  - c) Rating Agency fees for monitoring and maintaining the rating of the Bonds.
  - d) Expenses relating to keeping the Bond accounting record representing the Bonds by means of book entries, admission to trading in organised secondary markets and maintaining all of the foregoing.
  - e) Expenses of auditing the annual accounts.
  - f) Bond amortisation expenses.
  - g) Expenses deriving from announcements and notices relating to the Fund and/or the Bonds.

The Fund's ordinary expenses in its first year, including the management fee due to the Management Company and those derived from the Paying Agent Agreement, are estimated at EUR two hundred and twenty thousand (220,000.00). Because most of those expenses are directly related to the Outstanding Principal Balance of the Bond Issue and those balances shall fall throughout the life of the Fund, the Fund's ordinary expenses will also fall as time goes by.

- (2) The following shall be considered extraordinary expenses of the Fund:
- a) Expenses and costs, if any, incurred in connection with preparing and perfecting an amendment of the Deed of Constitution and of the agreements, and from entering into additional agreements.
  - b) Expenses required to enforce the Loans and collaterals and deriving from any recovery actions required.
  - c) Expenses required to manage, administer, maintain, value, market and dispose of or operate real properties, assets, securities or rights awarded to or given to the Fund in lieu of foreclosure on the Loans.
  - d) Extraordinary expenses of audits and legal advice.
  - e) The remaining amount, if any, of the initial Fund set-up and Bond issue and admission expenses in excess of the Start-Up Loan principal.
  - f) In general, any other extraordinary expenses or costs required or not determined among ordinary expenses borne by the Fund or borne or incurred by the Management Company for and on behalf of the Fund.

#### **3.4.6.2.2 Available Funds for Amortisation: source and application.**

##### **1. Source.**

The Available Funds for Amortisation on each Payment Date shall be the Amortisation Withholding amount actually applied in fourth (4<sup>th</sup>) place of the order for applying the Available Funds on the relevant Payment Date.

##### **2. Distribution of Available Funds for Amortisation between each Series.**

The Available Funds for Amortisation on each Payment Date shall be sequentially applied (i) firstly to amortising Series A until fully amortised and (ii) secondly to amortising Series B until fully amortised.

#### **3.4.6.3 Fund Liquidation Priority of Payments.**

The Management Company shall proceed to liquidate the Fund upon the Fund being liquidated on the Final Maturity Date or upon Early Liquidation in accordance with the provisions of sections 4.4.3 and 4.4.4 of the Registration Document, by applying the following available funds (the "**Liquidation Available Funds**"): (i) Available Funds, (ii) amounts obtained by the Fund from time to time upon disposing of the Loan receivables and the remaining assets, and (iii) additionally, as the case may be, the loan, as provided for in section 4.4.3.3.(iii) of the Registration Document, which shall be fully allocated to early amortisation of the outstanding Series A and B Bonds, in the following order of priority of payments (the "**Liquidation Priority of Payments**"):

1. Reserve to meet the final tax, administrative or advertising termination and liquidation expenses.
2. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those arising under the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and Loan amounts reimbursable to it, provided they are all properly supported, and the Servicing Agreement fee if BBVA should be replaced as Servicer will be paid to the Servicer in this priority.
3. Payment of interest due on Series A Bonds.
4. Repayment of Series A Bond principal.
5. Payment of interest due on Series B Bonds.
6. Repayment of Series B Bond principal.

7. In the event of the loan being arranged as provided for in section 4.4.3.3.(iii) of the Registration Document, payment of financial expenses accrued and repayment of principal on the loan arranged.
8. Payment of Subordinated Loan interest due.
9. Repayment of Subordinated Loan principal.
10. Payment of Start-Up Loan interest due.
11. Repayment of Start-Up Loan principal.
12. Payment to the Servicer of the Servicing Agreement fee.

If BBVA should be replaced as Loan Servicer by a third party, payment of the servicing fee due to the third party, the new servicer, shall be moved up to 1<sup>st</sup> place above, along with the other payments included therein

13. Payment of the Financial Intermediation Margin.

Where payables for different items exist in a same priority order number on the Final Maturity Date or upon Early Liquidation and the Liquidation Available Funds are not sufficient to settle the amounts due under all of them, application of the remaining Liquidation Available Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be distributed in the priority in which the payables fall due.

#### **3.4.6.4 Financial Intermediation Margin.**

The Management Company shall, for and on behalf of the Fund, enter with the Originator into a Financial Intermediation Agreement designed to remunerate the Originator for the financial intermediation process carried out, enabling the financial transformation defining the Fund's activity, the assignment to the Fund of the Loan receivables and the ratings assigned to each Bond Series.

The Originator shall be entitled to receive from the Fund a variable subordinated remuneration (the "**Financial Intermediation Margin**") which shall be determined and accrue upon expiry of every quarterly accrual period, which shall comprise, except for the first period, the three calendar months next preceding each Payment Date, in an amount equal to the positive difference, if any, between the income and expenditure accrued by the Fund, including losses, if any, brought forward from previous years, for each period with reference to its accounts and before the close of the last day of the calendar month next preceding every Payment Date. The Financial Intermediation Margin accrued at the close of the months of March, June, September and December, these being the last calendar month in each interest accrual period, shall be settled on the next succeeding Payment Date, provided that the Fund has sufficient liquidity in the Priority of Payments.

Exceptionally: (i) the first Financial Intermediation Margin accrual period shall be comprised between the date on which the Fund is established, inclusive, and March 31, 2016, inclusive, this being the last day in the calendar month preceding the first Payment Date, and (ii) the last Financial Intermediation Margin accrual period shall comprise a) until the Final Maturity Date or the date on which Early Liquidation of the Fund concludes, b) from the last day in the calendar month preceding the Payment Date before the date referred to in a), including a) but not including b). The first Financial Intermediation Margin settlement date shall be the first Payment Date, April 20, 2016.

If the Fund should not have sufficient liquidity on a Payment Date in the Priority of Payments to pay the full Financial Intermediation Margin, the unpaid amount due shall accumulate without any penalty whatsoever on the Financial Intermediation Margin accrued, as the case may be, in the following quarterly period and shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments or, upon liquidation of the Fund, in the Liquidation Priority of Payments. Financial Intermediation Margin amounts not paid on preceding Payment Dates shall be paid with priority over the amount payable on the relevant Payment Date.

Notwithstanding the above, the Financial Intermediation Margin will only be settled as established in Section 5 of Rule 19 of CNMV Circular 2/2009, March 25, on Securitisation Fund accounting rules, annual accounts, public financial statements and non-public statistical information statements, as currently worded or in any replacement rule.

The Financial Intermediation Agreement shall be fully terminated in the event that DBRS or Moody's should not confirm any of the provisional ratings assigned to each Series as final ratings by 2pm (CET) on December 15, 2015.

### **3.4.7 Other arrangements upon which payments of interest and principal to investors are dependent.**

#### **3.4.7.1 Bond Issue Paying Agent.**

The Management Company shall, for and on behalf of the Fund, enter with BBVA into a paying agent agreement to service the Bond Issue (the "**Paying Agent Agreement**").

The obligations to be taken on by BBVA (the "**Paying Agent**") under this Paying Agent Agreement are summarily as follows:

- (i) On each Bond Payment Date, paying, out of the Treasury Account, Bond interest and, as the case may be, repaying Bond principal through Iberclear, after deducting, as the case may be, the total amount of the interim tax withholding for return on investments to be made by the Management Company, on the Fund's behalf, in accordance with applicable tax laws.
- (ii) On each Interest Rate Fixing Date, notifying the Management Company of the Reference Rate determined to be used as the basis for the Management Company to calculate the Nominal Interest Rate applicable to each Bond Series.

In the event that the rating of the Paying Agent's long-term unsecured and unsubordinated debt obligations should, at any time during the life of the Bond Issue, be downgraded respectively below Baa3 by Moody's or below BBB according to the DBRS Rating, or below BBB according to the Scope Rating, the Management Company shall, within not more than thirty (30) calendar days in the event of DBRS or thirty (30) Business Days in the events of Moody's and Scope, from the occurrence of any such event, after first notifying the relevant Rating Agency, do one of the following in order to allow a suitable level of collateral to be maintained with respect to the commitments derived from the Bond Paying Agent Agreement and in order for the ratings given to the Bonds by the Rating Agencies not to be adversely affected:

- (i) obtain from an institution with unsecured and unsubordinated debt obligations rated at least as high as Baa3 in the long-term by Moody's, and/or with a long-term DBRS Rating at least as high as BBB (such rating not to be "Under Review (Negative)") and/or with a long-term Scope Rating at least as high as BBB a first demand guarantee securing to the Fund, merely upon the Management Company so requesting, the commitments made by the Paying Agent, for such time as the Paying Agent's debt obligations remain downgraded below Baa3 by Moody's and/or BBB by DBRS and/or BBB by Scope, or
- (ii) revoke the Paying Agent's designation and thereupon designate another institution with unsecured and unsubordinated debt obligations rated at least as high as Baa3 in the long-term by Moody's, and with a long-term DBRS Rating at least as high as BBB (such rating not to be "Under Review (Negative)") and with a long-term Scope Rating at least as high as BBB, to take its place before terminating the Paying Agent Agreement. Should BBVA be replaced as Paying Agent, the Management Company shall be entitled to change the fee payable to the substitute institution, which may be higher than that established with BBVA under the Paying Agent Agreement.

In this regard, the Paying Agent shall irrevocably agree to notify the Management Company of any change or removal of the Bond rating given by DBRS, Moody's and Scope, forthwith upon that occurrence throughout the life of the Bond issue.

All costs, expenses and taxes incurred in connection with doing and arranging the above shall be borne by BBVA.

