

PROSPECTUS

November 2014

# BBVA RMBS 14 FONDO DE TITULIZACIÓN DE ACTIVOS

ISSUE OF ASSET-BACKED BONDS  
EUR 700,000,000

		<u>MOODY'S / S&amp;P</u>
Series A	EUR 637,000,000	A1 (sf) / A- (sf)
Series B	EUR 63,000,000	Ba2 (sf) / B- (sf)

Backed by pass-through certificates issued on mortgage loans by



*Lead Manager and Subscriber*



*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 November 20, 2014

*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*), 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 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 building block in addition to the Securities Note, 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 RMBS 14 FONDO DE TITULIZACIÓN DE ACTIVOS (the “Fund” and/or the “Issuer”) is a separate, closed-end fund (closed assets and liabilities) devoid of legal personality and, in accordance with Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, as currently worded (“Royal Decree 926/1998”), is managed by a securitisation fund 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 discharge for the Fund the functions attributed to it in Royal Decree 926/1998, which include representing and enforcing Bondholders’ interests as the manager of third-party portfolios. There shall be no syndicate of bondholders. Therefore, 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 19 of Royal Decree 926/1998, the Management Company shall, where is adjudged insolvent or has its licence to operate as a securitisation fund management company revoked by the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (the “CNMV”), 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, 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 Mortgage Loan Obligors who may have defaulted on their payment obligations or against BANCO BILBAO VIZCAYA ARGENTARIA, S.A. as originator of the Mortgage 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 Mortgage 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 whatsoever 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 Mortgage Loan receivables and the Fund Management Company may be declared insolvent.

Pursuant to Additional Provision 5 of Act 3/1994, April 14, adapting Spanish laws in the matter of Credit Institutions to the Second Banking Coordination Directive and introducing other financial system changes, as currently worded (“Act 3/1994”), the assignment to the Fund of the Mortgage Loan receivables by issuing the Pass-Through Certificates can only be rescinded or contested as provided for in article 71 of Bankruptcy Act 22/2003, July 9, as currently worded (the “Bankruptcy Act”) by the receivers, who shall have to prove the existence of fraud.

If however the Deed of Constitution should be deemed to satisfy the requirements set in Additional Provision Three of Act 1/1999, January 5, regulating risk capital companies and their managers, the assignment to the Fund of the Mortgage Loan receivables by issuing the Pass-Through Certificates could be liable to be rescinded in accordance with the general system provided for under article 71 of the Bankruptcy Act. Article 71.5 however actually provides for a specific case of transactions made at arm's length in the originator's ordinary course of business that cannot be rescinded under any circumstances. No case law however exists allowing the court's construction of the regulations contained in the Bankruptcy Act on the subject to be known.

In addition, 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 Pass-Through Certificates, 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 Pass-Through Certificate and Mortgage Loan amounts from the date on which insolvency is decreed, for those amounts will be considered to be the Fund's property, through its Management Company, and must therefore be transferred to the Management Company, representing the Fund. 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.

In the event of insolvency of the Management Company, it must be replaced by another management company in accordance with the provisions of article 19 of Royal Decree 926/1998.

Notwithstanding all of the above, the insolvency of any party involved (be that BBVA, the Management Company or any other Fund counterparty institution) may in any event affect its contractual relations 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.

### **b) Liquidity.**

As set out in the preceding section, given that the Originator will fully subscribe for the Bond Issue and even in the event that the Bond Issue should hereafter be fully or partially disposed of, 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 consideration.

Moreover, the Fund may in no event repurchase the Bonds from Bondholders. Nevertheless, the Bonds 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 Mortgage Loan prepayment (CPR) and delinquency rates that may not be fulfilled, and to future market interest rates, given the floating nature of the Nominal Interest Rate of each Series.

Mortgage 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 these subordination rules shall protect Series A Bondholders from the risk of loss.

The first partial amortisation of Series B Bonds shall occur once Series A Bonds have been fully amortised. Based on the assumptions made in section 4.10 of the Securities Note, and assuming 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 Mortgage Loans is less than 10% of the initial Outstanding Balance upon the Fund being established, Series B Bonds shall be amortised on the Payment Dates falling on [March 24, 2033] for a 1% CPR of the Mortgage Loans, on [September 24, 2032] for a 2% CPR of the Mortgage Loans, and on [June 24, 2032] for a 3% CPR of the Mortgage Loans.

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

**f) Bond Rating.**

The credit risk of the Bonds in each Series issued by the Fund has been assessed by the credit rating agencies Moody's and S&P (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.

**g) Provisional ratings not confirmed.**

The Rating Agencies' failure to confirm the provisional ratings given to the Bonds in each Series by 2pm (CET) on November 25, 2014 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) Mortgage Loan default risk.**

Holders of the Bonds in each Series shall distinctly bear the risk of default on the Mortgage Loans pooled in the Fund upon BBVA issuing and the Fund subscribing for the Pass-Through Certificates.

BBVA, as Originator, shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Mortgage Loans. As provided for under article 348 of the Commercial Code, BBVA will be liable to the Fund exclusively for the existence and lawfulness of the Mortgage Loans upon being assigned and for the personality with which the Pass-Through Certificates will be issued, on the terms and conditions declared and set out in the Deed of Constitution and in this Prospectus. BBVA will have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed nor give any guarantees or security, nor indeed agree to repurchase the Mortgage Loan Pass-Through Certificates, other than the undertakings contained in section 2.2.9 of the Building Block regarding substitution or redemption of Pass-Through Certificates when any of these or the underlying Mortgage Loans 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 Mortgage Loans might reduce or indeed exhaust the limited hedging against Mortgage 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 each Series derived from the Priority of Payments and the Liquidation Priority of Payments is a mechanism for distinctly hedging the Series.

**d) Mortgage Loan prepayment risk.**

There will be an early amortisation of the Pass-Through Certificates pooled in the Fund when Obligors prepay the portion of Mortgage Loan capital not yet due, or in the event that BBVA should be substituted in the relevant Mortgage Loans by any other financial institution licensed to do so, or in any other event having the same effect.

That early amortisation risk shall pass quarterly on each Payment Date to Bondholders by the partial amortisation of the Bonds, in accordance with the terms for amortisation of each Series and in 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.**

BBVA's mortgage delinquency rate for Officially Protected Homes (VPO) at September 30, 2014 (1.04%) and, in any event, the other assumed values referred to at the beginning of that section have been taken into account in calculating the amounts and details tabled in section 4.10 of the Securities Note. This delinquency rate (i) would not trigger a reduction of the Required Cash Reserve, as set down in section 3.4.2.2 of the Building Block, and (ii) would not result in deferment in Series B Bond interest payment.

**f) Geographical concentration.**

The number of selected mortgage loans at November 4, 2014 to be assigned to the Fund upon being established with obligors domiciled in the Community of Madrid (31.51% in terms of outstanding principal), Andalusia (17.28% in terms of outstanding principal), Castile-La Mancha (14.27% in terms of outstanding principal), and the Valencian Community (10.81% in terms of outstanding principal) is 7,535 (73.42% of all the loans) and their outstanding principal amounts to EUR 603,775,511.37 (73.88% of the total), as detailed in section 2.2.2.n) of the Building Block.

Given this concentration level, any circumstance whatsoever having a substantial adverse effect on these Autonomous Communities could affect payments of the Mortgage Loans backing the Bond Issue.

Additional provision one of Act 4/2013, October 1, of the Autonomous Community of Andalusia, on measures for ensuring fulfilment of the social function of housing ("Act 4/2013"), declares that it is of social interest to cover the housing needs of people in special social emergency circumstances who are in the midst of eviction proceedings as a result of mortgage foreclosure, providing for the forceful expropriation of the use of the home subject of those proceedings for a period of not more than three years, starting from the eviction date resolved by the competent court.

Pursuant to the aforementioned additional provision one of that Act 4/2013, the forceful expropriation of the use of homes located in Andalusia (the geographical concentration being 17.28% out of the total in terms of outstanding principal, as set out in the above paragraphs) to have been awarded to the Fund as Mortgage Loan payment in mortgage foreclosure proceedings and whose obligors are in special social emergency circumstances would affect the Fund, delaying repossession or the exercise of the rights deriving from the use and enjoyment by the Fund of those homes and, therefore, their being put on the market and sold for a period of not more than three years.

Notwithstanding the above, the Constitutional Court in banc resolved in an order dated January 14 2014 that leave be given to hear the unconstitutionality appeal sponsored by the Prime Minister against article 1 and additional provision one of Act 4/2013, which resulted in a stay of the effectiveness and application of those provisions from publication in the Official State Gazette on January 17, 2014. In addition, the Constitutional Court in banc, in a writ dated April 8, 2014, resolved that the stay of article 1 and additional provision one of Act 4/2013 be maintained, as published in the Official State Gazette on April 23, 2014.

**g) Concentration on the selected mortgage loan arrangement date.**

The selected portfolio mortgage loans arranged in the years 2008, 2009, 2010 and 2011 account for 88.44%, in terms of outstanding principal, of all the selected portfolio. The selected portfolio mortgage loans arranged in the year 2010 account for 29.08%. The weighted average age of the selected mortgage loans is 59.30 months at November 4, 2014, the portfolio selection date.

**h) Obligors.**

Out of the selected mortgage loans, 98.90%, in terms of outstanding principal, are mortgage loans granted by BBVA to Spanish individual obligors whereas the remaining 1.10% are foreign individual obligors resident in Spain.

**i) Deferral of instalments due to temporary payment stoppage triggered by the Obligor's unemployment.**

As provided for in the Royal Decrees (as defined in section 2.2.1 of the Building Block), mortgage loans whose borrowers benefit from the first-time homebuyers system shall continue to qualify as special loans and shall not fall in arrears due to temporary payment stoppage triggered by unemployment, up to not more than two or three years, depending on whether the mortgage loans respectively benefit from Housing Plan 2005-2008 or Housing Plan 2009-2012, and provided that an agreement is arrived at between the Originator and the Obligor.

Beneficiaries exceptionally deferring instalment payments shall not be entitled to receive the subsidy during that period, in which the subsidy shall not accrue. Accrual and payment of the subsidy shall be resumed upon mortgage loan repayment being resumed. Those circumstances (instalment payment stoppage and resumption) shall in any event be notified in writing by the Originator to the Public Works Ministry and to the Fund.

Deferred payment of the aforementioned instalments could affect the average life of Series A and B Bonds.

**j) Impact of Act 1/2013.**

Act 1/2013, May 14, implementing measures to boost the protection of mortgagors, debt restructuring and social rentals ("Act 1/2013") introduces a number of measures which may affect recovery of unpaid Mortgage Loan debt and, therefore, the Fund, mainly as follows:

- The two-year stay of eviction in awards of the main residence of people who are in the specially vulnerable and financial circumstances provided for would delay repossession by the Fund of any such residences and therefore their marketing and sale.
- The limitation of default interest applicable to Mortgage Loans for the purchase of the main residence reduces the default interest amount recoverable in Mortgage Loans where the agreed default interest exceeds three times the legal interest of money.

- Where a court holds that one or several Mortgage Loan clauses are abusive, it may extend or invalidate the recovery proceedings and reduce the amount which may be claimed by the Fund.
- In the event of a mortgaged home being awarded at an amount below the Mortgage Loan debt, the obligor may be released from liability with respect to 35% of the outstanding debt where payment of 65% is covered within five years thereafter or with respect to 20% where payment of 80% is covered within ten years thereafter, and the amounts which the Fund may claim from obligors subsequently to the award may be reduced.
- At an auction with no bidders of the main residence upon Mortgage Loan foreclosure, the Fund may not request the award of the home at a percentage below 70 percent of the auction value if the total debt is above that percentage, compared to 60 percent before Act 1/2013, and therefore the amounts which may be claimed from obligors subsequently to the award will be reduced in that case.

In addition, application to the Mortgage Loans of the measures laid down in the Best Practice Code, as amended by Act 1/2013, on the terms set out in section 3.7.2.1.6 of the Building Block to this Prospectus, could delay collection (restructuring plan including payment exclusions or extended deadlines, etc.) and reduce the amounts to be claimed by the Fund (restructuring plan including lower interest rates, reduced amounts, deed in lieu of foreclosure fully cancelling the rest of the debt, etc.).

**k) Diminished appraised value.**

BBVA considers that the value appraised when all selected mortgage loans were granted has fallen by more than 20%.

## **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 RMBS 14 FONDO DE TITULIZACIÓN DE ACTIVOS, 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 October 22, 2014.

#### **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 Fund's annual accounts and their audit report shall be filed with the Companies Register and 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. The designation of an auditor for a given period shall not preclude the 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 fiscal year shall match a calendar year. However, the first fiscal year will exceptionally begin on the date of establishment of the Fund and the last fiscal 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 asset 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 RMBS 14 FONDO DE TITULIZACIÓN DE ACTIVOS" and the following short names may also be used without distinction to identify the Fund:

- BBVA RMBS 14 FTA
- BBVA RMBS 14 F.T.A.

##### **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, neither the establishment of the Fund nor the Bonds issued backed by its assets shall be entered in the Companies Register, in pursuance of the facultative authority for which provision is made in article 5.4 of Royal Decree 926/1998.

##### **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 Mortgage Loan receivables, shall proceed to execute on November 24, 2014 a public deed whereby BBVA RMBS 14 FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BBVA will assign Mortgage Loan receivables to the Fund by issuing Pass-Through Certificates subscribed for by the Fund, and the Fund will issue the Asset-Backed Bonds (the "**Deed of Constitution**"), on the terms provided in article 6 of Royal Decree 926/1998.

The Management Company represents that the contents of the Deed of Constitution shall match the contents of 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 Mortgage Loan Pass-Through Certificates which are to be issued and subscribed for under the Deed of Constitution.

As provided for in article seven of Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7, as currently worded ("**Act 19/1992**"), 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 June 24, 2055 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 of this Registration Document 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 Mortgage Loans yet to be repaid is less than ten (10) percent of the initial Outstanding Balance of the Mortgage 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 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, as provided for in article 11.b) of Royal Decree 926/1998 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 statutory term for that purpose, if any, or otherwise a four-month term should elapse without a new management company having 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 the holders of the Bonds in each and every Series and of all lenders and other 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 of the Bonds 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 Mortgage 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 Pass-Through Certificates remaining in the Fund at a reasonable market value price, initially not less than the sum of the principal still outstanding plus interest accrued and not paid on the relevant Mortgage 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 Pass-Through Certificates 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 value 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 Pass-Through Certificates and for the assets on offer. In order to set the reasonable market value, the Management Company may secure 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 Pass-Through Certificates 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 Pass-Through Certificates 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 and at no event constitutes an agreement or undertaking to repurchase the Pass-Through Certificates by BBVA.

- 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 outstanding Series, which shall be applied to honouring the payment obligations for the Bonds in those Series.

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

The Fund shall terminate in any case, after the relevant legal procedure is carried out and concluded, in the following events:

- (i) Upon the Pass-Through Certificates pooled therein being fully amortised.
- (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 June 24, 2055 or the following Business Day if that is not a Business Day).
- (v) Upon the establishment of the Fund terminating in the event that the Rating Agencies should not confirm any of the provisional ratings assigned to each Bond Series as final ratings by 2pm (CET) on November 25, 2014. In this event, the Management Company shall terminate the establishment of the Fund, subscription for 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 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 Fund 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 Mortgage Loan receivables that are pending the outcome of court or out-of-court proceedings instituted as a result of default by the Mortgage Loan Obligor, both their continuation and the proceeds of their termination shall be for the Originator.

Upon a period of three (3) months elapsing from liquidation of the Fund's remaining assets and distribution of the Liquidation Available Funds and in any event by the Final Maturity Date, the Management Company may proceed to terminate the Fund and 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 1.1 of Royal Decree 926/1998, the Fund has no own legal personality and the Management Company is entrusted with establishing, managing and being the authorised representative of the Fund, and, as manager of third-party portfolios, with representing and enforcing the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors.

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) Royal Decree 926/1998 and implementing regulations, (ii) Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, (iii) Additional Provision Five of Act 3/1994, (iv) Securities Market Act 24/1988, July 28, as currently worded (the "**Securities Market Act**"), (v) Mortgage Market Regulation Act 2/1981, March 25 ("**Act 2/1981**"), (vi) Royal Decree 716/2009, April 24, implementing certain aspects of Act 2/1981 and other mortgage and financial system rules ("**Royal Decree 716/2009**"), (vii) Royal Decree 1310/2005, November 4, partly implementing the Securities Market Act 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**"), (viii) Regulation 809/2004, and (ix) 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 1.2 of Royal Decree 926/1998, additional provisions one of Royal Decree 716/2009; article 7.1.h) of the Consolidation of the Corporation Tax Act approved by Legislative Royal Decree 4/2004, March 5, article 20.One.18 of Value Added Tax Act 37/1992, December 28, article 59.k of the Corporation Tax Regulations approved by Royal Decree 1777/2004, July 30, article 45.I.B), 15 and 20, of the Consolidation of the Capital Transfer and Documents Under Seal Tax Act approved by Legislative Royal Decree 1/1993, September 24, Additional Provision Five of Act 3/1994, and Personal Income Tax Act 35/2006, November 28, partly amending the Corporation, Non-Resident Income

and Wealth Tax Acts, and all other applicable laws and regulations, 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 entered into by the Fund are subject to and exempt from the “corporate transactions” category of Capital Transfer and Documents under Seal 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 the Consolidation of the Corporation Tax Act, applying the general rate in force from time to time, which currently stands at 30%, 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 provides that securitisation funds must make valuation adjustments for impairment in the value of financial assets. The amendment made by Act 2/2010, March 1, to article 12.2 of the consolidation of the Corporation Tax Act, approved by Legislative Royal Decree 4/2004, March 5, provides 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 mortgage securitisation funds and asset securitisation funds shall be laid down by way of implementing regulations. Until such implementing regulations are established, the aforesaid Act 2/2010 has introduced a Transitional Provision thirty-one in the consolidation of the Corporation Tax Act, which makes provision for a transitional tax system whereby the set criteria for credit institutions regarding deductibility of the specific client insolvency risk cover shall apply.

- (iv) Returns on investments obtained by securitisation funds are subject to the general Corporation Tax withholding system, a particular feature being that article 59 k) of the Corporation Tax Regulations approved by Royal Decree 1777/2004, July 30, 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 establishment and assignment of security is subject to the general tax system and no special provision is made for securitisation funds.
- (vii) Assignment of the Mortgage Loan receivables by issuing the Pass-Through Certificates subscribed for by the Fund 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 and its implementing regulations and Act 2/1981 and its implementing regulations.
- (viii) The reporting duties established by Additional Provision One of Credit Institution Arrangement, Supervision and Capital Requirements Act 10/2014. June 26, shall apply to the Fund.

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 and as worded by Royal Decree 1145/2011, July 29, amending those General Regulations.

#### **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 set of pass-through certificates (the "**Pass-Through Certificates**") issued by BBVA on mortgage loans owned by BBVA granted to individuals residing in Spain with senior ranked real estate mortgage security, on protected or finished protected or officially protected homes (and annexes -parking spaces and lumber rooms- if any) located in Spain (each of them a "**Mortgage Loan**" and, collectively, the "**Mortgage Loans**") and to issue asset-backed bonds (either the "**Asset-Backed Bonds**" or the "**Bonds**"), the subscription for which shall be designed to finance the acquisition of the Pass-Through Certificates.

(In this Registration Document and elsewhere in the Prospectus the term "Mortgage Loans" shall be used in some definitions to generically refer to the Pass-Through Certificates perfecting the assignment of the Mortgage Loan receivables, other than where reference is made specifically to the Pass-Through Certificates as such or to the documents representing the same.)

Mortgage Loan interest and repayment income received by the Fund shall be allocated quarterly on each Payment Date to interest payment and principal repayment on the Bonds on the specific terms of each series A and B (collectively, the "**Series**" and each one of them individually the "**Series**") making up the Bond Issue and 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 financial structure of the Fund, enhance the safety or regularity in payment of the Bonds, cover timing differences between the scheduled principal and interest flows on the Mortgage Loans and the Bonds, and, generally, enable the financial transformation carried out in respect of the Fund's assets between the financial characteristics of the Mortgage 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.

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

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

- BBVA is the Originator of the Mortgage Loan receivables to be assigned to the Fund upon being established by issuing and subscribing for the Pass-Through Certificates, 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 Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Mortgage Loan Servicing and Pass-Through Certificate Custody, Financial Intermediation and Bond Paying Agent Agreements.

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: Paseo de la Castellana number 81, 28046 Madrid.

Gran Vía number 1, 48001 Bilbao

Calle de Saucedo number 28, 28050 Madrid

Ratings for BBVA's short- and long-term unsecured and unsubordinated debt obligations assigned by the Rating Agencies:

	<b>Moody's Ratings</b>	<b>S&amp;P Ratings</b>
<b>Short-term</b>	P-2 (July 2014)	A-2 (June 2014)
<b>Long-term</b>	Baa2 (July 2014)	BBB (June 2014)
<b>Outlook</b>	<i>Positive</i>	<i>Stable</i>

- Moody's Investors Service España, S.A. is one of the Rating Agencies rating each Bond Issue Series.  
Moody's Investors Service España, S.A. is a Spanish company and is affiliated to and operates in accordance with the methodology, standards and quality control of Moody's Investors Service Limited (both of them "**Moody's**" without distinction).

TIN: A-80448475

Registered Office: Príncipe de Vergara 131, 28002 Madrid (Spain)

Moody's Investors Service España, S.A. 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**").

- Standard & Poor's Credit Market Services Europe Limited, Sucursal en España is one of the Rating Agencies rating each Bond Issue Series.

Standard & Poor's Credit Market Services Europe Limited, Sucursal en España is the Branch in Spain of the English firm Standard & Poor's Credit Market Services Europe Limited, affiliated to and operating in accordance with the methodology, standards and quality control of Standard & Poor's Rating Services (either of them "**S&P**" without distinction).

TIN: W8261162E

Registered Office: Paseo de la Castellana number 7, 28046 Madrid (Spain)

Standard & Poor's Credit Market Services Europe Limited was registered and authorised on October 31, 2011 as a credit rating agency in the European Union in accordance with Regulation 1060/2009.

- The law firm J&A Garrigues, S.L.P. ("**GARRIGUES**"), an 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.

TIN: B-81709081

Registered Office: Calle Hermosilla number 3, 28001 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 mortgage loans from which the Mortgage 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

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

BBVA has an 87.5041% 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 Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, 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 document 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, 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 document 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 for its dissolution 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, 2013, 2012 and 2011 have been audited by Deloitte and are unqualified.

In addition, Deloitte has audited BBVA's individual and consolidated annual accounts for the years ended December 31, 2013, 2012 and 2011.

### 6.3 Principal activities.

The exclusive objects of EUROPEA DE TITULIZACIÓN are to establish, manage and be the authorised representative of both asset securitisation funds and mortgage securitisation funds.

EUROPEA DE TITULIZACIÓN manages 94 securitisation funds at October 31, 2014, 10 being mortgage securitisation funds and 84 being asset securitisation funds.

The following table itemises the 94 securitisation funds managed, giving their date of establishment and the face amount of the bonds issued by those funds and their outstanding principal balances as at September 30, 2014.

Securitisation Fund	Establishment	Initial Bond Issue	Bond Issue Balance 31.10.2014		Bond Issue Balance 31.12.2013		Bond Issue Balance 31.12.2012
		EUR	EUR	Δ%	EUR	Δ%	EUR
<b>TOTAL</b>		<b>130,674,074,000.00</b>	<b>48,635,447,341.33</b>	<b>-1.01%</b>	<b>49,133,231,438.93</b>	<b>-7.64%</b>	<b>53,198,158,405.18</b>
<b>Mortgage (FTH)</b>		<b>8,997,500,000.00</b>	<b>1,626,864,190.09</b>	<b>-10.44%</b>	<b>1,816,519,318.65</b>	<b>-32.92%</b>	<b>2,707,929,306.59</b>
Bankinter 12 FTH	06.03.2006	1,200,000,000.00	Liquidated		Liquidated		619,867,304.96
Valencia Hipotecario 2 FTH	07.12.2005	950,000,000.00	318,583,444.90	-11.47%	359,866,923.20	-12.00%	408,929,627.85
Bankinter 11 FTH	28.11.2005	900,000,000.00	396,670,184.79	-7.03%	426,679,902.45	-8.45%	466,053,438.64
Bankinter 7 FTH	18.02.2004	490,000,000.00	127,457,230.08	-8.26%	138,933,790.90	-9.93%	154,244,617.24
Bankinter 5 FTH	16.12.2002	710,000,000.00	139,075,131.75	-9.58%	153,811,878.94	-11.99%	174,763,197.44
Rural Hipotecario IV FTH	14.11.2002	520,000,000.00	78,343,300.80	-11.86%	88,889,509.18	-14.79%	104,315,846.15
Bancaja 4 FTH	05.11.2002	1,000,000,000.00	138,206,696.30	-10.55%	154,512,357.95	-13.02%	177,644,322.50
Bankinter 4 FTH	24.09.2002	1,025,000,000.00	194,084,734.91	-10.46%	216,756,691.49	-12.78%	248,511,950.01
Rural Hipotecario III FTH	14.05.2002	325,000,000.00	37,478,319.22	-14.33%	43,748,303.86	-17.46%	53,004,438.64
Bankinter 3 FTH	22.10.2001	1,322,500,000.00	171,809,136.59	-15.36%	202,997,099.43	-15.24%	239,495,896.56
Rural Hipotecario II FTH	29.05.2001	235,000,000.00	Liquidated		Liquidated		23,505,328.60
Bankinter 2 FTH	25.10.1999	320,000,000.00	25,156,010.75	-17.04%	30,322,861.25	-19.34%	37,593,338.00

Securitisation Fund	Establishment	Initial Bond Issue	Bond Issue Balance 31.10.2014		Bond Issue Balance 31.12.2013		Bond Issue Balance 31.12.2012
		EUR	EUR	Δ%	EUR	Δ%	EUR
<b>Asset (FTA)</b>		<b>121,376,574,000.00</b>	<b>47,008,583,151.24</b>	<b>-0.65%</b>	<b>47,316,712,120.28</b>	<b>-6.29%</b>	<b>50,490,229,098.59</b>
BBVA CONSUMO 6 FTA	15.10.2014	300,000,000.00	300,000,000.00				
BBVA RMBS 13 FTA	14.07.2014	4,100,000,000.00	4,054,904,797.00	0.00%			
Rural Hipotecario XVII FTA	03.07.2014	101,124,000.00	99,457,227.00	0.00%			
BBVA RMBS 12 FTA	09.12.2013	4,350,000,000.00	4,187,915,628.75	-3.73%	4,350,000,000.00		
BANKIA PYME I FTA	20.12.2013	645,000,000.00	456,645,261.75	-29.20%	645,000,000.00		
Rural Hipotecario XVI FTA	24.07.2013	150,000,000.00	139,662,093.75	-5.81%	148,272,056.10		
Rural Hipotecario XV FTA	18.07.2013	529,000,000.00	491,481,415.60	-5.20%	518,414,916.31		
Rural Hipotecario XIV FTA	12.07.2013	225,000,000.00	207,064,068.75	-5.69%	219,567,390.75		
BBVA Securitised Funding 1 FTA	11.03.2013	850,000,000.00	661,009,720.00	-22.23%	850,000,000.00		
BBVA-9 PYME FTA	24.12.2012	470,000,000.00	258,930,160.00	-23.40%	338,028,200.00	-28.08%	470,000,000.00
BBVA RMBS 11 FTA	11.06.2012	1,400,000,000.00	1,266,508,185.60	-4.44%	1,325,381,979.60	-4.31%	1,385,045,356.80
Rural Cédula I FTA	09.03.2012	1,000,000,000.00	Liquidated		Liquidated		1,000,000,000.00
Valencia Activos 1 FTA	24.01.2012	1,313,000,000.00	Liquidated		Liquidated		953,345,414.84
BBVA Empresas 6 FTA	19.12.2011	1,200,000,000.00	438,188,050.80	-29.29%	619,655,835.60	-31.66%	906,686,971.20
BBVA RMBS 10 FTA	20.06.2011	1,600,000,000.00	1,426,229,088.00	-3.81%	1,482,672,745.60	-3.46%	1,535,816,342.40
BBVA Empresas 5 FTA	14.03.2011	1,250,000,000.00	412,683,942.50	-17.19%	498,323,067.50	-27.94%	691,536,477.50
MBS BANCAJA 8 FTA	23.12.2010	450,000,000.00	346,417,068.15	-6.42%	370,186,599.60	-9.12%	407,340,751.05
BBVA Consumo 5 FTA	20.12.2010	900,000,000.00	Liquidated		Liquidated		653,197,680.00
MBS BANCAJA 7 FTA	23.07.2010	875,000,000.00	674,756,201.00	-6.32%	720,262,109.00	-7.94%	782,388,818.75
BBVA Empresas 4 FTA	19.07.2010	1,700,000,000.00	299,655,600.00	-24.76%	398,249,990.00	-37.72%	639,461,120.00
BBVA RMBS 9 FTA	19.04.2010	1,295,000,000.00	1,063,477,957.50	-3.62%	1,103,462,118.50	-4.83%	1,159,438,364.00
BBVA Empresas 3 FTA	21.12.2009	2,600,000,000.00	323,586,926.00	-26.41%	439,738,039.00	-39.32%	724,657,427.00
BBVA Consumo 4 FTA	09.12.2009	1,100,000,000.00	166,221,461.40	-36.61%	262,215,498.26	-43.20%	461,633,062.85
Rural Hipotecario XII FTA	04.11.2009	910,000,000.00	626,235,322.60	-7.01%	673,419,648.70	-9.19%	741,610,270.72
Bancaja Leasing 1 FTA	22.10.2009	800,000,000.00	333,820,160.00	-10.75%	374,048,518.40	-18.66%	459,831,161.60
VAL Bancaja 1 FTA	27.05.2009	300,000,000.00	213,512,539.83	-6.79%	229,064,138.92	-8.59%	250,589,832.27
Bancaja - BVA VPO 1 FTA	03.04.2009	390,000,000.00	247,462,436.70	-9.96%	274,831,794.06	-9.43%	303,442,444.50
PYME Valencia 2 FTA	13.03.2009	500,000,000.00	Liquidated		Liquidated		178,507,602.00
BBVA Empresas 2 FTA	09.03.2009	2,850,000,000.00	502,387,183.68	-21.43%	639,446,570.16	-30.90%	925,441,740.00
Rural Hipotecario XI FTA	25.02.2009	2,200,000,000.00	1,326,968,086.18	-8.50%	1,450,215,066.30	-10.46%	1,619,574,325.93
MBS Bancaja 6 FTA	02.02.2009	1,000,000,000.00	591,151,988.00	-9.60%	653,910,560.80	-13.19%	753,257,358.40
Valencia Hipotecario 5 FTA	17.12.2008	500,000,000.00	Liquidated	-100.00%	330,907,388.00	-13.24%	381,387,786.80
Bancaja 13 FTA	09.12.2008	2,895,000,000.00	1,979,541,090.67	-8.43%	2,161,749,298.81	-9.33%	2,384,255,734.22
PYME Bancaja 7 FTA	10.10.2008	1,100,000,000.00	Liquidated		Liquidated		339,925,156.88
Bankinter 4 FTPYME FTA	15.09.2008	400,000,000.00	128,074,630.80	-19.01%	158,137,683.40	-18.07%	193,007,619.20
BBVA-8 FTPYME FTA	21.07.2008	1,100,000,000.00	137,214,583.31	-20.76%	173,169,886.34	-31.55%	253,004,418.65
Rural Hipotecario X FTA	25.06.2008	1,880,000,000.00	1,054,995,959.36	-8.76%	1,156,267,798.08	-9.75%	1,281,247,318.72
BBVA RMBS 5 FTA	26.05.2008	5,000,000,000.00	3,068,146,945.00	-4.93%	3,227,376,510.00	-7.07%	3,473,006,620.00
BBVA Consumo 3 FTA	14.04.2008	975,000,000.00	68,523,393.90	-38.81%	111,989,597.85	-43.94%	199,771,051.35
BBVA-7 FTGENCAT FTA	11.02.2008	250,000,000.00	24,089,271.93	-32.03%	35,441,609.49	-26.18%	48,011,449.56
Valencia Hipotecario 4 FTA	21.12.2007	978,500,000.00	Liquidated		Liquidated		683,115,598.52
Bankinter 3 FTPYME FTA	12.11.2007	617,400,000.00	192,316,813.83	-12.82%	220,597,490.40	-17.14%	266,240,220.06
BBVA Empresas 1 FTA	05.11.2007	1,450,000,000.00	82,683,965.43	-40.92%	139,961,241.60	-33.80%	211,409,728.48
FTPYME Bancaja 6 FTA	26.09.2007	1,027,000,000.00	132,067,069.99	-17.87%	160,802,572.30	-17.87%	195,781,583.31
BBVA RMBS 3 FTA	23.07.2007	3,000,000,000.00	2,039,014,961.85	-3.58%	2,114,644,751.25	-4.15%	2,206,218,117.00
PYME Valencia 1 FTA	20.07.2007	865,300,000.00	143,548,700.80	-12.41%	163,880,066.56	-14.60%	191,891,277.64
Bancaja 11 FTA	16.07.2007	2,022,900,000.00	1,133,098,438.30	-7.22%	1,221,245,867.90	-8.36%	1,332,644,151.70
BBVA Leasing 1 FTA	25.06.2007	2,500,000,000.00	250,875,388.42	-19.95%	313,382,311.36	-26.86%	428,474,670.28
BBVA-6 FTPYME FTA	11.06.2007	1,500,000,000.00	104,285,958.95	-24.09%	137,376,852.64	-37.82%	220,944,959.20
BBVA Finanzia Autos 1 FTA	30.04.2007	800,000,000.00	40,094,060.64	-45.77%	73,932,260.00	-40.34%	123,917,974.40
MBS Bancaja 4 FTA	27.04.2007	1,873,100,000.00	766,124,623.20	-11.74%	867,987,260.66	-12.20%	988,556,514.82
Rural Hipotecario IX FTA	28.03.2007	1,515,000,000.00	726,577,938.35	-8.23%	791,709,372.12	-10.33%	882,919,085.37
BBVA RMBS 2 FTA	26.03.2007	5,000,000,000.00	2,752,734,960.00	-5.23%	2,904,606,720.00	-6.40%	3,103,285,680.00
BBVA RMBS 1 FTA	19.02.2007	2,500,000,000.00	1,414,554,540.00	-4.60%	1,482,708,080.00	-5.65%	1,571,465,000.00
Bancaja 10 FTA	26.01.2007	2,631,000,000.00	1,352,763,328.70	-5.77%	1,435,645,285.20	-9.38%	1,584,331,437.50
BBVA Consumo 2 FTA	27.11.2006	1,500,000,000.00	56,247,922.40	-46.03%	104,216,127.62	-47.21%	197,424,231.10
Ruralpyme 2 FTPYME FTA	24.11.2006	617,050,000.00	91,114,304.85	-19.20%	112,767,449.76	-27.45%	155,436,189.90
Bankinter 13 FTA	20.11.2006	1,570,000,000.00	794,787,388.38	-7.74%	861,501,919.44	-7.50%	931,390,085.64
Valencia Hipotecario 3 FTA	15.11.2006	911,000,000.00	399,979,029.45	-7.57%	432,726,740.07	-10.14%	481,552,108.42
BBVA-5 FTPYME FTA	23.10.2006	1,900,000,000.00	84,957,080.13	-25.62%	114,219,254.75	-33.40%	171,509,186.01
PYME Bancaja 5 FTA	02.10.2006	1,178,800,000.00	100,606,047.40	-13.06%	115,725,000.04	-20.05%	144,749,613.68
Bankinter 2 PYME FTA	26.06.2006	800,000,000.00	151,653,898.80	-14.19%	176,728,515.40	-20.77%	223,058,139.40
Consumo Bancaja 1 FTA	26.06.2006	612,900,000.00	14,616,399.36	-23.46%	19,097,366.40	-46.40%	35,628,108.78
Rural Hipotecario VIII FTA	26.05.2006	1,311,700,000.00	517,816,549.72	-10.82%	580,670,750.52	-10.74%	650,526,703.24
BBVA Consumo 1 FTA	08.05.2006	1,500,000,000.00	44,441,818.80	-47.82%	85,172,535.75	-43.89%	151,782,722.25
MBS Bancaja 3 FTA	03.04.2006	810,000,000.00	279,700,118.00	-7.86%	303,547,116.80	-11.81%	344,196,319.60
Bancaja 9 FTA	02.02.2006	2,022,600,000.00	757,053,770.00	-7.02%	814,198,420.00	-10.97%	914,571,180.00
BBVA Autos 2 FTA	12.12.2005	1,000,000,000.00	32,938,685.25	-45.24%	60,154,516.00	-46.49%	112,413,951.55
EdT FTPYME Pastor 3 FTA	05.12.2005	520,000,000.00	19,134,457.12	-22.62%	24,729,482.53	-32.90%	36,853,151.50
Rural Hipotecario Global I FTA	18.11.2005	1,078,000,000.00	348,456,579.04	-12.45%	398,019,714.73	-11.56%	450,044,933.05