The Paying Agent shall agree, forthwith upon any of its credit rating downgrade events occurring, to use commercially reasonable efforts in order that the Management Company may do either of (i) or (ii) above.

In consideration of the services to be provided by the Paying Agent, the Fund shall pay it on each Payment Date or upon liquidation of the Fund during the term of the agreement, a fee of EUR twelve thousand (12,000.00), inclusive of taxes as the case may be. This fee shall be paid provided that the Fund has sufficient liquidity and in the Priority of Payments or, as the case may be, the Liquidation Priority of Payments.

In the event that, in the Priority of Payments, the Fund should not have sufficient liquidity to pay the full fee on a Payment Date, then the amounts accrued and not paid shall be accumulated without any penalty whatsoever to the fee falling due on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until fully paid on the Payment Date on which they are settled, in the Priority of Payments or, as the case may be, upon liquidation of the Fund in the Liquidation Priority of Payments.

The Paying Agent Agreement shall be fully terminated in the event that DBRS or Moody's should not confirm the provisional ratings assigned to each Series as final ratings by 2pm (CET) on December 15, 2015.

### **3.5 Name, address and significant business activities of the originator of the securitised assets.**

The securitised Mortgage Loan originator and assignor is BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Registered office: Plaza San Nicolás number 4, 48005 Bilbao (Spain).

Principal places of business: Calle de Saucedá number 28, 28050 Madrid.

Gran Vía number 1, 48001 Bilbao.

Paseo de Recoletos number 10, 28001 Madrid.

#### **Significant economic activities of BBVA.**

BBVA Group, is mainly in the Banking business though it has interests in the field of insurance, unit trust and pension fund management, stock broking, real estate development, global custody, asset management and broking in major cash, capital and currency markets.

The following is the relevant consolidated information for BBVA Group at December 31, 2014 and 2013 and how the information at these dates compares, and the details for the third quarter of 2015. The financial information in relation to the relevant consolidated details at December 31, 2013 and 2014 has been audited. That information was prepared in accordance with International Financial Reporting Standards applicable to it under Regulation EC 1606/2002 and Bank of Spain Circular 4/2004, and including the changes made thereto by Circular 6/2008.



BBVA	30.09.2015 (A)	31.12.2014 (B)	$\Delta\%$ (B-C)/C	31.12.2013 (C)
<b>BALANCE SHEET (MEUR)</b>				
Total assets	746,477	651,511	8.67	599,517
Customer credit (gross)	426,295	366,536	4.69	350,110
Customer deposits	388,856	330,686	6.61	310,176
Other customer resources	128,141	115,274	16.19	99,213
Total customer resources	516,996	445,961	8.93	409,389
Net assets	53,601	51,609	15.07	44,850
<b>PROFIT &amp; LOSS ACCOUNT (MEUR)</b>				
Interest margin	12,011	15,116	3.44	14,613
Gross margin	17,534	21,357	-0.19	21,397
Net margin	8,510	10,406	2.06	10,196
Pre-tax profit	4,335	4,063	47.75	2,750
Profit attributed to the Group	1,702	2,618	17.50	2,228
<b>DATA PER SHARE AND MARKET VALUE</b>				
Price	7.58	7.85	-12.29	8.95
Market capitalisation (MEUR)	47,794	48,470	-6.38	51,773
Earnings per share (EUR)	0.25	0.44	12.82	0.38
Book value per share (EUR)	7.90	8.01	0.12	8
PBVR (times)	1.0	1.0	-9.09	1.1
<b>RELEVANT RATIOS (%)</b>				
ROE	5.4	5.6		5
ROA	0.46	0.50		0.48
RORWA	0.86	0.90		0.91
Efficiency ratio	51.5	51.3		52.3
Delinquency rate	5.6	5.8		6.8
SME delinquency rate	14.16	14.18		15.04
<b>CAPITAL RATIOS (%)</b>				
CET 1	11.7	11.9		-
Tier 1	11.7	11.9		12.2
Ratio total	14.6	15.1		14.9
<b>ADDITIONAL INFORMATION</b>				
Number of shares (million)	6,305	6,171		5,786
Number of shareholders	931,757	960,397		974,395
Number of employees	137,904	108,770		109,305
Number of branches	9,250	7,371		7,420
Number of cash dispensers	29,330	22,104		20,415

### 3.6 Return on and/or repayment of the securities linked to others which are not assets of the Issuer.

Not applicable.

### 3.7 Administrator, calculation agent or equivalent.

#### 3.7.1 Management, administration and representation of the Fund and of the holders of the securities.

The Management Company, EUROPEA DE TITULIZACIÓN, shall be responsible for managing and being the authorised representative of the Fund, on the terms set in Act 5/2015, and other applicable laws, and on the terms of the Deed of Constitution and of this Prospectus.

The Management Company shall discharge for the Fund the functions attributed to it in Act 5/2015.

The Deed of Constitution does not make provision for a creditors' meeting to be convened on the terms set down in article 37 of Act 5/2015.

On the terms provided for in article 26.1 a) of Act 5/2015, it shall be the Management Company's duty to act using its best endeavours and transparently in enforcing Bondholders' and financiers' interests. In addition, in accordance with article 26.2 of Act 5/2015, the Management Company shall be liable to Bondholders and other creditors of the Fund for all losses caused to them by a breach of its duties.

### **3.7.1.2 Administration and representation of the Fund.**

The Management Company's obligations and actions in fulfilment of its duty to manage and be the authorised representative of the Fund are the following, for illustrative purposes only and without prejudice to any other actions provided in this Prospectus:

- (i) Keeping the Fund's accounts duly separate from the Management Company's own, rendering accounts and satisfying tax and any other statutory obligations of the Fund.
- (ii) Making such decisions as may be appropriate in connection with liquidation of the Fund, including the decision to proceed to Early Liquidation of the Fund and Early Amortisation of the Bond Issue, in accordance with the provisions of the Deed of Constitution and this Prospectus. Moreover, making all appropriate decisions in the event of the establishment of the Fund terminating.
- (iii) Complying with its formal, documentary and reporting duties to the CNMV, any other supervisory body and the Rating Agencies.
- (iv) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.
- (v) Providing Bondholders, the CNMV and the Rating Agencies with all such information and notices as may be prescribed by the laws in force for the time being and specifically as established in the Deed of Constitution and in this Prospectus.
- (vi) Complying with the calculation duties provided for and taking the actions laid down in the Deed of Constitution and this Prospectus and in the various Fund transaction agreements or in such others as the Management Company may enter into in due course for and on behalf of the Fund.
- (vii) The Management Company may extend or amend the agreements entered into on behalf of the Fund, or substitute, as the case may be, each of the Fund service providers on the terms provided for in each agreement, and indeed, if necessary, amend the same and enter into additional agreements, including a loan agreement in the event of Early Liquidation of the Fund. In any event, those actions shall require that the Management Company notify or first secure the authorisation, if necessary, of the CNMV and notify the Rating Agency, and provided that such actions are not detrimental to the ratings assigned to the Bonds by the Rating Agencies. In addition, those actions shall not require the Deed of Incorporation to be amended if they do not result in a change of the Priority of Payments or the Liquidation Priority of Payments. In addition, the Management Company may amend the Deed of Constitution, on the terms laid down in article 24 of Act 25/2015. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.
- (viii) Exercising the rights attaching to the ownership of the Non-Mortgage Loan Receivables and the Mortgage Certificates and the Pass-Through Certificates acquired by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and being the authorised representative of the Fund.
- (ix) Checking that the Loan income amount actually received by the Fund matches the amounts that must be received by the Fund, on the Loan receivable terms and on the terms of their respective agreements communicated by the Originator, and that the Loan amounts receivable are provided by the Servicer to the Fund within the time-periods and on the terms provided for under the Servicing Agreement.
- (x) Determining on each Interest Rate Fixing Date and for each Interest Accrual Period thereafter, the Nominal Interest Rate to be applied to each Bond Series and calculating and settling the accrued interest amounts payable on each Payment Date or upon liquidation of the Fund.

- (xi) Calculating and determining on each Determination Date the principal to be amortised and repaid on each Bond Series on the relevant Payment Date.
- (xii) Determining the interest rate applicable to each of the relevant borrowing, lending and hedge transactions and calculating and settling the interest and fee amounts receivable and payable by the Fund under the same, and the fees payable for the various financial services arranged for.
- (xiii) Taking or requiring the achievement of the actions for which provision is made in relation to the debt ratings or the financial position of the Fund counterparties in the financial and service provision agreements listed in section 3.2 of this Building Block.
- (xiv) Watching that the amounts credited to the Treasury Account return the yield set in the Agreement.
- (xv) Calculating the Available Funds, the Available Funds for Amortisation, the Liquidation Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.
- (xvi) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the Bonds.

### **3.7.1.3 Resignation and substitution of the Management Company.**

The Management Company shall be substituted in managing and representing the Fund, in accordance with articles 32 and 33 of Act 5/2015 set forth hereinafter and with rules which may be established by way of subsequent implementing regulations.

#### *Resignation.*

- (i) The Management Company may resign its management and authorised representative duties with respect to all or part of the funds managed whenever it deems this fit, applying to be substituted, which shall be authorised by the CNMV, in accordance with the procedure and on the terms which may be established by way of subsequent implementing regulations.
- (ii) The Management Company may in no event resign its duties until and unless all requirements and formalities have been complied with in order for the replacement entity to take over its duties.
- (iii) The substitution expenses originated shall be borne by the resigning management company and may in no event be passed on to the Fund.