Securitisation Fund	Establishment	Initial Bond Issue	Bond Issue Balance 31.10.2014		Bond Issue Balance 31.12.2013		Bond Issue Balance 31.12.2012
		EUR	EUR	Δ%	EUR	Δ%	EUR
BBVA-4 PYME FTA	26.09.2005	1,250,000,000.00	29,537,112.84	-26.34%	40,098,493.32	-31.24%	58,317,666.27
Bankinter 10 FTA	27.06.2005	1,740,000,000.00	649,791,800.75	-6.97%	698,510,855.45	-8.92%	766,897,823.29
MBS Bancaja 2 FTA	27.06.2005	809,200,000.00	204,138,308.16	-8.91%	224,114,744.72	-12.57%	256,322,268.48
BBVA Hipotecario 3 FTA	13.06.2005	1,450,000,000.00	85,444,133.92	-26.05%	115,545,213.39	-35.04%	177,877,037.75
Rural Hipotecario VII FTA	29.04.2005	1,100,000,000.00	329,526,762.00	-9.64%	364,697,004.48	-12.10%	414,883,935.55
Bancaja 8 FTA	22.04.2005	1,680,100,000.00	522,901,610.80	-9.34%	576,751,213.18	-10.57%	644,886,934.82
Bankinter 9 FTA	14.02.2005	1,035,000,000.00	359,303,750.75	-9.61%	397,500,283.92	-9.34%	438,438,842.62
BBVA-3 FTPYME FTA	29.11.2004	1,000,000,000.00	14,556,430.62	-43.11%	25,587,706.14	-44.21%	45,865,077.14
Ruralpyme 1 FTPYME FTA	23.11.2004	214,000,000.00	Liquidated		Liquidated		22,449,450.40
BBVA Autos 1 FTA	25.10.2004	1,000,000,000.00	Liquidated		Liquidated		10,081,044.00
FTPYME Bancaja 3 FTA	11.10.2004	900,000,000.00	29,807,769.57	-26.09%	40,329,875.20	-24.82%	53,641,656.52
Bancaja 7 FTA	12.07.2004	1,900,000,000.00	464,847,555.20	-8.24%	506,616,918.92	-10.97%	569,061,855.46
Rural Hipotecario VI FTA	07.07.2004	950,000,000.00	242,925,273.83	-12.10%	276,350,954.18	-11.78%	313,238,820.31
MBS Bancaja 1 FTA	17.05.2004	690,000,000.00	78,044,400.60	-14.00%	90,747,080.88	-18.97%	111,987,643.74
Valencia Hipotecario 1 FTA	23.04.2004	472,000,000.00	98,822,327.30	-11.91%	112,185,470.91	-14.40%	131,054,401.95
Bankinter 8 FTA	03.03.2004	1,070,000,000.00	281,424,660.45	-8.36%	307,088,538.01	-10.56%	343,352,648.80
Bancaja 6 FTA	03.12.2003	2,080,000,000.00	374,914,429.76	-8.84%	411,270,258.36	-11.57%	465,084,397.44
Rural Hipotecario V FTA	28.10.2003	695,000,000.00	145,835,666.94	-10.11%	162,241,044.44	-12.55%	185,534,300.30
Bankinter 6 FTA	25.09.2003	1,350,000,000.00	351,965,429.88	-8.61%	385,119,051.45	-10.95%	432,478,967.09
FTPYME Bancaja 2 FTA	19.09.2003	500,000,000.00	17,495,991.65	-28.78%	24,565,274.15	-29.01%	34,602,897.20
Bancaja 5 FTA	14.04.2003	1,000,000,000.00	158,452,756.35	-12.83%	181,777,165.65	-12.32%	207,311,985.20
Bancaja 3 FTA	29.07.2002	520,900,000.00	106,143,657.20	-14.96%	124,812,686.60	-19.95%	155,919,014.67
BCL Municipios I FTA	21.06.2000	1,205,000,000.00	61,540,080.00	-22.53%	79,440,630.00	-22.26%	102,188,130.00

#### 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)	30.09.2014*	31.12.2013	Δ%	31.12.2012
<b>Equity</b>	<b>31,736,426.20</b>	<b>29,122,908.50</b>	<b>11.74%</b>	<b>26,063,642.39</b>
Capital	1,803,037.50	1,803,037.50	0.00%	1,803,037.50
Reserves	29,933,388.70	27,319,871.00	12.61%	24,260,604.89
Legal	360,607.50	360,607.50	0.00%	360,607.50
Voluntary	29,572,781.20	26,959,263.50	12.80%	23,899,997.39
<b>Year's profit</b>	<b>3,032,870.50</b>	<b>4,355,862.83</b>	<b>-14.57%</b>	<b>5,098,776.85</b>

\* The information at September 30, 2014 has not been audited.

#### 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 Royal Decree 926/1998, 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 Asset 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>	Sergio Fernández-Pacheco Ruiz-Villar(*) (**)
<b>Vice-Chairman:</b>	Mr Pedro María Urresti Laca (**)
<b>Directors:</b>	Mr Ignacio Echevarría Soriano (*) (**) Mr Carlos José Alsina Costa (*) (**) Mr Luis Manuel Megías Pérez (**) Mr Christian Terribas Sala (**) 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.

**Non-Director Secretary:** Ms Belén Rico Arévalo

(\*) 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 Sergio Fernández-Pacheco Ruíz-Villar, Mr Pedro María Urresti Laca, Mr Carlos José Alsina Costa, Mr Luis Manuel Megías Pérez, Mr Christian Terribas Sala and Mr Ignacio Echevarría Soriano 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 Base Management 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 and 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.	87.5041
J.P. Morgan España, S.A.	4.0000
Banco de Sabadell, S.A.	3.0737
Bankinter, S.A.	1.5623
Banco Cooperativo Español, S.A.	0.7965
Banco Popular Español, S.A.	0.7658
CaixaBank, S.A.	0.7658
BNP Paribas España, S.A.	0.7658
Bankia, S.A.	0.3829
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	0.3829
	100.0000

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 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 mortgage loans from which the Mortgage Loans will be taken in order for their receivables to be mostly assigned to the Fund upon being established;
- e) the Rating Agencies' letters notifying the provisional and final ratings assigned to each Bond Issue Series;
- f) the letter from BBVA taking responsibility, with the Management Company, for the Securities Note (including the Building Block);
- g) the notarial certificate recording payment of the Bond Issue, once the Bond Issue is paid up;
- h) the Fund's annual accounts and the relevant audit reports;
- 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 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 addition, the documents listed in a) to h) 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 RMBS 14 FONDO DE TITULIZACIÓN DE ACTIVOS, 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 October 22, 2014.

Ms Patricia Cuenllas Arias and Mr Ángel Tejada Calvo, duly authorised for these presents, for and on behalf of BANCO BILBAO VIZCAYA ARGENTARIA S.A., Lead Manager of the Bond Issue by BBVA RMBS 14 FONDO DE TITULIZACIÓN DE ACTIVOS, take responsibility for the contents of this Securities Note (including the Building Block).

Ms Patricia Cuenllas Arias is acting as attorney-in-fact for the Lead Manager BBVA using the powers conferred on her before Notary Mr José Ignacio Uranga Otaegui on May 8, 2001, his document number 1855.

Mr Ángel Tejada Calvo is acting as attorney-in-fact for the Lead Manager BBVA using the powers conferred on him before Notary Mr Ramón Corral Beneyto on November 13, 2009, his document number 3090.

##### **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 Patricia Cuenllas Arias and Mr Ángel Tejada Calvo 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 Bond Issue is made with the intention of being 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.

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.
- 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 Mortgage Loan receivables by issuing the Pass-Through Certificates to be pooled in and subscribed for by the Fund.
- d) BBVA is involved as Lead Manager and as Subscriber of the Bond Issue.
- e) BBVA is involved as Bond Issue Paying Agent and shall be the Fund's counterparty under the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Mortgage Loan Servicing and Pass-Through Certificate Custody and Financial Intermediation Agreements.
- f) Deloitte has audited certain features and attributes of a sample of all of BBVA's selected mortgage loans from which the Mortgage Loans will be taken to be assigned to the Fund upon being established.
- g) GARRIGUES, 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.
- h) Moody's and S&P 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**") is EUR seven hundred million (700,000,000.00), consisting of seven thousand (7,000) Bonds denominated in Euros and comprised of two Series, as follows:

- a) Series A having a total face amount of EUR six hundred and thirty-seven million (637,000,000.00) comprising six thousand three hundred and seventy (6,370) 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**").
- b) Series B having a total face amount of EUR sixty-three million (63,000,000.00) comprising six hundred and thirty (630) 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**").

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

The Bonds are issued at 100 percent of their face value. The issue price of each Bond in 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.

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

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

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

BBVA shall receive no fee whatsoever for subscribing for Bond Issue.

BBVA shall be involved as Lead Manager in the Bond Issue and shall receive no fee whatsoever for managing the Bond Issue.

The Management and Subscription Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each Series as final ratings by 2pm (CET) on November 25, 2014 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) Royal Decree 926/1998 and implementing regulations, (ii) Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, (iii) Additional Provision Five of Act 3/1994, (iv) the Securities Market Act and applicable implementing regulations, (v) Act 2/1981, (vi) Royal Decree 716/2009, (vii) Regulation 809/2004, (viii) Royal Decree 1310/2005, and (ix) 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. Unipersonal (“**Iberclear**”), the institution in charge of the accounting record, in accordance with article 11 of Royal Decree 116/1992. In this connection, and for the record, the Deed of Constitution shall have the effects prescribed by article 6 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 Bond interest payment 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 Bond principal repayment in each Series in the Fund priority of payments.**

The Amortisation Withholding amount designed for amortising the Bonds as a whole without distinction between Series 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 be, for each Series, 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 Mortgage 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 Mortgage 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**”) each Series shall be payable by interest periods in arrears on each Payment Date or on the liquidation date on the Outstanding Principal Balance 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, November 26, 2014, inclusive, and the first Payment Date, March 24, 2015, 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:

- (i) zero; and
- (ii) the result of adding:
  - (a) the Reference Rate, as established in the following section, and

(b) a margin for each Series as follows:

- **Series A:** 0.30% margin.
- **Series B:** 0.40% 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 each Bond 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 the THOMPSON REUTERS financial information system under an FBE (“Fédération Bancaire de l’Union Européene”) mandate, 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 the FBE and the Financial Markets Association (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 paragraphs 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 November 26, 2014 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 March 24, June 24, September 24 and December 24 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 4.8.1.2 of this Securities Note.

The first interest Payment Date for the Bonds in each Series shall be March 24, 2015, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, November 26, 2014, inclusive, and March 24, 2015, 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 Bondholders 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 in each Series 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 June 24, 2055, 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 each Bond Series.**

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

Series A Bond principal shall be amortised by partial amortisation on each Payment Date, 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 section 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 Series A Bonds shall occur on the first Payment Date, March 24, 2015, 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 (June 24, 2055 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 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 section 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 (June 24, 2055 or the following Business Day if that is not a Business Day), notwithstanding possible full amortisation before this date due to the partial amortisation for which provision is made or because 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 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 for each Series established in sections 4.9.2.1 and 4.9.2.2 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 March 16, 2015.

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, March 16, 2015, 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, on which the Pass-Through Certificates and the assets remaining in the Fund have been liquidated and all the Liquidation Available Funds have been distributed in the Liquidation Priority of Payments of the Fund, 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 Mortgage Loans.**

The outstanding balance (the “**Outstanding Balance**”) of a Mortgage Loan at a date 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 Mortgage Loan at that date.

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

Delinquent Mortgage Loans (the “**Delinquent Mortgage Loans**”) shall be deemed to be Mortgage Loans that are delinquent at a date with a period of arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Mortgage Loans. Non-delinquent Mortgage Loans (the “**Non-Delinquent**”

**Mortgage Loans**”) shall be deemed to be Mortgage Loans that at a date are not deemed to be either Delinquent Mortgage Loans or Doubtful Mortgage Loans.

Doubtful Mortgage Loans (the “**Doubtful Mortgage Loans**”) shall be deemed to be Mortgage Loans that are delinquent at a date with a period of arrears equal to or greater than eighteen (18) months in payment of overdue amounts or classified as 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 Mortgage Loans (the “**Non-Doubtful Mortgage Loans**”) shall be deemed to be Mortgage 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 and without distinguishing among the different Series (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 June 24, 2055 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 4.9.2 to 4.9.4 of this Securities Note, proceeding to amortise any or both Bond Issue 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 Mortgage Loan repayment schedule and system as established in the relevant contracts.
- ii) The Obligors’ capacity to prepay the Mortgage Loans in whole or in part and the aggregate prepayment pace throughout the life of the Fund. In this sense, Mortgage 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 shall apply to the Mortgage Loans resulting in the repayment amount on every instalment differing.
- iv) The Obligor's delinquency in payment of Mortgage 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:

- Mortgage Loan interest rate: 2.741% (matching the weighted average interest rate as at November 4, 2014 of the selected mortgage loan portfolio which has been used for calculating the repayment and interest instalments of each of the selected mortgage loans);
- Mortgage Loan portfolio delinquency: 1.04% of the Outstanding Balance of the Mortgage Loans - BBVA's Officially Protected Homes mortgage delinquency rate at September 30, 2014-, with 70% recoveries within 18 months of becoming delinquent, the remaining loans not recovered becoming doubtful;
- Mortgage Loan portfolio doubtful rate: 0.31% per annum (obtained from BBVA's Officially Protected Homes mortgage delinquency rate at September 30, 2014 contained in the preceding point and from the percentage of unrecovered loans), with 70% recovery per annum of Outstanding principal of the Doubtful Mortgage Loans within 18 months of becoming doubtful; the cumulative Mortgage Loan portfolio doubtful rates from the establishment of the Fund with respect to the initial Outstanding Balance of the Mortgage Loans upon the Fund being established being: [1.97]% for a 1% CPR; [1.80]% for a 2% CPR; and [1.68]% for a 3% CPR;
- that the Mortgage Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is November 26, 2014; and
- that there is no extension of the term or deferment of payment of instalments of any of the selected mortgage loans.

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 ([0.080]%) at [November 17, 2014], and the margins set for each Series in section 4.8.1.2 of this Securities Note:

	Series A Bonds	Series B Bonds
<b>Nominal interest rate</b>	0.380%	0.480%

The weighted average interest rate of the mortgage loans selected as at November 4, 2014, as detailed in section 2.2.2.1) of the Building Block, is 2.741%, which is above the 0.389% weighted average nominal interest rate of the Bonds that has been presumed for hypothetical purposes for the first Interest Accrual Period.