#### *Forced substitution.*

- (i) In the event that the Management Company should be adjudged insolvent and/or have its licence to operate as a securitisation fund management company revoked by the CNMV, it shall find a substitute management company, in accordance with the provisions of the foregoing section.
- (ii) In the event for which provision is made in the preceding section, if four months should have elapsed from the occurrence determining the substitution and no new management company should have been found willing to take over management, there will be Early Liquidation of the Fund and Early Amortisation of the Bond Issue, in accordance with the provisions of this Prospectus and of the Deed of Constitution.

The Management Company agrees to execute such public and private documents as may be necessary for it to be substituted by another management company, in accordance with the system for which provision is made in the preceding paragraphs of this section. The substitute management company shall be substituted in the Management Company's rights and duties under this Prospectus. Furthermore, the Management Company shall hand to the substitute management company such accounting records and data files as it may have to hand in connection with the Fund.

#### **3.7.1.4 Subcontracting.**

The Management Company shall be entitled to subcontract or subdelegate to solvent and reputable third parties the provision of any of the services it has to provide as the manager and authorised representative of the Fund, as established in this Prospectus, provided that the subcontractor or delegated party waives the right to take any action holding the Fund liable. In any event, subcontracting or delegating any service (i) may not result in an additional cost or expense for the Fund, (ii) shall have to be legally possible, (iii) shall not result in the ratings accorded to each Bond Series by the Rating Agencies being downgraded, and (iv) shall be notified to, and, where statutorily required, will first be authorised by, the CNMV. Notwithstanding any subcontracting or subdelegation, the Management Company shall not be exonerated or released, under that subcontract or subdelegation, from any of the liabilities undertaken in this Prospectus which may be legally attributed or ascribed to it.

#### **3.7.1.5 Management Company's remuneration.**

In consideration of the functions to be discharged by the Management Company, the Fund will pay it a Fund management fee consisting of:

- (i) An initial fee which shall accrue upon the Fund being established and be payable on the Closing Date.
- (ii) A periodic fee (i) on the Outstanding Principal Balance of the Bond Issue and, as the case may be, (ii) on the value of the real properties awarded or given in lieu of foreclosure to the Fund, which shall accrue daily from the establishment of the Fund until it terminates and shall be settled and paid by Interest Accrual Periods in arrears on each Payment Date subject to the Priority of Payments or, as the case may be, upon liquidation of the Fund and until the same terminates, in the Liquidation Priority of Payments. The periodic fee amount on each Payment Date may not be lower than the minimum amount determined. The minimum amount shall be cumulatively reset, from the year 2017, inclusive, and be effective from January 1 of each year.
- (iii) Fee for preparing the file for EDW and for each submission made.

If on a Payment Date the Fund should not, in the Priority of Payments, have sufficient liquidity to settle the Fund management fee, the amount due shall accrue interest equal to the Bond Reference Rate (if positive) for the relevant Interest Accrual Period. The unpaid amount and interest due shall build up for payment on the fee payable on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until fully paid, in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

#### **3.7.2 Servicing, management and custody of the securitised assets.**

BBVA shall, as issuer of the Mortgage Certificates and the Pass-Through Certificates, as provided for in paragraph two of article 26.3 and additional provision one of Royal Decree 716/2009, continue as attorney for the Fund, represented by the Management Company, to be responsible for servicing and custody of the Mortgage Loans assigned to the Fund. In addition, BBVA shall, with respect to the Non-Mortgage Loans, continue, as provided for in section 3.7.1.4 above of the Building Block, as attorney for the Management Company, to be responsible for servicing and management of the Non-Mortgage Loans assigned to the Fund. Relations between BBVA, the Fund, represented by the Management Company, and the Management Company proper, insofar as concerns custody and servicing of the Non-Mortgage Loans, the Mortgage Loans and custody of the Mortgage Certificate and Pass-Through Certificate supporting documents, shall be governed by the Non-Mortgage Loan and Mortgage Loan Servicing and Mortgage Certificate and Pass-Through Certificate Custody Agreement (the "**Servicing Agreement**").

The above shall all be construed without prejudice to the Management Company's liability in accordance with article 26.1 b) of Act 5/2015.

BBVA (the "**Servicer**" under the Servicing Agreement) shall accept the appointment received from the Management Company and thereby agrees as follows:

- (i) To be responsible for servicing and management and custody of the Non-Mortgage Loans and servicing and custody of the Mortgage Loans assigned to the Fund subject to the system terms and ordinary servicing, management and custody procedures established in the Servicing Agreement.
- (ii) To continue servicing the Loans, devoting the same time and efforts to them as it would devote and use to service its own loans and in any event on the terms for which provision is made in the Servicing Agreement.
- (iii) That the procedures it applies and will apply for servicing and management of the Loans are and will continue to be in accordance with the laws and statutory regulations in force applicable thereto.
- (iv) To full faithfully observe the instructions issued by the Management Company, provided that they observe the provisions of the Servicing Agreement, this Prospectus, the Deed of Constitution and the laws in force for the time being.
- (v) To pay the Fund or the Management Company damages and losses resulting from a breach of the obligations undertaken, although the Servicer shall not be liable for actions put in place on the Management Company's instructions.

In any event, the Servicer waives the privileges and authorities conferred on it by law as the manager of collections for the Fund and as Loan servicer, and custodian of the relevant agreements and the Mortgage Certificates and the Pass-Through Certificates, and in particular those for which provision is made in articles 1730 and 1780 of the Civil Code and 276 of the Commercial Code. In addition, as provided for in section 3.7.1.4 above of the Building Block, the Servicer waives the bringing of any action holding the Fund liable.

The most relevant terms of the Servicing Agreement are given hereinafter in the following paragraphs of this section.

### **3.7.2.1 Ordinary system and procedures for servicing and managing the Loans.**

#### **1. Custody of deeds, policies, agreements, documents and files.**

The Servicer shall keep all Loan deeds, agreements, contracts, documents and data files and copies of the mortgaged property damage insurance policies under safe custody and shall not give up their possession, custody or control other than with the Management Company's prior written consent for it to do so, unless a document should be required to institute proceedings to claim a Loan, or any other competent authority should so require informing the Management Company.

The Servicer shall at all times allow the Management Company or the Fund auditors or other advisers duly authorised thereby reasonable access to the aforesaid deeds, policies, documents and records. Furthermore, whenever required to do so by the Management Company, it shall provide within two (2) Business Days of that request and clear of expenses, a copy or photocopy of any such deeds, policies and documents.

#### **2. Collection management.**

The Servicer shall continue managing collection of all Loan amounts payable by the Obligors and any other item including under the insurance contracts of the properties mortgaged as security for the Mortgage Loans. The Servicer shall use all reasonable efforts for payments to be made by the Obligors to be collected in accordance with the contractual terms and conditions of the Loans.

Loan amounts due to and received by the Servicer shall be paid by the Servicer in full into the Fund's Treasury Account on the second day after the day on which they were received by the Servicer, or the following business day if that is not a business day, and for value date on the second calendar day after the date on which they were received by the Servicer, in accordance with the terms and conditions laid down in the Servicing Agreement. In this connection, business days shall be taken to be all those that are business days in the banking sector in the city of Madrid.

If the Servicer's DBRS Rating should be downgraded below BBB (low) in the long term, or its rating should be removed, the Servicer shall do one of the following: (i) find an institution with a sufficient rating to take over its duties as Servicer, (ii) find a back-up servicer, or (iii) post cash collateral to the Fund at an amount in line with the DBRS criteria.

The Management Company, for and on behalf of the Fund, may only draw on that cash collateral to the extent of the Loan amounts, if any, not received from the Servicer owing to the Fund and received by the Servicer and not paid to the Fund.

The Servicer may at no event pay any Loan payment amount whatsoever to the Fund not previously received from the Obligors.

All costs, expenses and taxes incurred in connection with doing and arranging the above shall be borne by the Servicer.

### **3. Fixing the interest rate.**

In the case of floating-rate Loans, the Servicer shall continue fixing the interest rates applicable in each interest period as established in the respective Loan agreements, submitting such communications and notices as may be established therein.

### **4. Information.**

The Servicer shall regularly communicate to the Management Company the information relating to the individual characteristics of each Loan, to fulfilment by the Obligors of their obligations under the Loans, to delinquency status and ensuing changes in the characteristics of the Loans, and to actions to demand payment in the event of late payment, court actions and auction of real properties or assets, and out-of-court or deed-in-lieu-of-foreclosure debt payment transactions, the foregoing using the procedures and timing established in the Servicing Agreement.

Furthermore, the Servicer shall prepare and hand to the Management Company such additional information relating to the Loans or the rights attaching thereto as the Management Company may reasonably request, and in particular the documents required for the Management Company, as the case may be, to bring legal actions.

### **5. Loan subrogation.**

The Servicer shall be authorised to permit substitutions in the Obligor's position under the Loan agreements, exclusively where the new Obligor's characteristics are not less creditworthy than those of the former Obligor and those characteristics observe the lending policies, and further provided that the expenses derived from that change are fully borne by the Obligors. The Management Company may fully or partially limit this authority of the Servicer or set conditions therefor, in the event that those substitutions might adversely affect the ratings accorded to the Bonds by the Rating Agencies.

In relation to the Mortgage Loans, the mortgagor may apply for subrogation to the Servicer in connection with the Mortgage Loans pursuant to Mortgage Loan Subrogation and Amendment Act 2/1994, March 30 ("**Act 2/1994**"). Subrogation of a new creditor under the Mortgage Loan and the ensuing payment of the amount due shall, as the case may be, result in prepayment of the Mortgage Loan and early amortisation of the respective Mortgage Certificate or Pass-Through Certificate.

### **6. Authorities and actions in relation to Loan renegotiation procedures.**

The Servicer may not voluntarily cancel the Loans or their mortgages or collaterals for any reason other than Loan payment, relinquish or settle in regard thereto, forgive the Loans in full or in part or extend the same, or in general do anything that may diminish the legal effectiveness, ranking or economic value of the Loans or of the mortgages or security arrangements, without prejudice to its heeding requests by Obligors using the same efforts and procedure as if they were own loans.

The Originator has adhered to the “Best Practice Code for a feasible restructuring of debts secured with a mortgage on a main residence”, as worded by Act 1/2013, May 14, implementing measures to boost the protection of mortgagors, debt restructuring and social rentals, as set out in a Decision dated October 23, 2015 of the Secretary of State of the Economy and Business Support, published in the Official State Gazette dated October 29, 2015.

Given the financial capacity of obligors on the exclusion threshold, the Management Company initially authorises the Servicer to apply the measures laid down in the Best Practice Code to any Mortgage Loans lying within the scope of application of that Best Practice Code, provided that the requirements laid down in Royal Decree-Act 6/2012, March 9, on urgent measures for the protection of insolvent mortgage obligors, as currently worded (“**Royal Decree-Act 6/2012**”) are met. In this connection, the Servicer shall first notify the Management Company of requests made by Obligor, enclosing all documents received from the Obligor to prove that the Obligor is on the exclusion threshold established in article 3 of Royal Decree-Act 6/2012, and the proposed measures to be adopted in accordance with the aforementioned Best Practice Code.

Subject to the above and the provisions hereinafter, any novation changing a Loan entered into by the Servicer shall be made exclusively with the prior consent of the Management Company, on behalf of the Fund, and the Servicer agrees to seek such consent from the Management Company as soon as it is aware that an Obligor has requested a change. The Management Company shall nevertheless initially authorise the Servicer to entertain and accept Loan interest rate renegotiations and extended terms without requiring the Management Company’s prior consent, subject to the following generic enabling requirements.

**a) Renegotiating the interest rate.**

Loan interest rate may be renegotiated subject to the following rules and limitations:

1. The Servicer may under no circumstance entertain on its own account and without being so requested by the Obligor, interest rate renegotiations which may result in a decrease in the interest rate applicable to a Loan. Without encouraging interest rate renegotiation, the Servicer shall act in relation to such renegotiation bearing in mind the Fund’s interests at all times.
2. Subject to the provisions of paragraphs 3 and 4 below, the Servicer may renegotiate the interest rate clause of the Loans on terms that are deemed to be at arm’s length and that do not differ from those applied by the actual Servicer in renegotiating or granting its floating- and fixed-rate credits and loans. For these purposes, the arm’s length interest rate shall be deemed to be the rate offered by the Servicer in the Spanish market for loans or credits granted to autonomous enterprises and enterprises in an amount and on terms substantially similar to the renegotiated Loan.
3. The fixed rate of a Loan shall under no circumstances be renegotiated down in the event that the average interest rate of all fixed-rate Loans weighted by the outstanding capital of each fixed-rate Loan is below 3.00%.
4. Timely renegotiation of the interest rate applicable to a floating-rate Loan may in no case occur in the event that (i) the change is to a floating interest rate with a benchmark index for determination other than Euribor, and (ii) the average margin or spread weighted by the outstanding principal of outstanding floating-rate Loans is not in excess of 100 percentage basis points above the benchmark rate or index.

**b) Extending the period of maturity.**

The final maturity or final amortisation date of the Loans may be extended or deferred (“**extending the term**”) subject to the following rules and limitations:

- (i) The Servicer may in no case entertain on its own account, i.e. without it being so requested by the Obligor, a change in the final maturity date of the Loan which may result in an extension thereof. Without encouraging an extension of the maturity term, the Servicer shall act in relation to such extension bearing in mind the Fund's interests at all times.
- (ii) The amount of the sum of the capital or principal assigned to the Fund of the Loans in respect of which the maturity term is extended may not exceed 10% of the face amount of the Bond Issue.

In this case, the term of a specific Loan may be extended provided that the following requirements are met:

- a) That the final maturity date of the Loans is not after June 30, 2044.
- b) That, in any event, the Loan capital or principal repayment instalment frequency is maintained or not extended, maintaining the same repayment system.

The Management Company may at any time during the term of the Servicing Agreement, on behalf of the Fund, cancel, suspend or change any of the powers or authorisations for the Loans to be amended as set out in this section 6 by a Servicer.

If there should be any amendment of a Loan, the Servicer shall forthwith notify the Management Company of the terms resulting from each amendment. Such notice shall be made through the software or data file provided for the terms of the Loans to be updated.

In the event of amendment, consented to by the Management Company, for and on behalf of the Fund, the change in the terms shall affect the Fund.

The contractual documents supporting novation of the renegotiated Loans will be kept by the Servicer, in accordance with the provisions of paragraph 1 of this section.

## **7. Action against Obligors in the event of Loan default.**

### ***Actions in the event of late payment.***

The Servicer shall use the same efforts and procedure for claiming overdue Loan amounts it applies for the rest of its portfolio loans.

In the event of the Obligor's default of payment obligations, the Servicer shall do the things described in the Servicing Agreement, taking in that connection the steps it would ordinarily take if they were its own portfolio loans and in accordance with standard banking usage and practice for collecting overdue amounts, and shall be bound to advance such expenses as may be necessary for those actions to be taken, without prejudice to its right to be reimbursed by the Fund. Needless to say, these actions include all such court and out-of-court actions as the Servicer may deem necessary to claim and collect the amounts due by the Obligors.

In this regard, the Fund may hold other amounts, real estate, assets, securities or rights received to pay for Loan principal, interest or expenses, under a decision in any court or out-of-court proceedings instituted for collecting the Loans or under a deed-in-lieu-of-foreclosure agreement. In accordance with article 16.3 of Act 5/2015, ownership and security interests, if any, in and to real properties belonging to the Fund may be entered in the Land Registry. Similarly, the ownership and other security interests in and to any other assets, if any, belonging to the Fund may be entered in the relevant registers.

### ***Legal and other actions.***

The Servicer, using its fiduciary title to the Loans, under the Servicing Agreement, or using the power referred to in the following paragraph, shall take all relevant actions against Obligors failing to meet their Loan payment obligations, and against guarantors, if any. Such action shall be brought using the appropriate court enforcement procedures prescribed in articles 517 et seq. of the Civil Procedure Act.



In the above connection and for the purposes prescribed in articles 581.2 and 686.2 of the Civil Procedure Act, and in the event that this should be necessary, the Management Company shall confer in the Deed of Constitution as full and extensive a power of attorney as may be required at Law on BBVA in order that the latter may, acting through any of its attorneys properly empowered for those purposes, on the Management Company's instructions, for and on behalf of the Fund, or in its own name but for the Management Company as the Fund's authorised representative, demand by any judicial or other means any Loan Obligor and guarantors, if any, to pay the debt and take legal action against them, in addition to other authorities required to discharge its duties as Servicer. These authorities may be extended and amended in another deed if that should be necessary or appropriate.

The Servicer shall generally commence the relevant legal or, as the case may be, other proceedings if, for a period of seven (7) months, a Loan Obligor in default of payment obligations should not resume payments to the Servicer and the latter, with the Management Company's consent, should not obtain a payment commitment satisfactory to the Fund's interests. In the event of Loan default, the payment agreements and their terms shall not be subject to the terms and calculation established in section 6 above, other than the latest final maturity date of June 30, 2044. The Servicer shall in any event forthwith proceed to file an executive action if the Management Company, acting for the Fund, and after analysing the specific circumstances of the case, should deem this necessary.

If this should be legally required, and for the purposes prescribed in the Civil Procedure Act, BBVA shall confer in the Deed of Constitution as full and extensive an irrevocable power of attorney as may be required at Law in order for the Management Company, acting for and on behalf of the Fund, to demand through a notary any Loan Obligor to pay the debt.

In addition to the provisions of this section, BBVA may, as issuer of the Mortgage Certificates and the Pass-Through Certificates, also foreclose under the Mortgage Loans in the event of default by the Obligors as established in article 30 of Royal Decree 716/2009. Furthermore, the Management Company shall, acting for and on behalf of the Fund, as holder of the Mortgage Certificates and the Pass-Through Certificates, have the following remedies provided for mortgage participation certificates in article 31 of Royal Decree 716/2009, which also apply to pass-through certificates:

- (i) To demand the Servicer to apply for foreclosure.
- (ii) To take part on an equal standing with the Servicer, as issuer of the Mortgage Certificates and the Pass-Through Certificates, in the foreclosure the latter shall have instituted against the Obligor, intervening to that end in any foreclosure proceedings commenced by the former.
- (iii) If the Servicer should fail to take that action within sixty (60) business days of a notice served through a Notary demanding payment of the debt, the Management Company, for and on behalf of the Fund, shall be secondarily entitled to bring the foreclosure action on the Mortgage Loan for both principal and interest.
- (iv) In the event that the proceedings instituted by the Servicer should come to a standstill, the Fund, duly represented by the Management Company, may be subrogated in the position of the former and continue the foreclosure proceedings, without the above period having to elapse.

In the events provided in (iii) and (iv), the Management Company may, for and on behalf of the Fund, apply to the Judge or Notary with jurisdiction to commence or continue with the respective foreclosure proceedings, attaching to the application the original Mortgage Certificate or Pass-Through Certificate, for a notice to be served through a Notary as provided for in section (iii) above and an office certificate as to mortgage registration and subsistence. The Servicer shall be bound to issue a certification of the balance outstanding on the Mortgage Loan.

The Management Company, for and on behalf of the Fund as holder of the Mortgage Certificates and the Pass-Through Certificates, may also take part with the same rights as the Servicer in the foreclosure proceedings and may in this sense, on the terms for which provision is made in the Civil Procedure Act, request the award of the mortgaged property as payment of the Mortgage Loan.