#### **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 Mortgage 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 of similarly characterised loans previously securitised by BBVA, would be as follows:

<b>% CPR:</b>	<b>1.00%</b>	<b>2.00%</b>	<b>3.00%</b>
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<b>Series A Bonds</b>			
<b>Average life (years)</b>	9.48	8.76	8.11
<b>IRR</b>	0.386%	0.386%	0.386%
<b>Duration (years)</b>	9.23	8.53	7.91
<b>Final maturity</b>	24 03 2033	24 09 2032	24 06 2032
<b>(in years)</b>	18.34	17.84	17.59

<b>Series B Bonds</b>			
<b>Average life (years)</b>	18.34	17.84	17.59
<b>IRR</b>	0.488%	0.488%	0.488%
<b>Duration (years)</b>	17.47	17.02	16.79
<b>Final maturity</b>	24 03 2033	24 09 2032	24 06 2032
<b>(in years)</b>	18.34	17.84	17.59

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 Mortgage Loan CPRs are assumed to be constant respectively at 1.00%, 2.00% and 3.00% 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 Mortgage Loan prepayment, delinquency and default rates.
- Whereas Bond nominal interest rates are assumed to be constant for each Series from the second Interest Accrual Period, the nominal interest rate of the Bonds in all Series floats.
- 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 Mortgage 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)  
CPR = 1%**

Payment Dates	Series A Bonds			Series B Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
<b>TOTALS</b>	<b>100,000.00</b>	<b>3,652.72</b>	<b>103,652.72</b>	<b>100,000.00</b>	<b>8,924.00</b>	<b>108,924.00</b>
26/11/2014						
24/03/2015	1,675.63	124.56	1,800.19	0.00	157.33	157.33
24/06/2015	1,297.07	95.48	1,392.55	0.00	122.67	122.67
24/09/2015	1,298.20	94.22	1,392.42	0.00	122.67	122.67
24/12/2015	1,296.49	91.95	1,388.44	0.00	121.33	121.33
24/03/2016	1,297.72	90.71	1,388.43	0.00	121.33	121.33
24/06/2016	1,304.60	90.44	1,395.04	0.00	122.67	122.67
26/09/2016	1,312.45	91.12	1,403.57	0.00	125.33	125.33
27/12/2016	1,311.00	87.90	1,398.90	0.00	122.67	122.67
24/03/2017	1,309.64	81.92	1,391.56	0.00	116.00	116.00
26/06/2017	1,316.31	87.21	1,403.52	0.00	125.33	125.33
25/09/2017	1,317.59	83.17	1,400.75	0.00	121.33	121.33
27/12/2017	1,316.33	83.70	1,400.03	0.00	124.00	124.00
26/03/2018	1,315.18	78.86	1,394.05	0.00	118.67	118.67
25/06/2018	1,321.64	79.37	1,401.01	0.00	121.33	121.33
24/09/2018	1,322.97	78.10	1,401.08	0.00	121.33	121.33
24/12/2018	1,321.95	76.83	1,398.78	0.00	121.33	121.33
25/03/2019	1,321.02	75.56	1,396.58	0.00	121.33	121.33
24/06/2019	1,327.26	74.29	1,401.56	0.00	121.33	121.33
24/09/2019	1,328.67	73.82	1,402.49	0.00	122.67	122.67
24/12/2019	1,327.86	71.74	1,399.61	0.00	121.33	121.33
24/03/2020	1,329.40	70.47	1,399.86	0.00	121.33	121.33
24/06/2020	1,333.14	69.95	1,403.09	0.00	122.67	122.67
24/09/2020	1,334.62	68.66	1,403.28	0.00	122.67	122.67
24/12/2020	1,334.04	66.63	1,400.66	0.00	121.33	121.33
24/03/2021	1,333.54	64.63	1,398.17	0.00	120.00	120.00
24/06/2021	1,339.35	64.77	1,404.12	0.00	122.67	122.67
24/09/2021	1,340.93	63.47	1,404.39	0.00	122.67	122.67
24/12/2021	1,340.54	61.49	1,402.03	0.00	121.33	121.33
24/03/2022	1,340.27	59.54	1,399.81	0.00	120.00	120.00
24/06/2022	1,345.86	59.56	1,405.43	0.00	122.67	122.67
26/09/2022	1,347.50	59.52	1,407.02	0.00	125.33	125.33
27/12/2022	1,347.35	56.95	1,404.29	0.00	122.67	122.67
24/03/2023	1,347.30	52.61	1,399.91	0.00	116.00	116.00
26/06/2023	1,352.68	55.51	1,408.19	0.00	125.33	125.33
25/09/2023	1,354.39	52.44	1,406.83	0.00	121.33	121.33
27/12/2023	1,354.46	52.26	1,406.72	0.00	124.00	124.00
25/03/2024	1,356.29	48.74	1,405.04	0.00	118.67	118.67
24/06/2024	1,359.76	48.54	1,408.29	0.00	121.33	121.33
24/09/2024	1,361.54	47.75	1,409.29	0.00	122.67	122.67
24/12/2024	1,361.84	45.92	1,407.76	0.00	121.33	121.33
24/03/2025	1,362.24	44.12	1,406.36	0.00	120.00	120.00
24/06/2025	1,367.18	43.78	1,410.96	0.00	122.67	122.67
24/09/2025	1,369.06	42.45	1,411.51	0.00	122.67	122.67
24/12/2025	1,369.56	40.68	1,410.24	0.00	121.33	121.33
24/03/2026	1,370.19	38.93	1,409.12	0.00	120.00	120.00
24/06/2026	1,374.91	38.46	1,413.38	0.00	122.67	122.67
24/09/2026	1,376.85	37.13	1,413.98	0.00	122.67	122.67
24/12/2026	1,377.60	35.40	1,413.00	0.00	121.33	121.33
24/03/2027	1,378.45	33.70	1,412.16	0.00	120.00	120.00
24/06/2027	1,382.95	33.11	1,416.07	0.00	122.67	122.67
24/09/2027	1,384.97	31.77	1,416.75	0.00	122.67	122.67
24/12/2027	1,385.94	30.10	1,416.04	0.00	121.33	121.33
24/03/2028	1,388.09	28.76	1,416.85	0.00	121.33	121.33

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Payment Dates	Series A Bonds			Series B Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
26/06/2028	1,391.27	28.34	1,419.60	0.00	125.33	125.33
25/09/2028	1,393.36	26.09	1,419.46	0.00	121.33	121.33
27/12/2028	1,394.56	25.30	1,419.86	0.00	124.00	124.00
26/03/2029	1,395.87	22.90	1,418.78	0.00	118.67	118.67
25/06/2029	1,399.92	22.08	1,422.00	0.00	121.33	121.33
24/09/2029	1,402.11	20.73	1,422.84	0.00	121.33	121.33
24/12/2029	1,403.52	19.38	1,422.91	0.00	121.33	121.33
25/03/2030	1,405.06	18.04	1,423.10	0.00	121.33	121.33
24/06/2030	1,408.88	16.69	1,425.57	0.00	121.33	121.33
24/09/2030	1,411.13	15.50	1,426.63	0.00	122.67	122.67
24/12/2030	1,412.78	13.98	1,426.76	0.00	121.33	121.33
24/03/2031	1,414.54	12.48	1,427.03	0.00	120.00	120.00
24/06/2031	1,418.13	11.39	1,429.51	0.00	122.67	122.67
24/09/2031	1,420.44	10.01	1,430.45	0.00	122.67	122.67
24/12/2031	1,420.97	8.54	1,429.51	0.00	121.33	121.33
24/03/2032	1,419.53	7.17	1,426.71	0.00	121.33	121.33
24/06/2032	1,411.54	5.87	1,417.41	0.00	122.67	122.67
24/09/2032	1,378.20	4.50	1,382.70	0.00	122.67	122.67
24/12/2032	1,340.29	3.13	1,343.42	0.00	121.33	121.33
24/03/2033	1,915.49	1.82	1,917.31	100,000.00	120.00	100,120.00

**ESTIMATED FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER  
(AMOUNTS IN EUR)  
CPR = 2%**

Payment Dates	Series A Bonds			Series B Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
<b>TOTALS</b>	<b>100,000.00</b>	<b>3,374.85</b>	<b>103,374.85</b>	<b>100,000.00</b>	<b>8,682.67</b>	<b>108,682.67</b>
26/11/2014						
24/03/2015	2,022.71	124.56	2,147.26	0.00	157.33	157.33
24/06/2015	1,564.07	95.15	1,659.21	0.00	122.67	122.67
24/09/2015	1,557.88	93.63	1,651.51	0.00	122.67	122.67
24/12/2015	1,546.05	91.11	1,637.17	0.00	121.33	121.33
24/03/2016	1,540.11	89.63	1,629.74	0.00	121.33	121.33
24/06/2016	1,543.14	89.12	1,632.26	0.00	122.67	122.67
26/09/2016	1,545.14	89.52	1,634.66	0.00	125.33	125.33
27/12/2016	1,533.83	86.12	1,619.95	0.00	122.67	122.67
24/03/2017	1,522.72	80.03	1,602.75	0.00	116.00	116.00
26/06/2017	1,527.39	84.96	1,612.34	0.00	125.33	125.33
25/09/2017	1,521.44	80.78	1,602.22	0.00	121.33	121.33
27/12/2017	1,510.55	81.06	1,591.61	0.00	124.00	124.00
26/03/2018	1,499.91	76.16	1,576.06	0.00	118.67	118.67
25/06/2018	1,504.05	76.43	1,580.47	0.00	121.33	121.33
24/09/2018	1,498.20	74.98	1,573.18	0.00	121.33	121.33
24/12/2018	1,487.81	73.54	1,561.35	0.00	121.33	121.33
25/03/2019	1,477.62	72.11	1,549.74	0.00	121.33	121.33
24/06/2019	1,481.24	70.69	1,551.94	0.00	121.33	121.33
24/09/2019	1,475.53	70.03	1,545.56	0.00	122.67	122.67
24/12/2019	1,465.59	67.85	1,533.45	0.00	121.33	121.33
24/03/2020	1,460.14	66.45	1,526.59	0.00	121.33	121.33
24/06/2020	1,458.88	65.76	1,524.64	0.00	122.67	122.67
24/09/2020	1,453.30	64.34	1,517.64	0.00	122.67	122.67
24/12/2020	1,443.81	62.25	1,506.06	0.00	121.33	121.33
24/03/2021	1,434.52	60.19	1,494.71	0.00	120.00	120.00
24/06/2021	1,437.12	60.14	1,497.25	0.00	122.67	122.67
24/09/2021	1,431.69	58.74	1,490.43	0.00	122.67	122.67
24/12/2021	1,422.61	56.73	1,479.33	0.00	121.33	121.33
24/03/2022	1,413.76	54.75	1,468.51	0.00	120.00	120.00
24/06/2022	1,415.85	54.60	1,470.45	0.00	122.67	122.67
26/09/2022	1,410.52	54.38	1,464.90	0.00	125.33	125.33
27/12/2022	1,401.90	51.85	1,453.75	0.00	122.67	122.67
24/03/2023	1,393.48	47.75	1,441.22	0.00	116.00	116.00
26/06/2023	1,395.08	50.20	1,445.28	0.00	125.33	125.33
25/09/2023	1,389.87	47.26	1,437.13	0.00	121.33	121.33
27/12/2023	1,381.67	46.94	1,428.61	0.00	124.00	124.00
25/03/2024	1,376.70	43.62	1,420.32	0.00	118.67	118.67
24/06/2024	1,374.70	43.28	1,417.98	0.00	121.33	121.33
24/09/2024	1,369.62	42.42	1,412.04	0.00	122.67	122.67
24/12/2024	1,361.83	40.64	1,402.47	0.00	121.33	121.33
24/03/2025	1,354.25	38.90	1,393.15	0.00	120.00	120.00
24/06/2025	1,354.87	38.45	1,393.32	0.00	122.67	122.67
24/09/2025	1,349.93	37.13	1,387.07	0.00	122.67	122.67
24/12/2025	1,342.53	35.43	1,377.96	0.00	121.33	121.33
24/03/2026	1,335.35	33.77	1,369.12	0.00	120.00	120.00
24/06/2026	1,335.50	33.22	1,368.72	0.00	122.67	122.67
24/09/2026	1,330.65	31.93	1,362.58	0.00	122.67	122.67
24/12/2026	1,323.67	30.30	1,353.97	0.00	121.33	121.33
24/03/2027	1,316.89	28.71	1,345.60	0.00	120.00	120.00
24/06/2027	1,316.56	28.07	1,344.63	0.00	122.67	122.67
24/09/2027	1,311.83	26.79	1,338.62	0.00	122.67	122.67
24/12/2027	1,305.23	25.24	1,330.47	0.00	121.33	121.33
24/03/2028	1,300.71	23.99	1,324.69	0.00	121.33	121.33

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Payment Dates	Series A Bonds			Series B Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
26/06/2028	1,297.98	23.49	1,321.47	0.00	125.33	125.33
25/09/2028	1,293.35	21.49	1,314.84	0.00	121.33	121.33
27/12/2028	1,287.14	20.69	1,307.83	0.00	124.00	124.00
26/03/2029	1,281.14	18.59	1,299.73	0.00	118.67	118.67
25/06/2029	1,279.88	17.78	1,297.66	0.00	121.33	121.33
24/09/2029	1,275.36	16.55	1,291.91	0.00	121.33	121.33
24/12/2029	1,269.51	15.33	1,284.83	0.00	121.33	121.33
25/03/2030	1,263.88	14.11	1,277.98	0.00	121.33	121.33
24/06/2030	1,262.15	12.89	1,275.04	0.00	121.33	121.33
24/09/2030	1,257.71	11.81	1,269.52	0.00	122.67	122.67
24/12/2030	1,252.24	10.47	1,262.71	0.00	121.33	121.33
24/03/2031	1,246.96	9.17	1,256.13	0.00	120.00	120.00
24/06/2031	1,244.77	8.16	1,252.93	0.00	122.67	122.67
24/09/2031	1,240.41	6.95	1,247.36	0.00	122.67	122.67
24/12/2031	1,234.15	5.68	1,239.83	0.00	121.33	121.33
24/03/2032	1,226.73	4.50	1,231.23	0.00	121.33	121.33
24/06/2032	1,214.19	3.36	1,217.55	0.00	122.67	122.67
24/09/2032	2,242.50	2.18	2,244.68	100,000.00	122.67	100,122.67

**ESTIMATED FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER  
(AMOUNTS IN EUR)  
CPR = 3%**

Payment Dates	Series A Bonds			Series B Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
<b>TOTALS</b>	<b>100,000.00</b>	<b>3,124.72</b>	<b>103,124.72</b>	<b>100,000.00</b>	<b>8,560.00</b>	<b>108,560.00</b>
26/11/2014						
24/03/2015	2,372.20	124.56	2,496.76	0.00	157.33	157.33
24/06/2015	1,831.33	94.81	1,926.14	0.00	122.67	122.67
24/09/2015	1,816.45	93.03	1,909.48	0.00	122.67	122.67
24/12/2015	1,793.20	90.27	1,883.47	0.00	121.33	121.33
24/03/2016	1,778.84	88.55	1,867.39	0.00	121.33	121.33
24/06/2016	1,776.77	87.80	1,864.57	0.00	122.67	122.67
26/09/2016	1,771.78	87.94	1,859.73	0.00	125.33	125.33
27/12/2016	1,749.60	84.35	1,833.95	0.00	122.67	122.67
24/03/2017	1,727.82	78.16	1,805.98	0.00	116.00	116.00
26/06/2017	1,729.33	82.73	1,812.06	0.00	125.33	125.33
25/09/2017	1,715.23	78.43	1,793.66	0.00	121.33	121.33
27/12/2017	1,693.98	78.47	1,772.45	0.00	124.00	124.00
26/03/2018	1,673.19	73.51	1,746.70	0.00	118.67	118.67
25/06/2018	1,674.01	73.55	1,747.56	0.00	121.33	121.33
24/09/2018	1,660.28	71.94	1,732.22	0.00	121.33	121.33
24/12/2018	1,640.06	70.35	1,710.41	0.00	121.33	121.33
25/03/2019	1,620.23	68.77	1,689.00	0.00	121.33	121.33
24/06/2019	1,620.36	67.22	1,687.58	0.00	121.33	121.33
24/09/2019	1,607.06	66.38	1,673.44	0.00	122.67	122.67
24/12/2019	1,587.77	64.12	1,651.89	0.00	121.33	121.33
24/03/2020	1,574.99	62.59	1,637.58	0.00	121.33	121.33
24/06/2020	1,568.22	61.75	1,629.97	0.00	122.67	122.67
24/09/2020	1,555.33	60.23	1,615.55	0.00	122.67	122.67
24/12/2020	1,536.95	58.08	1,595.03	0.00	121.33	121.33
24/03/2021	1,518.96	55.98	1,574.93	0.00	120.00	120.00
24/06/2021	1,517.80	55.75	1,573.55	0.00	122.67	122.67
24/09/2021	1,505.34	54.27	1,559.61	0.00	122.67	122.67
24/12/2021	1,487.80	52.24	1,540.04	0.00	121.33	121.33
24/03/2022	1,470.67	50.25	1,520.92	0.00	120.00	120.00
24/06/2022	1,468.90	49.94	1,518.84	0.00	122.67	122.67
26/09/2022	1,456.78	49.57	1,506.35	0.00	125.33	125.33
27/12/2022	1,440.14	47.10	1,487.23	0.00	122.67	122.67
24/03/2023	1,423.86	43.22	1,467.07	0.00	116.00	116.00
26/06/2023	1,421.49	45.28	1,466.77	0.00	125.33	125.33
25/09/2023	1,409.74	42.47	1,452.21	0.00	121.33	121.33
27/12/2023	1,393.92	42.02	1,435.94	0.00	124.00	124.00
25/03/2024	1,382.61	38.90	1,421.51	0.00	118.67	118.67
24/06/2024	1,375.40	38.45	1,413.85	0.00	121.33	121.33
24/09/2024	1,364.01	37.54	1,401.54	0.00	122.67	122.67
24/12/2024	1,348.98	35.82	1,384.80	0.00	121.33	121.33
24/03/2025	1,334.31	34.14	1,368.45	0.00	120.00	120.00
24/06/2025	1,330.81	33.60	1,364.42	0.00	122.67	122.67
24/09/2025	1,319.80	32.31	1,352.11	0.00	122.67	122.67
24/12/2025	1,305.51	30.69	1,336.20	0.00	121.33	121.33
24/03/2026	1,291.60	29.12	1,320.72	0.00	120.00	120.00
24/06/2026	1,287.57	28.51	1,316.07	0.00	122.67	122.67
24/09/2026	1,276.85	27.26	1,304.11	0.00	122.67	122.67
24/12/2026	1,263.34	25.74	1,289.08	0.00	121.33	121.33
24/03/2027	1,250.17	24.25	1,274.42	0.00	120.00	120.00
24/06/2027	1,245.61	23.58	1,269.19	0.00	122.67	122.67
24/09/2027	1,235.22	22.37	1,257.59	0.00	122.67	122.67
24/12/2027	1,222.43	20.94	1,243.37	0.00	121.33	121.33
24/03/2028	1,212.42	19.76	1,232.18	0.00	121.33	121.33

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.