The Servicer agrees to promptly advise of payment demands, legal actions, procedural status and any and all other circumstances affecting collection of overdue Loan amounts. Furthermore, the Servicer will provide the Management Company with all such documents as the latter may request in relation to said Loans and in particular the documents required for the Management Company to take or continue legal actions, as the case may be.

#### **8. Damage insurance for properties mortgaged under the Mortgage Loans.**

The Servicer shall not take or fail to take any action resulting in cancellation of any fire and damage insurance policy covering the Mortgage Loan mortgaged properties or reducing the amount payable in any claim thereunder. The Servicer shall use all reasonable efforts and in any event use the rights conferred under the insurance policies or the Mortgage Loans in order to keep those policies in full force and effect in relation to each Mortgage Loan and the respective mortgaged property, and the Servicer shall be liable to the Fund for any losses caused to the Fund in the event that the damage insurance policies are not kept in force and fully effective and in the event that those policies are not taken out.

Whenever the Servicer receives notice of non-payment of policy premiums by any Obligor, the Servicer may demand the Obligor to pay the same and indeed take out fire and damage insurance on the Obligor's behalf, advancing payment of the premiums, without prejudice to being reimbursed by the Obligor for amounts so paid.

In the event of a claim, the Servicer shall coordinate actions for collecting compensations derived from the mortgaged property damage insurance policies on the terms and conditions of the Mortgage Loans and the actual policies, paying the amounts received to the Fund.

in the event of insolvency, liquidation or substitution of the Servicer or because the Management Company deems this reasonably justified, the Management Company may demand the Servicer, at any time and at its cost, and for the purposes laid down in the second paragraph of article 40 of Insurance Contract Act 50/1980, October 8, as currently worded, to notify the relevant insurers of the transfer of the Mortgage Loans to the Fund, and that the payments of indemnities under the relevant damage insurance policies will only be effective as a discharge if made into the Treasury Account opened in the name of the Fund. However, both in the event of the Servicer failing to notify insurers within five (5) Business Days of receiving the request and in the event of insolvency or liquidation of the Servicer, the Management Company shall itself directly or, as the case may be, through a new Servicer it shall have designated, notify the insurers observing insolvency rules, as appropriate.

#### **9. Set-off.**

In the exceptional event that any Loan Obligor should have a receivable that is liquid, due and payable by the Servicer, and because the assignment is made without the Obligor being aware, any of the Loans should be fully or partially set-off against that receivable, the Servicer shall remedy that circumstance or, if it cannot be remedied, proceed to pay to the Fund the amount set off plus accrued interest which would have been payable to the Fund until the date on which the payment is made, calculated on the terms applicable to the relevant Loan.

#### **10. Subcontracting.**

The Servicer may subcontract any of the services it may agree to provide as the Management Company's attorney under the Servicing Agreement and after being authorised thereby. That subcontracting may in no event result in an additional cost or expense for the Fund or the Management Company, and may not result in the ratings assigned to each Bond Series by the Rating Agencies being downgraded. Notwithstanding any subcontracting or subdelegation by the Servicer: (i) the Management Company shall not be excused or released under that subcontract or subdelegation from any of the liabilities taken on in relation to the Loans under article 26.1 b) of Act 5/2015, and (ii) the Management Company shall not be excused or released under that subcontract or subdelegation from its obligation to indemnify the Fund or its Management Company for any damage, loss or expense incurred by the latter as a result of the Servicer's breach of its Loan custody, servicing and information obligations, laid down in the Servicing Agreement.

## **11. Award of real properties.**

The Servicer agrees to notify the Management Company of the places, dates, terms and valuation of the real properties mortgaged as security for the Mortgage Loans and of all other assets attached as a result of the court or out-of-court proceedings commenced against the Obligors, auctions scheduled, and proposed action and bid, in suitable advance in order that the Management Company may do such things as it shall see fit and submit instructions on the subject to the Servicer in suitable time.

The Servicer agrees to attend auctions of real properties, but shall thereat abide at all times by the general or specific instructions it shall have received from the Management Company, and shall therefore only tender a bid or apply for the award of the real estate or the asset to the Fund, fulfilling the instructions received from the Management Company.

As for repossession of awarded homes, the current wording of Chapter I of Act 1/2013 provides for a stay of up to four years from the entry into force of that Act 1/2013 (i.e. until May 15, 2017) for eviction where in court or out-of-court foreclosure proceedings the Fund is awarded the main residence of people who are in the specially vulnerable and financial circumstances provided for in the aforementioned Act 1/2013.

In addition, the Servicer may submit to the Management Company proposals Mortgage Loans to be paid with property deeds in lieu of foreclosure, which shall include all necessary documents and information to weigh the same up. The Management Company will authorise deed in lieu of foreclosure transactions on the terms proposed by the Servicer or issue instructions differing from the Servicer's proposals. No deed in lieu of foreclosure transaction may be perfected, under any circumstances, without the Management Company's authorisation.

In the event of real properties or other assets being awarded or given as payment to the Fund, the Servicer shall send to the Management Company the relevant title deeds, and shall do all things necessary for the same to be entered in the register, repossessed, kept safely, managed and appraised.

The Management Company shall proceed, through the Servicer (or, as the case may be, directly through third parties), to sell the properties within the shortest possible space of time and at arm's length and the Servicer shall actively assist in expediting their disposal, notwithstanding the provisions of Act 1/2013 and the Best Practice Code.

### **3.7.2.2 Term and substitution.**

The services shall be provided by the Servicer until all obligations undertaken by the Servicer as Originator of the Loans acquired by the Fund terminate, once all the Loans have been repaid, or when liquidation of the Fund concludes after it terminates, without prejudice to a possible early revocation of its appointment under the Servicing Agreement.

In the event of insolvency of breach by the Servicer of the obligations imposed on the Servicer under the Servicing Agreement, downgrade of the rating of the Servicer's long-term unsecured and unsubordinated debt obligations or in the event of the Servicer's credit rating falling or being lost or its financial circumstances changing to an extent that may be detrimental to or place the financial structure of the Fund or Bondholders' rights and interests at risk, the Management Company shall proceed, in addition to demanding the Servicer to fulfil the obligations laid down in the Servicing Agreement, where this is legally possible, inter alia and after notifying the Rating Agencies, to do one of the following in order for the ratings assigned to the Bonds by the Rating Agencies not to be adversely affected: (i) demand the Servicer to subcontract or subdelegate to another institution the performance of all or part of the obligations and undertakings made in the Servicing Agreement; (ii) have another institution with a sufficient credit rating and quality secure all or part of the Servicer's obligations; (iii) post cash or securities collateral to the Fund in an amount sufficient to secure all or part of the Servicer's obligations, and (iv) terminate the Servicing Agreement, in which case the Management Company shall previously designate a new Servicer having a sufficient credit quality and accepting the obligations contained in the Servicing Agreement or, as the case may be, in a new servicing agreement. In the event of insolvency of the Servicer, only (iv) above shall be valid. Any additional expense or cost derived from the aforesaid actions shall be covered by the Servicer and at no event by the Fund or the Management Company.

If in any of the events described in the preceding paragraph the Agreement has to be terminated and a new back-up Servicer has to be nominated, the Management Company (in this regard, the “**Back-Up Servicer Facilitator**”) shall use its best efforts to nominate, where that is legally possible, a new back-up servicer (the “**Back-up Servicer**”) within not more than sixty (60) days.

In regard to the appointment of a back-up Servicer, the Parties shall agree as follows:

a) Servicer Commitments.

The Servicer shall agree as follows with the Management Company:

- To provide the Management Company with all documentary and computerised Loan information enabling the Back-up Servicer to manage and service the Mortgage Loans, with such content and structure and on such media as the Management Company shall determine.
- To make available upon the Management Company’s request a record of the personal data of Obligors (and third-party guarantors, if any) necessary to issue collection orders to Obligors or their guarantors or to call guarantees or to have served on Obligors the notice referred to below (hereinafter “Personal Data Record” or “PDR”), the communication of which data shall be limited by the Data Protection Act.
- Upon the Management Company’s request, to deposit the PDR before a Notary in order that it may be searched or used in due course by the Management Company in case of need in connection with the Loan servicing functions.
- In the event of the Servicer actually being substituted, to assist the Management Company and the Back-up Servicer using all reasonable efforts in the substitution process and, as the case may be, notify Obligors (and third-party guarantors, pledged asset custodians and mortgaged property insurers, if any).
- To enter into and execute all and any transactions and contracts requiring the Servicer’s involvement in order for functions to be effectively transferred to the new servicer.
- The Servicer shall bear all and any own and other third-party legal, advisory or other service costs and expenses incurred by the Management Company in discharging its duties as Back-Up Servicer Facilitator.

b) The Management Company’s commitments as Back-Up Servicer Facilitator.

The Management Company agrees to use its best efforts in order to find a Back-up Servicer where that is legally possible. The Management Company agrees to keep a record of all actions taken to find the Back-up Servicer, and the corresponding date, which shall include, but not be limited to, the following documents: analysis of potential back-up servicers, communications and discussions with the same, justification of decisions as to potential back-up servicers, legal opinions, communications with the Servicer, the CNMV, the Rating Agencies and, as the case may be, the Servicer’s receiver.

Furthermore, in the event of insolvency, liquidation or substitution of the Servicer or if the Servicer is involved in a termination process as defined in Act 11/2015 or because the Management Company deems this reasonably justified, the Management Company may demand the Servicer to notify Obligors (and third-party guarantors and mortgaged property insurers, if any) of the transfer to the Fund of the Loan receivables then outstanding, and that payments thereunder will only be effective as a discharge if made into the Treasury Account opened in the name of the Fund. However, both in the event of the Servicer failing to notify Obligors and third-party guarantors and Mortgage Loan mortgaged property insurers, if any, within five (5) Business Days of receiving the request and in the event of insolvency or liquidation of the Servicer, the Management Company itself shall notify Obligors and third-party guarantors and Mortgage Loan mortgaged property insurers, if any, directly or, as the case may be, through a new Servicer it shall have designated.

Similarly, and in the same events, the Management Company may request the Servicer to do such things and satisfy such formalities as may be necessary, including third-party notices and entries in the relevant accounting records, in order to guarantee maximum efficiency of the assignment of the Loan receivables, all on the terms given in section 3.7.2.1.7 of this Building Block.

Upon early termination of the Servicing Agreement, the outgoing Servicer shall provide the new Servicer, on demand by the Management Company and as determined thereby, with the necessary documents and data files it may have in order for the new Servicer to carry on the relevant activities.

The Servicing Agreement shall be fully terminated in the event that DBRS or Moody's should not confirm the provisional ratings assigned to each Series as final ratings by 2pm (CET) on December 15, 2015.

### **3.7.2.3 Liability of the Servicer and indemnity.**

The Servicer shall at no time have any liability whatsoever in relation to the Management Company's obligations to service and manage the Loans pooled in the Fund, in accordance with article 26.1 b) of Act 5/2015, without prejudice to the liabilities undertaken by BBVA in the Deed of Constitution of the Fund as Originator of the Loan receivables.

The Servicer takes on the obligation to indemnify the Fund or its Management Company for any damage, loss or expense resulting for the same on account of any breach by the Servicer of its obligations to service, manage and report on the Loans and custody the Mortgage Certificates and the Pass-Through Certificate supporting documents, established under the Servicing Agreement, or in the event of breach of the provisions of paragraph 3 of section 2.2.9 of this Building Block. In addition, the Servicer waives the bringing of any action holding the Fund liable.

The Management Company may take action against the Servicer where the breach of the obligation to pay to the Fund any and all principal repayment and interest and other Loan amounts paid by the Obligors owing to the Fund does not result from default by the Obligors and is attributable to the Servicer.

Upon the Loans terminating, the Fund shall, through its Management Company, retain a right of action against the Servicer until fulfilment of its obligations.

Neither Bondholders nor any other creditor of the Fund shall have any direct right of action whatsoever against the Servicer; that action shall lie with the Management Company on the terms described in this section. Notwithstanding the foregoing, under article 26.1 b) and 2 of Act 5/2015, the Management Company shall be liable to Bondholders and other creditors of the Fund for all and any losses caused to them by a breach of its obligation to service and manage the Non-Mortgage Loans pooled in the Fund.

### **3.7.2.4 Servicer's remuneration.**

In consideration of Mortgage Loan custody, servicing and management services and Mortgage Certificate and Pass-Through Certificate supporting document custody provided for in the Servicing Agreement, the Servicer shall be entitled to receive a fee in arrears on each Payment Date during the term of the Servicing Agreement, which shall accrue on the exact number of days elapsed in each Determination Period preceding the Payment Date and on the sum of the mean daily Outstanding Balance of the Loans serviced and of the daily mean net book value of the properties awarded to the Fund during that Determination Period.

If BBVA should be replaced in that servicing task, the Management Company will be entitled to change the above percentage fee for the new Servicer, which may be in excess of that agreed with BBVA. The servicing fee will be paid provided that the Fund has sufficient liquidity on the relevant Payment Date in the Priority of Payments or, upon liquidation of the fund, in the Liquidation Priority of Payments.

If the Fund should, through its Management Company, due to a liquidity shortfall in the Priority of Payments, fail to pay on a Payment Date the full fee due to the Servicer, overdue amounts shall build up without any penalty whatsoever on the fee payable on the following Payment Dates, until fully paid, as the case may be.

Furthermore, on each Payment Date, the Servicer shall be entitled to reimbursement of all Loan servicing and management expenses of an exceptional nature incurred, such as in connection with legal and/or recovery actions, including procedural expenses and costs, or managing and overseeing the sale of assets awarded to the Fund, if any, after first justifying the same. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

**3.8 Name, address and brief description of any swap, credit, liquidity or account counterparties.**

BBVA is the Fund's counterparty under the transactions listed below. The details relating to BBVA and its activities are given in section 5.2 of the Registration Document.

- (i) Treasury Account:  
Guaranteed Interest Rate Account (Treasury Account) Agreement  
Description in section 3.4.4.1 of this Building Block.
- (ii) Subordinated Loan:  
Subordinated Loan Agreement  
Description in section 3.4.3.1 of this Building Block.
- (iii) Start-Up Loan:  
Start-Up Loan Agreement  
Description in section 3.4.3.2 of this Building Block.

**4. POST-ISSUANCE REPORTING**

**4.1 Obligations and deadlines set to publicise and submit to the CNMV the periodic information on the economic and financial status of the Fund.**

As part of its Fund management and administration duty, the Management Company agrees to submit as promptly as possible or by the deadlines given, the information described hereinafter and such additional information as may be reasonably required of it.

**4.1.1 Ordinary information.**

The Management Company agrees to give the notices detailed below, observing the recurrence provided in each case.

**a) Notices to Bondholders referred to each Payment Date.**

1. Within the period comprised between the Interest Rate Fixing Date and not more than two (2) Business Days after each Payment Date, it shall proceed to notify Bondholders of the Nominal Interest Rate resulting for each Bond Series, and for the Interest Accrual Period after that Payment Date.
2. Quarterly, at least one (1) calendar day in advance of each Payment Date, it shall proceed to notify Bondholders of the following information:
  - i) Interest amounts resulting from the Bonds in each Series, along with their amortisation.
  - ii) Furthermore, and if appropriate, interest and amortisation amounts accrued by the Bonds in each Series and not settled due to a shortfall of Available Funds, in accordance with the rules of the Priority of Payments.

- iii) The Outstanding Principal Balances of the Bonds in each Series, after the amortisation to be settled on each Payment Date, and the ratios of such Outstanding Principal Balances to the initial face amount of each Bond.
- iv) Obligors' Loan principal prepayment rate during the three calendar months preceding the Payment Date.
- v) The average residual life of the Bonds in each Series estimated assuming that Loan principal prepayment rates shall be maintained.

The foregoing notices shall be made in accordance with the provisions of section 4.1.3 below and will also be served on the Paying Agent and Iberclear not less than one (1) Business Day before each Payment Date.

**b) Information referred to each Payment Date:**

In relation to the Loans at the Determination Date preceding the Payment Date:

- 1. Outstanding Balance.
- 2. Interest and principal amount of instalments in arrears.
- 3. Loan interest rate and, if the interest floats, benchmark indices.
- 4. Loan maturity years.
- 5. Outstanding Balance of Doubtful Loans and cumulative amount of Doubtful Loans from the date of establishment of the Fund.

In relation to the economic and financial position of the Fund:

- 1. Report on the source and subsequent application of the Available Funds and the Available Funds for Amortisation in accordance with the Priority of Payments of the Fund.

The above information shall be posted at the Management Company's website.

**c) Annually, the annual report:**

The annual report referred to in article 35.1 of Act 5/2015 containing, inter alia, the annual accounts (balance sheet, profit & loss account, cash flow and recognised income and expense statements, annual report and management report) and audit report shall be submitted to the CNMV within four (4) months of the close of each financial year.

**d) Quarterly, the quarterly report:**

The quarterly reports referred to in article 35.3 of Act 5/2015 shall be submitted to the CNMV to be filed in the relevant register within two (2) months of the end of each calendar quarter.

**4.1.2 Extraordinary notices.**

The following shall be the subject of an extraordinary notice:

- 1. The Nominal Interest Rate determined for the Bonds in each Series for the first Interest Accrual Period.
- 2. Other:

Pursuant to article 36 of Act 5/2015, the Management Company shall forthwith notify any particularly material event affecting the status or development of the Fund to the CNMV and its creditors. Particularly material events for the Fund shall be deemed to be those likely to materially affect the Bonds issued or the Loans.

In particular, a material event shall be considered to be any material change in the Deed of Constitution, as the case may be, termination of the establishment of the Fund or a decision in due course to proceed to Early Liquidation of the Fund and Early Amortisation of the Bond Issue in any of the events provided in this Prospectus. In the latter event, the Management Company shall also send to the CNMV the notarial certificate of termination of the Fund and the liquidation procedure followed will be as referred to in section 4.4.4 of the Registration Document.

The amendment of the Deed of Constitution shall be notified by the Management Company to the Rating Agencies and be disclosed by the Management Company through the Fund's periodic public information and be posted at the Management Company's website, as the case may be. Where required, a supplement to the Prospectus shall be prepared and disclosed as material information in accordance with the provisions of article 228 of the Securities Market Act.

#### **4.1.3 Procedure to notify Bondholders.**

Notices to Bondholders to be made by the Management Company in accordance with the above, in regard to the Fund, shall be given as follows:

1. Ordinary notices.

Ordinary notices to Bondholders shall be given by publication in the daily bulletin of AIAF Mercado de Renta Fija or any other replacement or similarly characterised bulletin, or by publication in an extensively circulated business and financial or general newspaper in Spain. The Management Company or the Paying Agent may additionally disseminate that information or other information of interest to Bondholders through dissemination channels and systems typical of financial markets, such as Reuters, Bloomberg or any other similarly characterised means.

2. Extraordinary notices.

Unless otherwise provided in the Deed of Constitution and in the Prospectus, extraordinary notices shall be given by publication in the daily bulletin of AIAF Mercado de Renta Fija or any other replacement or similarly characterised bulletin, or by publication in an extensively circulated business and financial or general newspaper in Spain, and those notices shall be deemed to be given on the date of that publication, any non-business or Business Day (as established in this Prospectus) being valid for such notices.