Payment Dates	Series A Bonds			Series B Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
26/06/2028	1,204.81	19.21	1,224.02	0.00	125.33	125.33
25/09/2028	1,194.73	17.44	1,212.17	0.00	121.33	121.33
27/12/2028	1,182.63	16.65	1,199.28	0.00	124.00	124.00
26/03/2029	1,170.86	14.83	1,185.68	0.00	118.67	118.67
25/06/2029	1,165.30	14.03	1,179.33	0.00	121.33	121.33
24/09/2029	1,155.53	12.91	1,168.44	0.00	121.33	121.33
24/12/2029	1,144.08	11.80	1,155.89	0.00	121.33	121.33
25/03/2030	1,132.97	10.71	1,143.68	0.00	121.33	121.33
24/06/2030	1,126.93	9.62	1,136.54	0.00	121.33	121.33
24/09/2030	1,117.42	8.63	1,126.05	0.00	122.67	122.67
24/12/2030	1,106.63	7.46	1,114.09	0.00	121.33	121.33
24/03/2031	1,096.14	6.33	1,102.47	0.00	120.00	120.00
24/06/2031	1,089.62	5.40	1,095.02	0.00	122.67	122.67
24/09/2031	1,080.37	4.35	1,084.71	0.00	122.67	122.67
24/12/2031	1,069.23	3.26	1,072.50	0.00	121.33	121.33
24/03/2032	1,057.58	2.23	1,059.82	0.00	121.33	121.33
24/06/2032	1,268.14	1.23	1,269.38	100,000.00	122.67	100,122.67

#### 4.11 Representation of security holders.

No syndicate of bondholders will be set up for the securities included in this Bond Issue.

On the terms provided for in article 12.1 of Royal Decree 926/1998, it is the Management Company's duty, as the manager of third-party portfolios, to represent and enforce the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors. Consequently, the Management Company shall make its actions conditional on their protection and observe the provisions established for that purpose from time to time.

#### 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 October 22, 2014, the Executive Committee of EUROPEA DE TITULIZACIÓN's Board of Directors resolved that:

- i) BBVA RMBS 14 FONDO DE TITULIZACIÓN DE ACTIVOS be set up in accordance with the legal system for which provision is made in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and all other legal and statutory provisions in force and applicable from time to time.
- ii) Pass-through certificates issued by BBVA on loans owned by and shown on the assets of BBVA granted by BBVA to individuals with senior ranked real estate mortgage security on protected housing or officially protected housing (and their annexes -parking spaces and/or lumber rooms- if any).
- iii) The Bonds be issued by the Fund.

###### ***Resolution to issue the Pass-Through Certificates on the Mortgage Loans:***

At a meeting held on September 24, 2014, BBVA's Board of Directors resolved to issue, once or several times, pass-through certificates and/or mortgage participation certificates on homebuyer mortgage loans granted by BBVA altogether totalling not more than EUR nine hundred million (900,000,000.00) to be subscribed for by one or several securitisation funds.

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

There is a condition precedent for the Fund to be established and the Bond Issue that this Prospectus and all other supporting documents be entered in the Official Registers of the CNMV, in accordance with the provisions of article 5.1.e) of Royal Decree 926/1998.

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 November 24, 2014 a public deed whereby BBVA RMBS 14 FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BBVA will assign the Mortgage Loan receivables to the Fund upon the Pass-Through Certificates being issued, and the Fund will issue the Asset-Backed Bonds, on the terms provided in article 6 of Royal Decree 926/1998.

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 November 26, 2014.

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

The Bond issue date shall be November 24, 2014.

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

The Bond Issue shall be fully subscribed for by BBVA.

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

The Subscriber shall subscribe for the Bond Issue on November 25, 2014 and pay to the Fund by 2pm (CET) on November 26, 2014 (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 they will be traded. 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.**

In fulfilment of the provisions of article 2.3 of Royal Decree 926/1998, 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 (“**AIAF**”), which is a qualified official secondary securities market pursuant to 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 five hundred thousand (500,000.00). 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 new 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.**

GARRIGUES, 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 mortgage loans from which the Mortgage 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, 2013, 2012 and 2011.

### **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 Mortgage Loans 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 mortgage loans from which the Mortgage 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 mortgage loans from which the Mortgage 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.**

Moody's and S&P have, respectively on November 18, 2014, assigned the following provisional ratings to each Bond Series, and expect to assign the same final ratings by 2pm (CET) on November 25, 2014.

<b>Bond Series</b>	<b>Moody's Rating</b>	<b>S&amp;P Rating</b>
Series A	A1 (sf)	A- (sf)
Series B	Ba2 (sf)	B- (sf)

If the Rating Agencies should not confirm any of the assigned provisional ratings as final by 2pm (CET) on November 25, 2014, 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.**

As described in Moody's Rating Symbols & Definitions, available at [www.moody.com](http://www.moody.com), Moody's long-term ratings reflect the probability of default with respect to the promise to pay established by contract and the expected financial loss in the event of default.

The credit ratings issued by Moody's incorporate Moody's current opinions as to the credit risk, credit or debt commitments and debt-related securities of each entity analysed and do not reflect present or past events. Moody's credit risks assess the credit risk only, but do not address non-credit risk elements, including, but not limited to, liquidity risk, market value risk or price volatility. Those non-credit risks may have a significant effect on the yield to investors.

The ratings assigned to the Bonds in each Series by S&P are an opinion as to the Fund's capacity to make timely interest and principal payments by the Final Maturity Date of those Bonds.

The Rating Agencies were registered and authorised on October 31, 2011 as credit rating agencies in the European Union in accordance with Regulation 1060/2009.

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 mortgage loans, and GARRIGUES, as independent legal adviser.

The ratings take into account the structure of the Bond Issue, the legal aspects thereof and of the issuing Fund, the characteristics of the selected mortgage 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 each Bond Series 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 the Bondholders, in accordance with the provisions of section 4.1 of the Building Block.

## **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 Pass-Through Certificates issued on the Mortgage Loans by BBVA and subscribed for by the Fund upon being established, and their Outstanding Balance shall be equal to or slightly above EUR seven hundred million (700,000,000.00), 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 Mortgage Loans allow the payments due and payable on the Series Bonds issued to be distinctly satisfied.

Nevertheless, in order to cover for potential payment defaults by securitised Mortgage 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 in each Series or other creditors of the Fund. The credit enhancement transactions are described in sections 3.4.2, 3.4.3, 3.4.4 and 3.4.7 of this Building Block.

Not all the Bonds issued have the same risk of default. Hence the different credit ratings assigned by the Rating Agency 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 the Originator's representations set out in section 2.2.8 of the Building Block in relation to the Pass-Through Certificates and the Mortgage Loans and to the Originator proper, on the information supplied by the Originator and on the audit report on certain features and attributes of a sample of the portfolio of selected mortgage loans that will mostly be assigned to the Fund.

## 2.2 Assets backing the issue.

The portfolio of selected mortgage loans from which the Mortgage Loans will be taken in order for their receivables to be mostly assigned to the Fund upon being established by having BBVA issue and the Fund subscribe for the Pass-Through Certificates comprises mortgage loans owned by BBVA granted to individuals residing in Spain with senior ranked real estate mortgage security on finished protected or officially protected homes (and, as the case may be, their annexes -parking spaces and/or lumber rooms-) located in Spain, and comprising 10,263 mortgage loans, their outstanding principal as at November 4, 2014 being EUR 817,191,902.31 and without any overdue principal because all selected loans are in good standing.

The following table sets out the details of the selected mortgage loans which have eligible or benefit financing for financing special actions under the (i) State Housing Plan 2005-2008, governed by Royal Decree 801/2005, July 1, subsequently amended by Royal Decree 14/2008, January 11 (the “**Housing Plan 2005-2008**”) and the (ii) State Housing and Renovation Plan 2009-2012, governed by Royal Decree 2066/2008, December 12 (the “**Housing and Renovation Plan 2009-2012**”) and together with the Housing Plan 2005-2008, the “**Housing Plans**”), both for the purpose of fostering citizens’ access to housing, as currently worded, respectively.

<b>Mortgage loan portfolio with eligible or benefit financing at 04.11.2014</b>				
<b>Classification by Housing Plan</b>				
<b>State Housing Plan</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Housing Plan 2005-2008	9,186	89.51	714,808,618.39	87.47
Housing and Renovation Plan 2009-2012	1,077	10.49	102,383,283.92	12.53
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

Both in the Housing Plan 2005-2008 and in the Housing and Renovation Plan 2009-2012, the eligible or benefit financing method of the selected mortgage loans with such financing is subsidisation, consisting of the Public Works Ministry (formerly the Housing Ministry) paying the Originator a number of Euros per annum for every EUR 10,000 of benefit loan. The Obligor thereby benefits from instalment subsidisation.

The following table provides the details of loans with instalment subsidisation in force at November 4, 2014, the selected portfolio selection date.

<b>Mortgage loan portfolio with eligible or benefit financing at 04.11.2014</b>				
<b>Classification by subsidisation</b>				
<b>Subsidisation</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Loans with subsidisation	4,342	42.31	343,334,044.79	42.01
Loans without subsidisation	5,921	57.69	473,857,857.52	57.99
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

The following table shows the annual subsidisation amount for every EUR 10,000 of agreed loan.

<b>Mortgage loan portfolio with eligible or benefit financing at 04.11.2014</b>				
<b>Classification by subsidisation</b>				
	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
<b>Housing Plan 2005-2008</b>	<b>9,186</b>	<b>89.51</b>	<b>714,808,618.39</b>	<b>87.47</b>
Without subsidisation	5,610	54.66	440,843,632.69	53.95
EUR 48 for every 10,000	416	4.05	35,553,954.04	4.35
EUR 78 for every 10,000	2	0.02	230,607.74	0.03
EUR 82 for every 10,000	3,134	30.54	236,191,462.89	28.90
EUR 132 for every 10,000	24	0.23	1,988,961.03	0.24
<b>Housing and Renovation Plan 2009-2012</b>	<b>1,077</b>	<b>10.49</b>	<b>102,383,283.92</b>	<b>12.53</b>
Without subsidisation	311	3.03	33,014,224.83	4.04
EUR 48 for every 10,000	57	0.56	6,156,861.27	0.75
EUR 78 for every 10,000	1	0.01	109,961.62	0.01
EUR 80 for every 10,000	11	0.11	1,026,678.03	0.13
EUR 82 for every 10,000	675	6.58	60,160,692.54	7.36
EUR 100 for every 10,000	1	0.01	86,146.24	0.01
EUR 155 for every 10,000	1	0.01	61,639.68	0.01
<b>Total obligors: 10,263</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

The Originator requests the Public Works Ministry to settle and pay the relevant State Housing Plans subsidies on a monthly basis. The average time for collecting said subsidies ranges between 4 and 6 months after being claimed. The maximum time for collecting said subsidies can be up to 3 years after being claimed.

The amounts subsidised by the Housing Plans are directly applied to interest and are only applied to repaying the mortgage loan capital in the event that those amounts exceed the interest payable by the Obligors.

Mortgage loan subsidisation is granted for an initial five-year period unless otherwise provided for in Royal Decrees 801/2005 and 2066/2008, as specified in section 2.2.1 below. In the case of the State Housing and Renovation Plan 2009-2012, subsidisation aids were suppressed from July 15, 2012, as established in article 35 of Royal Decree-Act 20/2012, July 13, on measures to guarantee budget stability and promote competitiveness ("**Royal Decree-Act 20/2012**"). In accordance with the revision of the constructive criterion of article 35 of the aforementioned Royal Decree-Act 20/2012 by the Public Works Ministry's Sub-Directorate General of Housing Policy and Aids dated August 18, 2014, financial aid for subsidisation of agreed loans benefiting from State Housing Plan 2005-2008 is recognised if the Autonomous Communities or the Cities of Ceuta and Melilla issued recognition or renewal decisions between the entry into force of Royal Decree-Act 20/2012, July 13 (i.e. July 15, 2012), and the entry into force of Act 4/2013, June 4 (i.e. June 6, 2013).

Notwithstanding the provisions of the preceding paragraphs, Mortgage Loan subsidisation amounts accrued payable by the Public Works Ministry shall be paid by BBVA to the Fund in advance on the relevant Collection Date, as established in section 3.3.5 of this Building Block.

As for the eligibility criteria for the issue of mortgage participation certificates or pass-through certificates, the selected mortgage loans will all be assigned to the Fund by means of the issue of Pass-Through Certificates, given that under article 12.7 of Royal Decree 716/2009, BBVA has taken into account that, in all the selected portfolio mortgage loans, the value of the mortgage asset has fallen short of the initial appraisal by more than 20%, the eligibility limits set in article 5 of the aforementioned Royal Decree having been exceeded. This information is consistent with the contents established in BBVA's special book register for mortgage loans and credits prepared in accordance with Royal Decree 716/2009.

The following table provides the details by credit institutions which granted the mortgage loans, for a there was a takeover merger of Unnim Banc, S.A.U. ("**UNNIM**") by BBVA in May 2013.

Originator	Mortgage loans		Outstanding principal	
		%	(EUR)	%
BBVA	10,033	97.76	794,397,632.75	97.21
UNNIM	230	2.24	22,794,269.56	2.79
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

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

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

That audit was made using sampling techniques consisting of analysing a number of transactions fewer (sample) than the full selection of mortgage 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 regarding: loan and mortgage origination, proof of protected or officially protected (VPO) housing, loan purpose, identification of the borrower, loan origination date, loan maturity date, initial loan amount, current loan balance, reference rate or benchmark index, interest rate spread, interest rate applied, mortgaged property, address of the mortgaged property, appraisal value, current loan-to-value ratio, mortgage security, arrears in payment, damage insurance and loan transfer. Selected mortgage 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.**

##### **A) Regulations applicable to protected or officially protected housing (VPO) and to the Mortgage Loans used to purchase the same**

The laws applicable on the subject are classified as follows:

- a. State laws governing the system of both publicly and privately developed officially protected housing:
  1. Officially Protected Housing Policy Royal Decree-Law 31/1978, October 31.
  2. Royal Decree 3148/1978, November 10, implementing Housing Policy Royal Decree-Law 31/1978, October 31.
  3. Building Arrangement Act 38/1999, November 5.
  4. Legislative Royal Decree 2/2008, June 20, approving the consolidation of the Land Act.
  5. Co-Operatives Act 27/1999, July 16.
  6. Royal Decree 2028/1995, December 22, establishing the requirements to be eligible for special State funding for officially protected housing developed by housing co-operatives and owners' associations under the State housing plans.
  7. Legislative Royal Decree 1/2007, November 16, approving the consolidation of the General Consumer and User Defence Act and other supplementary laws.
  8. Royal Decree 515/1989, April 21, on consumer protection as to the information to be supplied in the sale and purchase and lease of housing.
  9. General Benefits Act 38/2003, December 17.
  10. Housing Ministry Order dated November 24, 1976, reviewing certain social housing design and quality rules.

11. Housing Ministry Order dated May 20, 1969, adapting technical ordinances and building rules approved by Orders dated July 12, 1955 and February 22, 1968 to the consolidation and revised wording of officially protected housing laws and implementing regulations.
- b. Supplementary State law.
  1. Consolidation of officially protected housing laws. Royal Decree 2960/1976, November 12.
  2. Officially protected housing regulations. Decree 2114/1968, July 24.
- c. Autonomous Community laws.
- d. Municipal and State technical ordinances in regard to quality, design, rules on revisions for the disabled, rules on effect on projects or building and such others as may apply to this subject.
- e. State provisions on funding for privately developed housing and such others as may apply to this subject.
- f. State provisions on the assignment of housing and such others as may apply to this subject.
- g. State and Autonomous Community provisions on publicly developed officially protected housing and such others as may apply to this subject.

Out of the Mortgage Loans pooled in the Fund's assets, 100% has been allocated to funding private individuals for buying, building or renovating protected or officially protected housing (VPO), benefiting from the following State housing plans: Housing Plan 2005-2008 (Royal Decree 801/2005, July 1 –“**RD 801/2005**”-, subsequently amended by Royal Decree 14/2008, January 11, -“**RD 14/2008**”), and Housing and Renovation Plan 2009-2012 (Royal Decree 2066/2008, December 12 –“**RD 2066/2008**”), RD 801/2005, RD 14/2008 and RD 2066/2008 hereinafter, collectively, the “**Royal Decrees**”).

The main object of those Housing Plans is to best satisfy the needs of citizens who cannot access free housing markets using reasonable efforts.

Royal Decree 3148/1978, November 10, implementing Royal Decree-Law 31/1978, October 31, on Officially Protected Housing Policy, defines officially protected housing as follows:

*“An officially protected home shall mean any home used as a permanent usual abode with a useful floor space of not more than ninety square metres, satisfying the requirements laid down in this Royal Decree and in the rules implementing the same, and classified as such by the State through the Public Works and Planning Ministry, or by other territorial public Entities vested with this authority.”*

Both laws establish the following classification for housing qualifying as officially protected housing:

1. Privately developed officially protected housing: (i) designed to be leased; or (ii) designed to be sold.
2. Publicly developed officially protected housing: (i) designed to be leased; or (ii) designed to be sold.

In addition to the preceding classification, as laid down in the Royal Decrees, there are three subtypes of officially protected housing (VPO), if the homes are classified based on their maximum authorised sale price and beneficiaries' maximum income. In accordance with the foregoing, these may be general, special or arranged system.

Generally, officially protected housing shall have a useful floor space of not more than 90 square metres and shall at all events be used as a usual permanent abode by the recipients.

The maximum authorised sale price in the case of special system officially protected housing is less than in the general system and in the arranged system, and the general system maximum authorised sale price is less than in the arranged system. The maximum income required for beneficiaries is also lower in the special system than in the two other systems and in turn in the general system with respect to the arranged system.

The method for determining the maximum authorised sale price and beneficiaries' maximum income has changed during the life of the State regulations.

The maximum authorised sale price, per square metre of useful surface, has been calculated based on either (i) the weighted modulus in force from time to time, established annually in ministerial orders and which varies according to the town, or (ii) using the basic national price, established in a decree or by means of a Cabinet resolution, as a benchmark.

The Plan beneficiaries' maximum income shall be calculated with reference to the Multi-Purpose Income Public Indicator ("IPREM"). The maximum income under the general system shall not exceed 5.5 times the IPREM for Housing Plan 2005-2008 and 4.5 times for Housing and Renovation Plan 2009-2012. In both cases, it may not exceed 2.5 times the IPREM under the special system. Lastly, under the arranged system, the maximum income may not exceed 6.5 times the IPREM.

The Royal Decrees provide for and regulate access to the different types of financial aids or special funding, namely as follows:

#### **A. Benefit or eligible loans**

Benefit or eligible loans granted by public and private credit institutions within the framework of cooperation agreements entered into with the Public Works Ministry (formerly the Housing Ministry or Public Works, Transport and Environment Ministry). The agreements signed by the Originator with the Ministry, for each State housing plan, shall hereinafter be referred to as the "**Cooperation Agreements**".

All Mortgage Loans are eligible or benefit loans.

Characteristics of the eligible or agreed loans:

Eligible or agreed loans are loans granted by financial institutions to the buyers of protected housing under the Cooperation Agreements.

The buyer's loans may be granted directly to the same or by the buyer being subrogated to the eligible loan granted to the developer once building of the home is complete. The loan to the buyer by subrogation stops the payment-free period and payment of interest for that period of the relevant eligible loan.

Under the sale and purchase deed, the buyer will access ownership of the protected home with the responsibilities deriving from the mortgage, and must begin repaying the loan from the date thereof.

If the loan is granted directly to the buyer or beneficiary, the following terms, inter alia, laid down in the State laws applicable to protected housing shall govern:

- (a) that the protected home has been definitively classified as being an officially protected home, in the case of officially protected housing;
- (b) that the sale and purchase, award or purchase option agreement has been entered into, and duly approved by the Government, between the buyer and the developer or seller of the protected home;
- (c) that when the developer or seller has received an eligible or benefit loan for the same protected home, that loan is cancelled before the loan is granted to the buyer or beneficiary;



- (d) that six (6) months have not elapsed from the competent Authority's approval of the sale and purchase, award or purchase option agreement being jointly obtained, until the application for the eligible or benefit loan to the financial institution is processed.

The following, inter alia, are main characteristics of these benefit or eligible loans (as contained in the State laws applicable to protected housing, referred to in the Cooperation Agreements):

- (a) the maximum amount will be 80% of the maximum price of the protected home, calculated based on the useful floor space taken into account for financing purposes. If the home has a garage or annex and lumber room, associated both on paper and in the registry, the aggregate loan amount may be increased to include up to 80% of their maximum price, for financing purposes. This possibility is considered for all kinds of protected housing, including general, special and arranged system official protected housing, as the case may be;
- (b) the annual equivalent rate for loans benefiting from Housing Plan 2005-2008 will be agreed by the Cabinet of Ministers, on a proposal of the Government's Standing Committee for Economic Affairs, and the amount shall be the result of applying a reduction coefficient to the average in the last three months, based on available information, of the percentage reference rate of the mortgage loans of all credit institutions, prepared by the Bank of Spain. The reduction coefficient will be 0.9175. In the first quarter of each year the aforementioned initial equivalent rate shall be reviewed and, as the case may be, changed applying the same procedure. Loans subject to Housing and Renovation Plan 2009-2012 shall have an annual equivalent rate which may be a floating or fixed rate depending on the partner credit institution. Under that Plan, in eligible loans a variable effective interest shall be equal to 12-month Euribor published by the Bank of Spain in the "Official State Gazette" (BOE) the month before the month of the date of arrangement plus a spread of 65 basis points. In arranged fixed interest loans, the equivalent rate shall be determined in the cooperation agreements, based on a swap for a term equivalent to the term of the loan, plus a spread which shall be established in the Order issued by the Housing Ministry, calling for and selecting the credit institutions with which those cooperation agreements are to be entered into, following a resolution of the Government's Standing Committee for Economic Affairs;
- (c) capital repayment and interest instalments shall be constant (French system);
- (d) the minimum repayment term shall be twenty-five (25) years for both Housing Plans;
- (e) the loans will be secured with a mortgage or, as the case may be, such security arrangements as the financial institutions may demand.

**B. Direct financial aids:**

- a. Benefit or eligible loan subsidies;
- b. Other direct financial aids designed to help make the down payment required ("AEDE") for first-time homebuyers (RD 801/2005 and RD 2066/2008);

Characteristics of direct financial aids:

- Pursuant to the Royal Decrees, subsidisation consists of payment to the lender of part of the Loan capital repayment and interest instalment (under RD 801/2005, this is a fixed amount, calculated based on the amount of the loan granted, the borrower's family income level and the form of protected action). The Originator settles the relevant Mortgage Loan subsidisations with the State on a quarterly basis for Housing Plan 2005-2008 and on a monthly basis for Housing and Renovation Plan 2009-2012. However, there is no set frequency for payment to the Originator by the State of these amounts. Until the registration date of this Prospectus, the maximum period of delay in payments by the State to the Originator has been 36 months from accrual of such subsidisation.
- Subsidisation levels of eligible or benefit loans shall depend on several factors, namely: (i) the weighted (individual or family) income of buyers, beneficiaries, developers for their own use or tenants of official protected housing; (ii) the amount of the benefit loan; (iii) method of protection

action for the Plan benefitting from RD 2066/2008, and whether the loan is granted to first-time homebuyers (in which case it has a specific eligible financing system) for the Plan subject to RD 801/2005; (iv) whether or not the subsidisation beneficiary has a housing account on the terms laid down in the Royal Decrees proper; or (v) whether the beneficiaries belong to a large family. Under RD 801/2005, for Housing Plan 2005-2008, if subsidisation consists of a fixed amount, that shall also depend on the amount and number of benefit loan repayment instalments.

As for the Obligors, at November 4, 2014 42.01% of the outstanding nominal balance of the mortgage loans receive instalment subsidisation on the selected mortgage loans as a direct financial aid. This means that the Obligor pays to the Originator the non-subsidised part of the instalment and the State pays the subsidisation to the Originator.

- Certain buyers subject to Housing Plan 2005-2008 can benefit from the reinforced eligible financing systems for first-time homebuyers. Beneficiaries of this specific eligible financing for first-time homebuyers cannot in addition receive the AEDE and must choose between one financial aid and the other.
- Loan subsidisation shall be granted for a period of five (5) years, unless otherwise established in the Royal Decrees. The following are the main characteristics of the rules of each Plan:

Under RD 801/2005, subsidisation for borrowers with a family income not in excess of 2.5 times the IPREM shall be granted for a period of five years and may be extended for the same amount initially granted for a further period with the same maximum duration. Extension of the subsidisation period shall require that this subsidisation beneficiary apply for the extension and prove, within the fifth year of the first period, that the requirements to be eligible for the subsidisation granted are still satisfied. Those terms shall be deemed to be satisfied, as regards family income, where that income does not exceed 2.5 times the aforementioned IPREM or, if it is in excess, the average income over the two years preceding the review year, with the period for submission over, for the purpose of the Personal Income Tax return, does not represent a change in excess of 20 per cent with respect to the family income proved when the subsidisation was first granted.

#### Housing Plan 2005-2008: benefit loan instalment subsidisation

Family Income Level (F.I.)	Buyers/ Recipients	Not a large family		Large family	
		Instalment subsidisation amount	Years	Instalment subsidisation amount	Years
F.I.<2.5 times Multi-Purpose Income Public Indicator (IPREM)	Buyers of new homes under a special system and general price	EUR 82 per annum for every EUR 10,000 loaned	5 (may be extended for a further 5)	132 Euros per annum for every EUR 10,000 loaned	5 (may be extended for a further 5 but the amount shall be the same as for not a large Family)
2.5 times IPREM< F.I.<=3.5 times IPREM		EUR 48 per annum for every EUR 10,000 loaned	5	78 Euros per annum for every EUR 10,000 loaned	5

Additionally, for Housing and Renovation Plan 2009-2012, subject to RD 2066/2008, subsidisation shall be granted for an initial period of 5 years, which may be renewed for a further period of like duration and for the relevant amount, on the following terms: (i) that such renewal is applied for by the beneficiary within the fifth year of the initial period, proving that the requisite terms for the aid to be granted are still met, based on whatever the Autonomous Communities and the cities of Ceuta and Melilla may establish, and (ii) that their family income upon the application for renewal being filed at no event exceeds 4.5 times the IPREM.

Housing and Renovation Plan 2009-2012: benefit loan instalment subsidisation.

Buyer income (no. of times the IPREM)	Buyers/ Recipients	Not a large family		Large Families, single-parent families with children or dependent or disabled persons	
		Instalment subsidisation amount	Years	Instalment subsidisation amount	Years
≤ 2.5 times the IPREM	Buyers of new special system and general price homes	EUR 100 per annum for every EUR 10,000 of loan granted	5 (may be extended for a further 5)	EUR 155 per annum for every EUR 10,000 of loan granted	First five 5 (may be extended for a further 5 but the amount shall be the same as for not a large Family)
> 2.5 times the IPREM y ≤ 3.5 times the IPREM		EUR 80 per annum for every EUR 10,000 of loan granted		EUR 113 per annum for every EUR 10,000 of loan granted	
> 3.5 times the IPREM and ≤ 4.5 times the IPREM		EUR 60 per annum for every EUR 10,000 of loan granted		EUR 93 per annum for every EUR 10,000 of loan granted	

- As established in the Cooperation Agreements, in the event of termination of the loan agreement because the home does not finally qualify as an officially protected home or because the mortgage is foreclosed if the Obligor is in breach of obligations, the Originator shall stop settling the subsidy, although that will be resumed if the mortgage loan is reinstated.
- Only for buyers subject to Housing Plan 2005-2008, subject to RD 801/2005, loans taken out by those benefiting from the first-time homebuyers system shall continue to qualify as special loans and shall not fall in arrears if (principal and interest) instalment payments are exceptionally deferred by up to not more than three years upon an agreement being arrived at between the Originator and the Obligor, due to temporary payment stoppage triggered by unemployment. The first stoppage may not occur before the first three mortgage loan annual payments are fully made.
- The AEDE consist of paying the buyer once only a certain fixed amount out of the Public Works Ministry's budget based on the applicant's income level and personal or family circumstances, designed to expedite settlement of the relevant down payment, the price at which the home is sold or received, or the sum of the building and land values, in the case of a developer for own use.
- As provided for in the Housing Plans, the AEDE amount is paid to beneficiaries directly and in a single payment by the lender upon the benefit loan being arranged. Subsequently, the AEDE amounts paid are reimbursed by the Government to the lender in cash and interest-free, or within a period of not more than five (5) years, in which case the equivalent rate in force from time to time for the relevant Cooperation Agreements shall be applied.

State Housing Plan 2005-2008: direct State aids for down payment (AEDE)

Family Income Level (F.I.)	Not a large family	Large Family			Special circumstances Family units consisting of only a father or mother and children, having a disabled person, caring for a relative aged over 65, gender-based violence victims, terrorism victims, etc.
	0 to 2 children	3 children	4 children	5 or more children	
F.I.<2.5 times IPREM	EUR 7,000	EUR 10,000	EUR 10,600	EUR 11,200	EUR 7,900
2,5 times IPREM< F.I.<=3.5 times IPREM	EUR 4,000	EUR 7,000	EUR 7,600	EUR 8,200	EUR 4,900

NOTE: the aid will be increased when the home is located within a group having a declared territorial scope with a price cap in the following amounts: EUR 1,000 euros for group A, EUR 550 for group B and EUR 300 for group C.

Housing and Renovation Plan 2009-2012: direct State aids for down payment (AEDE)

Buyers' income (no. of times the IPREM)	General amounts	Young people aged below 35	Large families, single-parent families with children or dependent or disabled persons	Women who are gender-based violence victims, terrorism victims and separated or divorced persons
≤ 2.5	EUR 8,000	EUR 9,000	EUR 12,000	EUR 11,000
> 2.5 ≤ 3.5	EUR 7,000	EUR 8,000	EUR 10,000	EUR 9,000
> 3.5 ≤ 4.5	EUR 5,000	EUR 6,000	EUR 8,000	EUR 7,000

NOTE: the aid will be increased when the home is located within a group having a declared territorial scope with a price cap in the following amounts: EUR 1,200 for group A, EUR 600 for group B and EUR 300 for group C.

The Cooperation Agreements regulate the undertakings made by both parties, i.e. the State and the lender, in regard to granting the benefit or eligible loans, the operational terms for those loans to be granted and for the AEDE benefits to be paid, and the operational terms for managing loans and refunding the AEDE benefit.

Lastly, it is noteworthy that the authority to process and resolve applications for direct financial aids and manage payment of benefits lies with the Autonomous Communities and the cities of Ceuta and Melilla, in accordance with the cooperation agreements entered into between the Housing Ministry or the Public Works Ministry and the Autonomous Communities and Ceuta and Melilla.

**a) Essential features of the legal system for protected or officially protected housing (VPO)**

The legal system relating to using, conserving and making the most of officially protected housing shall last for thirty (30) years after eligibility, in accordance with article 1 of Royal Decree-Law 31/1978.

A. Meeting specific requirements to benefit from Plan aids.

A homebuyer during the period covered by its official protection system wishing to benefit from the eligible financing and the non-financial aids provided for in RD 801/2005 must meet the requirements set in the applicable laws in order to benefit from the same.

RD 801/2005 specifies that the sale or award of homes under that Plan shall be made to applicants entered in the public registers set up to that end in the Autonomous Communities and the cities of Ceuta and Melilla.

The failure to meet those requirements shall, in addition to the relevant penalties having regard to the nature of the breach, result in the loan losing its status as an eligible loan, stoppage of the subsidisation granted, and reimbursement to the General State Administration of the direct economic aids, plus the statutory interest since they were received.

As a general rule, and bearing in mind the specificities referred to in the laws applicable to protected housing under both Royal Decrees, RD 801/2005 and RD 2066/2008, the recipients of the financial aids for buying protected homes (including both the grant of eligible loans and the direct economic aids) shall, inter alia, meet the following requirements:

- that they are not the owners in fee absolute or the holders of security interests allowing them to use or enjoy any public protection home or the owners of any free market home where its market value is in excess of a given percentage of the price of the protected home;
- that their family income does not exceed the limits laid down case by case. To buy the officially protected home, recipients shall benefit from the different systems (general, special or arranged) depending on their family income. From lower to higher maximum required income, the classification would be as follows: special system official protected housing, general system official protected housing and, lastly, arranged system officially protected housing. Beneficiaries' maximum income shall be calculated with reference to the Minimum Wage (SMI) or the IPREM;
- that financial aids have not been obtained to buy a home during the ten (10) years preceding the current application for aids;
- that the protected home that has been awarded financial aids is used as the recipients' habitual and permanent residence.

B. Disposal prohibition

RD 801/2005 contains a prohibition on the sale of officially protected homes for a period of at least ten (10) years from the date on which the purchase is perfected (it is noteworthy that this is not conditional on special financing being obtained). These restrictions must also be set down in the public deed of purchase of the homes and, as the case may be, in the deeds originating the mortgage loan, and are entered in the relevant Land Registry, thereby preventing any disposal transaction from being entered in the Land Registry (the administration's control is indirectly carried out through notaries public and registrars).

Such a disposal prohibition may be rendered ineffective in the event of court auction, although in this case the relevant Autonomous Community's authorisation is not required. It will however be necessary, if financial aids have been obtained, for the benefit loan to be cancelled in the first place and for the State financial aids received to be refunded, together with statutory interest accrued from the time of receipt.