Exceptionally, the Nominal Interest Rate determined for the Bonds in each Series for the first Interest Accrual Period shall be notified in writing by the Management Company, by 2pm (CET) on December 15, 2015, to the Subscriber. In addition, the Management Company will also notify this to the Paying Agent, AIAF and Iberclear.

3. Notices and other information.

The Management Company may provide Bondholders with ordinary and extraordinary notices and other information of interest to them through its own Internet pages or other similarly characterised teletransmission means.

#### **4.1.4 Information to the CNMV.**

The information on the Fund shall be submitted to the CNMV using the forms currently contained in CNMV Circular 2/2009, and so will such other information as the CNMV may require of it or by the laws in force from time to time, irrespective of the above.



#### **4.1.5 Information to the Rating Agencies.**

The Management Company shall provide the Rating Agencies with periodic information as to the position of the Fund and the performance of the Loans in order that they may monitor the ratings of the Bonds and extraordinary notices. The Management Company shall also use its best efforts to provide that information when it is reasonably required to do so and, in any event, whenever there is a significant change in the conditions of the Fund, in the agreements entered into by the Fund through its Management Company or in the interested parties.

**Mario Masiá Vicente, as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, signs this Prospectus at Madrid, on December 9, 2015.**

*This is a Certified Translation into English of the Spanish Prospectus. No document other than the Spanish Prospectus registered by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.*

## GLOSSARY OF DEFINITIONS

“**Act 1/2013**” shall mean Act 1/2013, May 14, implementing measures to boost the protection of mortgagors, debt restructuring and social rentals.

“**Act 2/1981**” shall mean Mortgage Market Regulation Act 2/1981, March 25, as currently worded.

“**Act 2/1994**” shall mean Mortgage Loan Subrogation and Amendment Act 2/1994, March 30, as currently worded.

“**Act 27/2014**” shall mean Corporation Tax Act 27/2014, November 27.

“**Act 5/2015**” shall mean Encouragement of Business Financing Act 5/2015, April 27.

“**AIAF**” shall mean the organised market AIAF Mercado de Renta Fija.

“**Amortisation Withholding**” shall mean, on each Payment Date, the positive difference, if any, at the Determination Date preceding the relevant Payment Date, between the Outstanding Principal Balance of the Bond Issue and the Outstanding Balance of Non-Doubtful Loans.

“**Available Funds for Amortisation**” shall mean the amount to be allocated to Bond amortisation on each Payment Date and shall be the Amortisation Withholding amount actually applied in fourth (4<sup>th</sup>) place of the order of priority for applying the Available Funds on the relevant Payment Date.

“**Available Funds**” shall mean, in relation to the Priority of Payments and on each Payment Date, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, which shall have been credited to the Treasury Account, as established in section 3.4.6.2.1 of the Building Block.

“**Bankruptcy Act**” shall mean Bankruptcy Act 22/2003, July 9, as currently worded.

“**BBVA**” shall mean BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

“**Bond Issue**” shall mean the issue of Asset-Backed Bonds issued by the Fund having a face value of EUR seven hundred and eighty million (780,000,000.00), consisting of seven thousand eight hundred (7,800) Bonds, pooled in two Series (Series A and B).

“**Bond Paying Agent Agreement**” shall mean the Bond paying agent agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA, as Paying Agent.

“**Bonds**” or “**Asset-Backed Bonds**” shall mean Series A Bonds and Series B Bonds issued by the Fund.

“**Business Day**” shall mean any day other than a public holiday in the city of Madrid or non-business day in the TARGET 2 calendar (or replacement calendar).

“**Cash Reserve**” shall mean the Initial Cash Reserve set up on the Closing Date and subsequently provisioned up to the Required Cash Reserve amount.

“**Civil Procedure Act**” shall mean Civil Procedure Act 1/2000, January 7.

“**Closing Date**” shall mean December 16, 2015, the date on which the Bond subscription cash amount shall be paid up.

“**CNMV**” shall mean National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

“**Companies Act**” shall mean Legislative Royal Decree 1/2010, July 2, approving the consolidation of the Companies Act

“**CPR**” shall mean the effective constant annual early amortisation or prepayment rate at which average lives and durations of the Bonds are estimated in this Prospectus.

“**DBRS Rating**” shall mean the public rating assigned by DBRS to, or, where there is no such rating, the private ratings or the internal assessments made by DBRS of, an institution’s debt obligations.

“**DBRS**” shall mean DBRS Ratings Limited.

“**Deed of Constitution**” shall mean the public deed recording the establishment of the Fund, assignment to the Fund of Non-Mortgage Loan receivables and Mortgage Loan receivables, the latter by means of the issue of and subscription by the Fund for Mortgage Certificates and Pass-Through Certificates, and the issue by the Fund of the Asset-Backed Bonds.

“**Delinquent Loans**” shall mean Mortgage Loans that are delinquent with a period of arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Loans.

“**Deloitte**” shall mean Deloitte, S.L.

“**Determination Dates**” shall mean the dates falling on the fifth (5<sup>th</sup>) Business Day preceding each Payment Date. The first Determination Date shall be April 13, 2016.

“**Determination Period**” shall mean the exact number of days elapsed between every two consecutive Determination Dates, each Determination Period excluding the beginning Determination Date and including the ending Determination Date. Exceptionally: (i) the duration of the first Determination Period shall be equal to the days elapsed between the date of establishment of the Fund, inclusive, and the first Determination Date, April 13, 2016, inclusive, and (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which Early Liquidation of the Fund concludes, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), not including the first date but including the last date.

“**Distribution of Available Funds for Amortisation**” shall mean the rules for applying the Available Funds for Amortisation between each Series on each Payment Date established in section 4.9.3.5 of the Securities Note.

“**Doubtful Loans**” shall mean Loans that at a date are delinquent with a period of arrears equal to or greater than eighteen (18) months in payment of overdue amounts or classified as suspense accounts or bad debts by the Management Company because there are reasonable doubts as to their full repayment based on indications or information obtained by the Servicer.

“**Early Amortisation**” shall mean final Bond amortisation on a date preceding the Final Maturity Date in the Early Liquidation Events of the Fund in accordance with and subject to the requirements established in section 4.4.3 of the Registration Document.

“**Early Liquidation Events**” shall mean the events contained in section 4.4.3 of the Registration Document in which the Management Company, following notice duly served on the CNMV, is entitled to proceed to early liquidation of the Fund.

“**Early Liquidation of the Fund**” shall mean liquidation of the Fund and thereby Early Amortisation of the Bond Issue on a date preceding the Final Maturity Date, in the events and subject to the procedure established in section 4.4.3 of the Registration Document.

“**EDW**” shall mean European DataWarehouse.

**“Euribor”** shall mean the Euro Interbank Offered Rate, currently calculated and distributed by Global Rate Set Systems Ltd (GRSS) appointed by the European Money Markets Institute (“EMMI”) and EURIBOR ACI, which is the term interbank deposit offered rate in Euros calculated as the daily average of the quotations supplied for fifteen maturity terms by a panel currently consisting of several Banks, from among the most active banks in the Euro zone. The rate is quoted based on a count of the actual days to maturity and a 360-day year, and is set at 11am (CET), accurate to three decimal places. Euribor definitions approved by EMMI and EURIBOR ACI supplementing the current definition of Euribor shall be considered included for the purpose of the Euribor Reference Rate without having to amend these Reference Rate terms or have the Management Company notify Bondholders.

**“EUROPEA DE TITULIZACIÓN”** shall mean the Management Company that will establish, manage and be the authorised representative of the Fund and has, together with BBVA, structured the financial terms of the Fund and of the Bond Issue. As a securitisation fund management company, its duty is to service and manage the Loans under article 26.1.b) of Act 5/2015, pursuant to which it is the management company’s duty to service and manage the assets pooled in the Fund. Notwithstanding the foregoing, the Management Company may delegate such servicing to third parties and, additionally, in the case of the Mortgage Loans, under article 26.3 and additional provision one of Royal Decree 716/2009. BBVA shall continue to be the custodian and servicer of the Mortgage Loans and the Pass-Through Certificates and the Non-Mortgage Loans, by virtue of the Management Company’s delegated authority.

**“Final Maturity Date”** shall mean the final Bond amortisation date, i.e. January 20, 2048 or the following Business Day if that is not a Business Day.

**“Financial Intermediation Agreement”** shall mean the agreement designed to remunerate BBVA for the financial intermediation process carried out, enabling the financial transformation defining the Fund’s activity, assignment to the Fund of the Loan receivables and the ratings assigned to each Bond Series, entered into between the Management Company, for and on behalf of the Fund, and BBVA.

**“Fund”** shall mean BBVA-10 PYME FONDO DE TITULIZACIÓN.

**“Guaranteed Interest Rate Account (Treasury Account) Agreement”** shall mean the guaranteed interest rate account (Treasury Account) agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA.

**“Iberclear”** shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.

**“Initial Cash Reserve”** shall mean the Cash Reserve set up on the Closing Date by drawing down the Subordinated Loan amount totalling EUR thirty-nine million (39,000,000.00).

**“Interest Accrual Period”** shall mean the exact number of days elapsed between every two consecutive Payment Dates, including the beginning Payment Date, but not including the ending Payment Date. Exceptionally, (i) the duration of the first Interest Accrual Period shall be equivalent to the exact number of days elapsed between the Closing Date, December 16, 2015, inclusive, and the first Payment Date, April 20, 2016, exclusive, and (ii) the duration of the last Interest Accrual Period shall be equivalent to the exact number of days elapsed between the last Payment Date before liquidation of the Fund, inclusive, and the liquidation date, exclusive.