Similarly, the disposal prohibition may be rendered ineffective in the event of change of the town of residence of the owner of the home or where there are other justified reasons, subject, in this case, to the Autonomous Community or the cities of Ceuta and Melilla authorising this and, as the case may be, to the agreed loan to be cancelled and to the direct financial aids being reimbursed together with statutory interest. Notwithstanding this, if the reasons resulting in ineffectiveness of the disposal prohibition are the following: (i) large families who must buy a larger home because of an increase in the members of the family unit or a home with specific features due to subsequent disability of any of

their members, (ii) people aged over 65 wishing to move their usual and permanent abode, (iii) disabled persons or gender-violence or terrorism victims wishing to move to a house more suited to their specific needs, or (iv) persons whose justified personal circumstances require that their permanent and habitual residence be moved to a smaller home and who have, in addition, been the beneficiaries of financial aids, shall only have to cancel the benefit loan but not return the direct financial aids received or statutory interest thereon.

After the lapse of ten (10) years from the acquisition of the protected home, transfer between the living or conveyance of the use, howsoever described, of officially protected homes shall result in the loan no longer qualifying as a benefit loan, and the credit institution may, as the case may be, decide to terminate the same. However, after ten (10) years there is no longer a disposal prohibition and the home may be conveyed without any prior authorisation being required or indeed without having to return any aid whatsoever.

As for RD 2066/2008, the power to howsoever dispose of the homes and their annexes is limited before the lapse of ten (10) years from the date on which the purchase is perfected. A requirement is laid down that the an authorisation must be obtained from the Autonomous Communities and cities of Ceuta and Melilla, which may be given in the events and subject to the terms and procedures laid down by the same, other than in the case of auction and award of the home in judicial foreclosure of the loan. During that same period of time, the loan shall have to be first cancelled and, if any financial aids have been obtained, they will have to be returned to the issuing Government, together with statutory interest. In addition, that limitation shall be specifically referred to in the documents proving the sale and purchase, the award or the new construction, in the event of an individual development for own use.

As with the previous law, conveyance between the living or assignment of the use of the homes, ten (10) years after the purchase is perfected, shall result in the loan no longer being a benefit loan and in the lender being able to terminate the same. Sale and award of the homes may only be made to applicants entered in the public registers purposely established by the Autonomous Communities.

#### C. Set price

The sale price (or the price of any voluntary transfer howsoever described) during the term of the official protection system of the home should not exceed the price cap legally assessed for those homes.

The maximum sale price of home under RD 801/2005 shall be set by a resolution of the Cabinet of Ministers, who will determine a "National Base Price", and Autonomous Communities and the cities of Ceuta and Melilla may, based on that price, set the maximum amounts of sale prices, above or below the aforementioned base price, for each area, without exceeding the limits laid down in that Royal Decree.

As for RD 2066/2008, the maximum price of homes benefitting from the same shall be set based on a "basic State module" (MBE) set by the Cabinet of Ministers, and Autonomous Communities and the cities of Ceuta and Melilla shall, with reference to that MBE, set the maximum prices for each territorial sphere determined, without exceeding the price caps set in that Decree.

Notwithstanding the above, the failure to fulfil this obligation and the obligation consisting in the buyer meeting the requirements laid down by law (paragraph A above), as the Supreme Court has time and again had it in case law, only has administrative (penalties) and no civil implications, for that shall not be a ground for invalidity of the sale of the home made in breach of such requirements. In those events of breach, the State shall take action against whoever is liable for an administrative infringement (i.e., against the seller who shall have received a price over and above the set price or against the buyer who shall have purchased without satisfying the requirements established by the applicable laws).

#### D. Voluntary withdrawal is excluded from both Royal Decrees. Events of return of aids

In principle, the obligation to refund the funding granted by the State shall generally only exist where the protected homeowner voluntarily transfers the home to a third party in breach of a disposal

prohibition or statutorily imposed sale terms. Consequently, and because the owner of his or her own accord wishes that the terms by which the special funding is bound no longer be complied with, the obligation to return the direct financial aids lies with the borrower and officially protected homebuyer, for it is him or her who shall have benefited therefrom and shall have decided to waive the same.

RD 801/2005 also specifies that the failure to obtain a final qualification or declaration of the protected actions shall also result in the loan no longer qualifying as an eligible loan, in subsidisation being stopped and in the direct financial aids received being returned, together with statutory interest accrued from the time of receipt. For its part, RD 2066/2008 also lays down the requirement that final qualification be obtained as a requirement for the benefit loan to be obtained. In addition, pursuant to the Cooperation Agreements:

1. In the event of the loan agreement terminating upon final designation as officially protected housing being refused, the borrower would be bound to return the direct aids received from the State (the Cooperation Agreement entered into by the Obligor under Housing Plan 2005-2008 specifies that borrowers shall also have to pay default interest from the time of receipt of direct financial aids). In these cases, if the Originator should start foreclosure proceedings for the loan to be returned, the State shall have to be refunded the direct financial aids (plus default interest, if any) successfully recovered in the aforementioned foreclosure proceedings.
2. In the event of the loan agreement terminating due to a breach by the borrower, the Originator shall stop settlement of the subsidy. And, in these cases, if the Originator should apply for mortgage foreclosure, the direct aids received by the borrower and which the Originator is able to recover in the foreclosure proceedings would have to be returned to the State.

Specifically, the Originator would only be bound to return to the State the amount of any subsidies paid by the State to the Originator from the date of the first contractual breach by the borrower (for only thereafter will the borrower be bound to pay the full mortgage loan payment) and before the Originator stops settlement of the subsidies to the State (due to termination of the agreement) which the Originator shall have claimed and received from the borrower in the foreclosure proceedings.

#### E. Right of pre-emption and redemption

RD 801/2005 makes provision for the possibility of rights of pre-emption and redemption (i.e. rights of first refusal respectively before and after asset transfer) being included in favour of the Autonomous Community (or public entity to which the same may have assigned its rights). Those rights will have to be entered in the Land Registry.

For its part, RD 2066/2008 also makes provision for both rights albeit generally for all systems, laying down no specificity in that connection, in turn leaving Autonomous Communities without any say on the subject.

For the record, the rights of pre-emption and redemption are defined as follows:

- (i) right of pre-emption: this is a right to pre-emptive acquisition whereby the holder, in this case the Autonomous Community and the cities of Ceuta and Melilla (or public entity to which the Community assigns its rights), is entitled to acquire, with priority over any other person, a protected home which is to be sold by the owner to a third party for the same price which the third party would pay. In this connection, it is the transferor's duty to notify the Government holding that right of his or her intention to transfer the home and certain terms on which that is to take place, and the Government may exercise that pre-emptive acquisition right for a given period which shall start to count on the notice date. Once the right of pre-emption has been exercised, the Government shall be subrogated to and take over the same position of the initially intended transferee, with identical rights and obligations as the latter, provided that the same observe the laws for the time being in force.
- (ii) right of redemption: this is a right to pre-emptive acquisition whereby the holder, in this case the Autonomous Community and the cities of Ceuta and Melilla (or public entity to which the Community assigns its rights), is entitled to be subrogated to, on the same terms laid down in the sale and purchase agreement, and take over the position of the buyer of a protected home once

the transfer has been made. If, however, conveyance takes place for a price in excess of the authorised price cap, the Government shall take over the position of the protected homebuyer but, insofar as the transfer price is concerned, at the price cap only. The right of redemption is provided for as a means to ensure exercise of the right of pre-emption in a number of Autonomous Community laws, for the right of redemption arises upon the failure to notify the Government of the intention to convey in order that the Government may exercise the right of pre-emption, or if that notice is incomplete or if the transaction terms notified differ from those that have actually applied.

**b) Foreclosure of protected or officially protected housing (VPO).**

Foreclosure of a mortgage granted on an officially protected home is prosecuted as the foreclosure of any real property mortgage, observing the formalities of monetary enforcement proceedings governed by Civil Procedure Act 1/2000, January 7, as currently worded (the “**Civil Procedure Act**”), with the specialities provided for in articles 681 et seq. of that Act.

However, a number of additional formalities may sometimes be necessary in such cases of foreclosure of a mortgage encumbering an officially protected home, inter alia, the request for authorisation to the competent Autonomous Community in order to render ineffective a disposal prohibition applicable to the mortgage home. These formalities may further delay the ordinary duration of foreclosure proceedings.

Moreover, in carrying out a court auction of an officially protected home, the price caps assessed for officially protected housing should in principle be observed. In addition, bidders entitled to take part in the auction shall have to satisfy the set requirements to be a beneficiary of non-financial aids and, as the case may be, special financing. Notice of the court auction should provide potential bidders with all this information as to the terms of the auction and the requirements to bid thereat.

However, there is no uniform practice in all Spanish Courts in this connection. Some Courts require the observance of these restrictions and others do not.

Lastly, foreclosure costs should be similar to those of any foreclosure proceedings, because procedural costs are calculated based on the unpaid amount of the loan subject of the foreclosure application, and that figure does not depend on whether or not the home encumbered with the foreclosed mortgage is protected.



## 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 mortgage loan obligors.

The following table gives the concentration of the ten obligors weighing most in the portfolio of selected mortgage loans as at November 4, 2014.

Mortgage loan portfolio at 04.11.2014				
Classification by Obligor				
	Mortgage loans		Outstanding principal	
		%	(EUR)	%
Obligor 1	1	0.01	156,374.38	0.02
Obligor 2	1	0.01	155,360.50	0.02
Obligor 3	1	0.01	154,771.66	0.02
Obligor 4	1	0.01	154,431.01	0.02
Obligor 5	1	0.01	154,120.25	0.02
Obligor 6	1	0.01	153,909.41	0.02
Obligor 7	1	0.01	153,661.74	0.02
Obligor 8	1	0.01	153,631.63	0.02
Obligor 9	1	0.01	152,759.28	0.02
Obligor 10	1	0.01	152,392.36	0.02
Rest: 10,253 obligors	10,253	99.90	815,650,490.09	99.81
<b>Total 10,263 obligors</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

### b) Information regarding purpose and use of the home securing the selected mortgage loans.

The following table gives the purpose of the selected mortgage loans as at November 4, 2014.

Mortgage loan portfolio at 04.11.2014				
Classification by mortgage loan purpose				
	Mortgage loans		Outstanding principal	
		%	(EUR)	%
Acquisition of residential property or subrogation to developer financing	10,263	100.00	817,191,902.31	100.00
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

The following table gives the distribution of the selected mortgage loans by use of the home mainly securing the mortgage loan.

Mortgage loan portfolio at 04.11.2014				
Classification by use of the home				
	Mortgage loans		Outstanding principal	
		%	(EUR)	%
Main home	10,263	100.00	817,191,902.31	100.00
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

**c) Information regarding selected mortgage loan origination date.**

The following table gives the selected mortgage loan distribution according to the origination date by yearly intervals, and the weighted average, minimum and maximum age. The latest selected loan arrangement date is April 18, 2014. The average seniority weighted by the outstanding principal of the selected mortgage loans is 4.94 years at November 4, 2014.

<b>Mortgage loan portfolio at 04.11.2014</b>				
<b>Classification by loan origination year</b>				
<b>Origination year</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
2006	36	0.35	2,478,397.18	0.30
2007	963	9.38	70,216,889.59	8.59
2008	1,951	19.01	144,032,578.67	17.63
2009	2,600	25.33	205,253,364.02	25.12
2010	2,960	28.84	237,617,649.18	29.08
2011	1,485	14.47	135,791,803.09	16.62
2012	255	2.48	20,715,621.02	2.53
2013	11	0.11	913,335.87	0.11
2014	2	0.02	172,263.69	0.02
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>
	<b>59.30</b>	<b>Months</b>	<b>Weighted average age</b>	
	<b>98.93</b>	<b>Months</b>	<b>Maximum age</b>	
	<b>6.58</b>	<b>Months</b>	<b>Minimum age</b>	

**d) Information regarding selected mortgage loan principal.**

The following table gives the outstanding mortgage loan principal distribution as at November 4, 2014 by EUR 10,000 intervals, and the average, minimum and maximum amount. Intervals with no contents are not detailed.

<b>Mortgage loan portfolio at 04.11.2014</b>				
<b>Classification by outstanding principal</b>				
<b>Principal interval</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
	<b>(EUR)</b>	<b>No.</b>	<b>%</b>	<b>(EUR)</b>
10,000.00 - 19,999.99	2	0.02	30,835.47	0.00
20,000.00 - 29,999.99	1	0.01	25,532.52	0.00
30,000.00 - 39,999.99	18	0.18	672,420.97	0.08
40,000.00 - 49,999.99	464	4.52	21,823,442.81	2.67
50,000.00 - 59,999.99	1,111	10.83	61,191,900.85	7.49
60,000.00 - 69,999.99	1,713	16.69	112,086,793.52	13.72
70,000.00 - 79,999.99	2,236	21.79	168,611,605.90	20.63
80,000.00 - 89,999.99	2,181	21.25	184,446,497.20	22.57
90,000.00 - 99,999.99	949	9.25	89,195,422.08	10.91
100,000.00 - 109,999.99	835	8.14	86,928,101.22	10.64
110,000.00 - 119,999.99	396	3.86	45,369,475.76	5.55
120,000.00 - 129,999.99	186	1.81	23,272,842.05	2.85
130,000.00 - 139,999.99	124	1.21	16,609,563.01	2.03
140,000.00 - 149,999.99	36	0.35	5,234,295.86	0.64
150,000.00 - 159,999.99	11	0.11	1,693,173.09	0.21
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>
	<b>Average principal:</b>		<b>79,625.05</b>	
	<b>Minimum principal:</b>		<b>10,995.57</b>	
	<b>Maximum principal:</b>		<b>156,374.57</b>	

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

The following table gives the mortgage loan distribution according to benchmark indices applicable for determining the nominal interest rate.

<b>Mortgage loan portfolio at 04.11.2014</b>					
<b>Classification by Interest rate benchmark index</b>					
<b>Benchmark Index</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>		<b>Margin over index*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
Housing Plan 2005-2008 <sup>(1)</sup>	9,186	89.51	714,808,618.39	87.47	0.000
Housing & Ren. Plan 2009-2012 <sup>(2)</sup>	1,077	10.49	102,383,283.92	12.53	0.817
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>	

\*Average margin weighted by the outstanding principal.

(1) The annual equivalent rate shall be agreed by the Cabinet of Ministers upon a proposal by the Government's Economic Affairs Standing Committee and the amount shall be the result of applying a reduction coefficient to the average in the last three months, based on available information, of the percentage reference rate of the mortgage loans of all credit institutions, prepared by the Bank of Spain. The reduction coefficient will be 0.9175.

(2) The equivalent rate of the loans will be equal to 12-month Euribor published by the Bank of Spain in the Official State Gazette.

As specified in section 3.4.2.1 of this Building Block, the interest rate risk occurring in the Fund because the Mortgage Loans are subject, during the life of the Fund, to interest with different benchmark indices and reset and settlement periods with respect to the interest established for the Bonds based on 3-month Euribor with quarterly accrual and settlement periods, is mitigated by the existence of the Cash Reserve.

The following table gives the margin on 12-month Euribor for Housing and Renovation Plan 2009-2012 by 0.10% margin intervals. No details are given of intervals with no content.

<b>Mortgage loan portfolio at 04.11.2014</b>				
<b>Classification by Housing and Renovation Plan 2009-2012 12-month Euribor margin intervals</b>				
<b>12-month Euribor margin interval</b>	<b>Mortgage Loans</b>		<b>Outstanding Principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
0.500% - 0.599%	2	0.19	215,794.32	0.21
0.600% - 0.699%	728	67.60	73,682,623.34	71.97
1.200% - 1.299%	347	32.22	28,484,866.26	27.82
<b>Total</b>	<b>1,077</b>	<b>100,00</b>	<b>102,383,283,92</b>	<b>100,00</b>

**f) Information regarding selected mortgage loan instalment payment frequency.**

The following table gives the selected mortgage loan distribution based on loan instalment (comprising interest and principal) payment frequency.

<b>Mortgage loan portfolio at 04.11.2014</b>				
<b>Classification by instalment payment frequency</b>				
<b>Instalment payment frequency</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Monthly	10,263	100.00	817,191,902.31	100.00
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

**g) Information regarding selected mortgage loan benchmark index reset frequency.**

The following table gives the selected mortgage loan distribution based on the mortgage loan benchmark index reset frequency.

<b>Mortgage Loan portfolio at 04.11.2014</b>				
<b>Classification by benchmark index reset frequency</b>				
<b>Interest rate reset frequency</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Yearly	1,077	10.49	102,383,283.92	12.53
Published in the Official State Gazette <sup>(1)</sup>	9,186	89.51	714,808,618.39	87.47
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

(1) The equivalent rate of Housing Plan 2005-2008 is set by a resolution of the Cabinet of Ministers upon a proposal by the Government's Economic Affairs Standing Committee and pursuant to article 9 of Royal Decree 801/2005, July 1, and is usually reviewed in the first quarter of each year.

**h) Information regarding selected mortgage loan repayment system.**

The following table gives the selected mortgage loan distribution based on their repayment system.

<b>Loan portfolio at 04.11.2014</b>				
<b>Classification by repayment system</b>				
<b>Repayment system</b>	<b>Loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
French *	10,263	100.00	817,191,902.31	100.00
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

\* French: Fixed instalment repayment system, established periodically based on the applicable interest rate and the time to final maturity of the loan.

**i) Information regarding selected mortgage loan principal repayment exclusion period.**

None of the selected mortgage loans provide for a principal repayment exclusion period at November 4, 2014.