**“Interest Rate Fixing Date”** shall mean the second Business Day preceding each Payment Date.

**“IRR”** shall mean internal rate of return as defined in section 4.10.1 of the Securities Note.

**“Issuer”** shall mean the Fund.

**“Lead Manager”** shall mean BBVA, lead manager of the Bond Issue.

**“Liquidation Available Funds”** shall mean, in relation to the Liquidation Priority of Payments, on the Final Maturity Date or upon Early Liquidation, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, as follows: (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the Loan receivables and of the assets remaining and (iii) additionally, as the case may be, the loan, as provided for in section 4.4.3.3.(iii) of the Registration Document.

**“Liquidation Priority of Payments”** shall mean the order in which the Liquidation Available Funds shall be applied to meet the payment or withholding obligations on the Final Maturity Date or upon Early Liquidation of the Fund.

**“Loan Servicing and Mortgage Certificate and Pass-Through Certificate Custody Agreement”** or **“Servicing Agreement”** shall mean the Loan custody, servicing and management and Mortgage Certificate and Pass-Through Certificate supporting document custody agreement entered into between the Management Company, in its own name and on behalf of the Fund, and BBVA, as Servicer.

**“Loans”** shall mean the Mortgage Loans and the Non-Mortgage Loans granted by BBVA to SMEs whose receivables are assigned to the Fund.

**“LTV”** shall mean the ratio, expressed as a percentage, of the outstanding principal amount of a mortgage loan to the appraisal value of the mortgaged properties (original appraisal for the mortgage loans to be granted or, where the capital arranged for is extended, a new subsequent appraisal for the extension, adjusted, as the case may be, pro rata to the current mortgage loan balance with respect to the total current balance of all the similarly ranked mortgage loans sharing the same mortgage security).

**“Management and Subscription Agreement”** shall mean the management and subscription agreement entered into between the Management Company, for and on behalf of the Fund, and BBVA as Lead Manager and BBVA as Subscriber of the Bond Issue.

**“Management Company”** shall mean EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

**“Moody’s”** shall mean both Moody’s Investors Service España, S.A. and Moody’s Investors Service Limited, the parent company of the group in which Moody’s Investors Service España, S.A. belongs.

**“Mortgage Loans”** shall mean the Loans with real estate mortgage security perfected in a public deed.

In this Prospectus the term “Mortgage Loans” shall be used to refer collectively to the Mortgage Loans or the Mortgage Certificates or the Pass-Through Certificates perfecting the assignment of their receivables.

**“Nominal Interest Rate”** shall mean the nominal interest rate, floating quarterly and payable quarterly, applicable to each Series and determined for each Interest Accrual Period, which shall be the higher of: (i) zero per cent (0.00%); and (ii) the result of adding: (a) the Reference Rate, and (b) a margin for each Series, as detailed in section 4.8.1.2 of the Securities Note.

**“Non-Delinquent Loans”** shall mean Loans that are not deemed to be either Delinquent Loans or Doubtful Loans.

**“Non-Doubtful Loans”** shall mean Loans that are not deemed to be Doubtful Loans at a date.

**“Non-Mortgage Loans”** shall mean Loans without special security, loans with other non-real estate collaterals and/or loans with third-party personal guarantees, whose receivables are assigned by BBVA to the Fund upon being sold by BBVA and acquired by the Fund.

**“Obligors”** shall mean the Mortgage Loan borrowers and their guarantors and sureties thereunder.

**“Originator”** shall mean BBVA, originator of the Non-Mortgage Loan receivables and the Mortgage Loan receivables by issuing Mortgage Certificates and Pass-Through Certificates.

**“Outstanding Balance of the Loans”** shall mean the sum of outstanding capital or principal and overdue capital or principal not paid into the Fund for each and every one of the Loans.

**“Outstanding Principal Balance of the Bond Issue”** shall mean the sum of the Outstanding Principal Balance of both Series A and B making up the Bond Issue.

**“Outstanding Principal Balance of the Series”** shall mean, at a date, the sum of the outstanding principal to be repaid (outstanding balance) at a date on all the Bonds making up the Series.

**“Pass-Through Certificates”** shall mean the ineligible Mortgage Loan Pass-Through Certificates issued by BBVA and subscribed for by the Fund.

**“Paying Agent”** shall mean the firm servicing the Bonds. The Paying Agent shall be BBVA (or any other institution taking its stead as Paying Agent).

**“Payment Date”** shall mean January 20, April 20, July 20 and October 20 in each year or the following Business Day if any of those is not a Business Day. The first Payment Date shall be April 20, 2016.

**“Priority of Payments”** shall mean the order in which the Available Funds shall be applied and the Available Funds for Amortisation will be distributed on each Payment Date to meet the Fund’s payment or withholding obligations.

**“Rating Agencies”** shall mean DBRS, Moody’s and Scope.

**“Reference Rate”** shall mean, other than for the first Interest Accrual Period, three- (3-) month Euribor fixed at 11am (CET) on the Interest Rate Fixing Date, or, if this Euribor rate should not be available or be impossible to obtain, the substitute rates for which provision is made in section 4.8.1.3 of the Securities Note. The Reference Rate for the first Interest Accrual Period shall mean three- (3-) month Euribor fixed at 11am (CET) on the Business Day preceding the Closing Date, or, upon the failure or impossibility to obtain this Euribor rate, the substitute rate for which provision is made in section 4.8.1.3 of the Securities Note.

**“Regulation (EC) No. 809/2004”** shall mean Commission Regulation (EC) No. 809/2004, April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as currently worded.

**“Regulation 575/2013”** shall mean Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of June 26, 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012.

**“Regulation 1060/2009”** shall mean Regulation no. 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, as currently worded.

**“Required Cash Reserve”** shall mean, on each Payment Date, the lower of: (i) EUR thirty-nine million (39,000,000.00) and (ii) the higher of a) 10.00% of the Outstanding Principal Balance of the Bond Issue and b) EUR nineteen million five hundred thousand (19,500,000.00). Notwithstanding the above, the Required Cash Reserve shall not be reduced on the relevant Payment Date and shall remain at the Required Cash Reserve amount on the preceding Payment Date whenever any of the circumstances provided for in section 3.4.2.2.1 of the Building Block concur on the Payment Date.

**“Royal Decree 116/1992”** shall mean Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14, as currently worded.

**“Royal Decree 1310/2005”** shall mean Royal Decree 1310/2005, November 4, partly implementing Securities Market Act 24/1988, July 28, in regard to admission to trading of securities in official secondary markets, public offerings for sale or subscription and the prospectus required for that purpose, as currently worded.

**“Royal Decree 716/2009”** shall mean Royal Decree 716/2009, April 24, implementing certain aspects of Mortgage Market Regulation Act 2/1981, March 25, and other mortgage and financial system rules, as currently worded.

**“Royal Decree 878/2015”** shall mean Royal Decree 878/2015, October 2, on the clearing, settlement and entry of marketable securities represented by means of book entries, on the legal system of central securities depositories and on central counterparty entities and on transparency requirements for securities issues admitted to trading on an official secondary market.

**“Royal Decree-Act 1/2015”** shall mean Royal Decree-Act 1/2015, February 27, on a second chance mechanism, reduction of the financial burden and other social measures.

**“Royal Decree-Act 6/2012”** shall mean Royal Decree-Act 6/2012, March 9, on urgent measures for the protection of insolvent mortgage obligors.

**“Scope”** shall mean Scope Ratings A.G.

**“Securities Market Act”** shall mean Legislative Royal Decree 4/2015, October 23, approving the consolidation of the Securities Market Act.

**“Series A Bonds”** shall mean Series A Bonds issued by the Fund having a total face amount of EUR five hundred and ninety-six million seven hundred thousand (596,700,000.00) comprising five thousand nine hundred and sixty-seven (5,967) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A”** shall mean Series A Bonds issued by the Fund.

**“Series B Bonds”** shall mean Series B Bonds issued by the Fund having a total face amount of EUR one hundred and eighty-three million three hundred thousand (183,300,000.00) comprising one thousand eight hundred and thirty-three (1,833) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series B”** shall mean Series B Bonds issued by the Fund.

**“Servicer”** shall mean BBVA, as (i) Non-Mortgage Loan Servicer, under the authority delegated to it by the Management Company, and (ii) Mortgage Loan Servicer, as issuer of the Mortgage Certificates and the Pass-Through Certificates, as established in article 26.3 and additional provision one of Royal Decree 716/2009; all in accordance with the Loan Servicing and Mortgage Certificate and Pass-Through Certificate Custody Agreement, and notwithstanding the Management Company’s liability under article 26.1 b) of Act 5/2015.

**“SMEs”** shall mean entities which, whatever their legal form may be, or where the entity is part of a consolidated group, the consolidated group, carry on business with an annual turnover below EUR 50 million, as defined by the Bank of Spain in Technical Application no. 3/2013.

**“Start-Up Loan Agreement”** shall mean the commercial subordinated loan agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA, totalling EUR two million six hundred thousand (2,600,000.00).

**“Start-Up Loan”** shall mean the loan granted by BBVA to the Fund, in accordance with the provisions of the Start-Up Loan Agreement.

**“Subordinated Loan Agreement”** shall mean the commercial subordinated loan agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA, totalling EUR thirty-nine million (39,000,000.00).

**“Subordinated Loan”** shall mean the loan granted by BBVA to the Fund, in accordance with the provisions of the Subordinated Loan Agreement.

**“Subscriber”** shall mean BBVA and the Bond Issue subscriber.



**“Treasury Account Provider”** shall mean BBVA or the substitute institution in which the Treasury Account is opened.

**“Treasury Account”** shall mean the financial account in Euros opened initially at BBVA in the Fund’s name, in accordance with the provisions of the Guaranteed Interest Rate Account (Treasury Account) Agreement, through which the Fund will make and receive all payments.