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

The following table gives, for mortgage loans benefitting from Housing and Renovation Plan 2009-2012, the distribution of those selected mortgages by 0.25% nominal interest rate intervals applicable as at November 4, 2014. On the other hand, all loans benefitting from Housing Plan 2005-2008 have a current nominal interest of 2.94%, following the latest review carried out by the Cabinet of Ministers at its meeting of April 11, 2014, upon a proposal by the Government's Economic Affairs Standing Committee. In the selected mortgage loan portfolio as a whole, the nominal interest rates applicable to the mortgage loans range between 0.860% and 2.94%.

Mortgage loan portfolio at 04.11.2014					
Classification by applicable nominal interest rate					
Interest Rate % Interval	Mortgage loans %		Outstanding principal (EUR) %		% Interest Rate*
Housing Plan 2005-2008	9,186	89.51	714,808,618.39	87.47	2.940
Housing & Ren. Plan 2009-2012	1,077	10.49	102,383,283.92	12.53	1.355
0.7500 - 0.9999	2	0.02	215,794.32	0.03	0.910
1.0000 - 1.2499	672	6.55	68,089,599.93	8.33	1.195
1.2500 - 1.4999	56	0.55	5,593,023.41	0.68	1.250
1.5000 - 1.7499	90	0.88	8,294,927.28	1.02	1.706
1.7500 - 1.9999	256	2.49	20,115,595.98	2.46	1.784
2.0000 - 2.2499	1	0.01	74,343.00	0.01	2.000
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>	
<b>Weighted average:</b>					<b>2.741 %</b>
<b>Simple average:</b>					<b>2.776 %</b>
<b>Minimum:</b>					<b>0.860 %</b>
<b>Maximum:</b>					<b>2.940 %</b>

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

**k) Information regarding maximum and minimum nominal interest rates applicable to the selected mortgage loans.**

None of the selected mortgage loans have had a minimum nominal interest rate floor set for applicable nominal interest rate variability.

**l) Information regarding maximum nominal interest rates applicable to the selected mortgage loans.**

None of the selected mortgage loans have had a maximum nominal interest rate ceiling set for applicable nominal interest rate variability.

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

The following table gives the selected mortgage loan distribution according to final maturity date by annual intervals, and the weighted average residual life and the first and last final maturity dates. No details are given of the years with no content.

Mortgage loan portfolio at 04.11.2014						
Classification by final maturity date						
Final Repayment Year	Mortgage loans %		Outstanding principal (EUR) %		Residual Life wa*	
					Months	Date
2031	36	0.35	2,478,397.18	0.30	204.16	05/11/2031
2032	963	9.38	70,216,889.59	8.59	213.75	23/08/2032
2033	1,951	19.01	143,998,733.36	17.62	225.17	05/08/2033
2034	2,694	26.25	211,554,378.03	25.89	237.10	03/08/2034
2035	2,733	26.63	221,514,473.39	27.11	248.23	07/07/2035
2036	1,505	14.66	135,665,342.12	16.60	260.08	02/07/2036
2037	158	1.54	13,398,975.29	1.64	272.40	12/07/2037
2038	13	0.13	1,023,616.76	0.13	283.38	11/06/2038
2039	8	0.08	799,763.24	0.10	296.29	08/07/2039
2040	131	1.28	8,625,357.94	1.06	305.87	25/04/2040
2041	13	0.13	1,227,086.93	0.15	319.87	24/06/2041
2042	2	0.02	196,120.33	0.02	330.35	09/05/2042
2044	2	0.02	245,810.88	0.03	361.64	16/12/2044
2045	6	0.06	672,999.15	0.08	368.63	17/07/2045
2046	4	0.04	376,851.76	0.05	380.05	29/06/2046

Mortgage loan portfolio at 04.11.2014						
Classification by final maturity date						
Final Repayment Year	Mortgage loans		Outstanding principal		Residual Life wa*	
		%	(EUR)	%	Months	Date
2048	3	0.03	288,298.04	0.04	405.81	20/08/2048
2049	3	0.03	238,546.87	0.03	417.35	06/08/2049
2050	20	0.19	2,584,450.02	0.32	428.23	03/07/2050
2051	18	0.18	2,085,811.43	0.26	440.34	07/07/2051
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>242.74</b>	<b>21/01/2035</b>
	<b>Simple average:</b>				<b>241.39</b>	<b>11/12/2034</b>
	<b>Minimum:</b>				<b>201.27</b>	<b>09/08/2031</b>
	<b>Maximum:</b>				<b>445.68</b>	<b>16/12/2051</b>

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

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

The following table gives mortgage loan distribution by Autonomous Communities according to where the property securing the mortgage loan is located.

Mortgage loan portfolio at 04.11.2014				
Classification by Autonomous Communities				
	Mortgage loans		Outstanding principal	
		%	(EUR)	%
Andalusia	1,998	19.47	141,243,756.68	17.28
Aragón	184	1.79	14,281,106.22	1.75
Asturies	383	3.73	29,860,050.10	3.65
Cantabria	33	0.32	2,143,483.63	0.26
Castile la Mancha	1,462	14.25	116,631,741.38	14.27
Castile León	346	3.37	24,620,611.84	3.01
Catalonia	721	7.03	71,560,650.20	8.76
Valencian Community	1,073	10.46	88,362,838.40	10.81
Extremadura	469	4.57	25,373,985.14	3.11
Galicia	286	2.79	19,964,480.91	2.44
Balearic Isles	47	0.46	5,730,769.35	0.70
Canary Islands	158	1.54	12,265,588.18	1.50
La Rioja	39	0.38	2,572,543.29	0.31
Madrid	3,002	29.25	257,537,174.91	31.51
Melilla	9	0.09	724,247.55	0.09
Murcia	53	0.52	4,318,874.53	0.53
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>

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

The following table gives the number of mortgage loans, the outstanding principal and the overdue principal on selected mortgage loans in good standing or in regard to which there was any delay in payment of amounts due as at November 4, 2014.

Arrears in payment of instalments due at 04.11.2014				
Interval days	Mortgage loans	Outstanding principal	Outstanding and overdue principal	
				% on Total outstanding principal
In good standing	10,263	817,191,902.31	817,191,902.31	-
<b>Total</b>	<b>10,263</b>	<b>817,191,902.31</b>	<b>817,191,902.31</b>	<b>0.00</b>

In accordance with BBVA's representation in section 2.2.8.2.(19) of the Building Block, all the Mortgage Loans that will finally have their receivables mostly assigned to the Fund upon being established shall have no payments more than one (1) month overdue on their assignment date to the Fund.

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

The selected mortgage loans all have real estate mortgage security and the mortgages are all registered as senior mortgages.

The ratio, expressed as a percentage (% LTV), of the initial outstanding principal as at November 4, 2014 to the appraisal value of the selected mortgage loan mortgaged properties (original appraisal for the mortgage loans to be granted) ranged between 9.76% and 77.00%, and the average ratio weighted by the outstanding principal of each mortgage loan is 66.65%.

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

The following table gives the mortgage loan distribution by 5.00% intervals of that ratio. Intervals with no contents are not detailed.

<b>Mortgage loan portfolio at 04.11.2014</b>					
<b>Classification by loan to value ratio</b>					
<b>Ratio Intervals</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>		<b>(%) LTV (principal appraisal value*)</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
5.00 - 9.99	1	0.01	10,995.57	0.00	9.76
10.00 - 14.99	1	0.01	19,839.90	0.00	12.61
20.00 - 24.99	1	0.01	25,532.52	0.00	20.42
30.00 - 34.99	2	0.02	89,387.52	0.01	30.91
35.00 - 39.99	3	0.03	139,749.94	0.02	36.21
40.00 - 44.99	4	0.04	213,540.88	0.03	43.11
45.00 - 49.99	6	0.06	370,094.99	0.05	47.89
50.00 - 54.99	90	0.88	6,297,241.02	0.77	53.94
55.00 - 59.99	840	8.18	60,306,903.29	7.38	57.80
60.00 - 64.99	2,547	24.82	191,418,055.20	23.42	63.17
65.00 - 69.99	4,847	47.23	392,858,675.03	48.07	67.83
70.00 - 74.99	1,849	18.02	159,059,419.82	19.46	71.53
75.00 - 79.99	72	0.70	6,382,466.63	0.78	75.83
<b>Total</b>	<b>10,263</b>	<b>100.00</b>	<b>817,191,902.31</b>	<b>100.00</b>	
<b>Weighted Average:</b>					<b>66.65 %</b>
<b>Simple Average:</b>					<b>66.36 %</b>
<b>Minimum:</b>					<b>9.76 %</b>
<b>Maximum:</b>					<b>77.00 %</b>

\*LTV (Loan to Value Ratio at grant) are averages weighted by the outstanding principal.

For the purpose of their assignment to the Fund by issuing the Pass-Through Certificates, it has been taken into account that in all the selected portfolio mortgage loans, BBVA knows that the value of the mortgaged assets has fallen short of the initial appraisal by more than 20%, pursuant to article 12.7 of Royal Decree 716/2009, the eligibility limits set in article 5 of the aforementioned Royal Decree having been exceeded.

Following that disapproval, all the selected mortgage loans at November 4, 2014 are ineligible mortgage loans, as specified at the beginning of this section 2.2 of the Building Block.

There is no overcollateralisation in the Fund since the Outstanding Balance of Mortgage Loans that BBVA shall assign to the Fund upon being set up shall be equal to or slightly above EUR seven hundred million (700,000,000.00), the face value amount of the Bond Issue.

### **2.2.3 Legal nature of the pool of assets to be securitised.**

The Mortgage Loans are all loans originated in a public deed granted by BBVA and UNNIM to individuals with real estate mortgage security on protected or officially protected homes located in Spain.

The Mortgage Loans were originated in a public deed subject to the Mortgage Act, February 8, 1946, and Act 2/1981, and, as the case may be, the Housing Plans. The real estate mortgage securities are entered in the relevant Land Registries in respect of the senior ranked mortgaged real estate.

The Mortgage Loan receivables shall be assigned to the Fund upon BBVA issuing and the Fund subscribing for Pass-Through Certificates subject to the provisions of Act 2/1981, Royal Decree 716/2009 and Additional Provision Five of Act 3/1994, on the terms provided for in section 3.3 of this Building Block.

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

The selected mortgage 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 mortgage loans repay 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 mortgage loans at November 4, 2014 lies between August 9, 2031 and December 16, 2051.

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

The Fund shall be set up with the Pass-Through Certificates, representing Mortgage Loan receivables, issued by BBVA and subscribed for by the Fund upon being established, and their Outstanding Balance shall be equal to or slightly above EUR seven hundred million (700,000,000.00), the face value amount of the Bond Issue.

The portfolio of selected mortgage loans from which the Mortgage Loans will be taken in order for their receivables to be mostly assigned to the Fund upon being established, by BBVA issuing and the Fund subscribing for the Pass-Through Certificates, comprises 10,263 mortgage loans, their outstanding principal as at November 4, 2014 being EUR 817,191,902.31 and without any overdue principal because all selected loans are in good standing.

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

The loan to value ratio of the mortgaged properties (original appraisal for the mortgage loans to be granted) or level of collateralisation is given in section 2.2.2 p) of this Building Block.

### **2.2.7 Method of creation of the assets.**

The main lending criteria, set out in the "Internal Lending Memorandum" attached as a Schedule to the Deed of Constitution, are summarised below. In this connection, it is noteworthy that the aforementioned Memorandum includes a description of BBVA's and UNNIM's origination process as originators of the loans serviced by BBVA assigned to the fund.



**A) Origination process procedures for BBVA:**

**1. Introduction.**

BBVA’s retail banking is the Group’s division managing private customer, retail and small and medium-sized enterprise business. Retail banking includes commercial banking, which manages private customer, retail and small enterprise segment business.

Given the specific features of this type of eligible loans, all officially protected mortgage loans have the same standard profile, defined by the Agreement entered into between BBVA and the Housing Ministry and the State plans to which the selected portfolio mortgage loans refer.

In connection with the latter, private individual loans with officially protected housing security resulting from developer loan subrogation, no direct action is taken by BBVA to gain these customers. There is no offering or pricing strategy either for, being eligible loans, the terms of these loans are set by the Ministry or the Autonomous Community, as appropriate, and in addition the subrogated borrowers decide whether they remain at the institution where the developer loan was given and the latter continues to be an eligible loan.

**2. Evaluation processes.**

**2.1 Economic risk evaluation system: Reactive scoring**

Based on social and demographic, employment and financial information provided by the customer and the parties to the transaction (guarantors, if any), the payment capacity and risk profile of the proposed transaction are assessed.

- Positive: Favourable profile for the applicants / transaction.
- Doubtful: Weak points in the borrowers and/or the transaction.
- Negative: The risk profiles are more unstable.

In addition, the system relates the scoring opinion to risk policies and both internal and external filters in order to issue a final opinion. The main variables are therefore analysed as follows:

- The family unit’s payment capacity.
- The cash balance is the difference between monthly income and expenditure.
- Borrowing ratio.
- Declared and estimated income and expenditure.
- The economic cover provided by the property in the event of foreclosure.

After analysing the transaction, a final automatic opinion is issued supporting decision-making according to the powers conferred on the account manager/analyst and which may be:

- Positive: satisfies risk acceptance requirements. (Authorise the transaction)
- Doubtful: mild default filters. (Refuse the transaction as the branch shall see fit)
- Negative: worrying filters. (Send to the territorial management office)

**2.2 Reactive scoring variables used.**

Detail of the most significant variables used in the reactive scoring evaluation process:

<b>TRANSACTION</b>	<b>PERSONAL</b>	<b>SOCIAL &amp; DEMOGRAPHIC</b>	<b>PROFESSIONAL</b>
Use	Age	Country of residence	Salaried workers
Percentage funding	Marital status	Usual residence	Self-employed workers
Term	Dependent persons	Post code	Finance and equity

**B) Origination process procedures for UNNIM:**

The process used by UNNIM to process mortgage loan transactions benefiting from the officially protected housing (VPO) agreement is as described below.

**(I) Sourcing and subscribing Loans**

**1.- Process description**

In the case of mortgage loans granted directly, the transaction was originated at the actual branch, which could decide whether to grant the same based on the individual or joint powers (Manager and Controller).

As a general rule, all transactions were approved jointly by the Branch Manager and Controller.

All mortgage loan transactions with an amount exceeding the joint powers of Branches were processed to be granted and reviewed at the Head Offices (Risk Analysis and Monitoring).

**2.- Client commitment**

Within the Risk Analysis process and with respect to risks affecting the grant of loans, there was a so-called client service commitment. Insofar as loans were concerned, the commitments were:

**2.1. By the Risk Analysis department:**

- An opinion as to analysis and decision of lending transactions to private individuals received until 9am, with the appropriate supporting documents and within the powers of the Risk Committee, is issued on that same day.
- An opinion as to analysis and decision of lending transactions to businesses and free market or officially protected housing developers received until 9am, with the appropriate supporting documents and within the powers of the Risk Committees, is issued between the same date of receipt and the following business day.
- An opinion as to analysis and decision of lending transactions to private individuals with the appropriate supporting documents, and within the powers of the Investment Committee, is issued not later than 6 business days from receipt.
- An opinion as to analysis and decision of lending transactions to businesses with the appropriate supporting documents is issued by the Investment Committee within not more than 10 business days from receipt.
- An opinion as to analysis and decision of lending transactions to private individuals, businesses and free market or officially protected housing developers free market or officially protected housing developers was issued by the Executive Committee or Board of Directors within not more than 15 business days of receipt.

**2.2. By the Risks Administration Unit:**

- To provide the Branch with the registration report within not more than 3 business days of being requested.
- To provide the property appraisal to the Branch within not more than 5 business days of being requested.

Mechanisation of lending transactions (guarantee, abroad, discounting of bills, credit facility agreement, retail loan, corporate loan, finance leases, industry-trade loan and mortgage loan) with the appropriate supporting documents shall take 1 business day from receipt until a decision is made.

All of these client service commitments were continuously reviewed and statistical values were obtained from the same.

### **3.- Documents required**

The following is a list of documents which were required for any type of mortgage loan to be granted for the acquisition of free market or protected homes.

- Certificate of approval of the transaction.
- Financing application document.
- Branch report.
- Appraisal.
- Economic and financial documentation.
- Certificate of encumbrances on the property/properties to be mortgaged.
- Other relevant documents for the transaction to be studied and a decision to be made.
- Public Works Ministry agreement grant notices.
- Catalan Government Qualification Document.
- Bank of Spain Risks Headquarters (CIRBE) Report.
- Report on defaults (Experian, Asnef/Equifax).
- Fire insurance policy

### **4.- Decision-Making Bodies**

The following were the risks Decision-Making Bodies:

- Branch Management limited to their joint powers.
- Head of the Risk Analysis unit.
- Head of the Credit Investments department.
- Risk Committees: weekly meeting of the Committee consisting of the Head of Risk Credit Investments and by the Head of Risk Analysis.
- Manager of the Resources and Investments Division.
- Investment Committee: Committee meeting on a weekly basis consisting of the Office of the General Manager, the Manager of the Investments Division, the Manager of the Commercial Division, the Head of the Credit Investments Department and the Head of the Risk Analysis Unit.

The amounts of each approval body were based on global risks by client or client group.

### **5.- Lending Criteria**

In accordance with the rules existing at UNNIM, the following had to be borne in mind in granting a loan transaction to buy a free market or protected home:

- Source of the transactions: If sufficient clear project information is not available, the transaction was rejected. In the case of the transactions filed by usual referees, an assessment was made as to the experience and information available regarding their morality, transparency and professionalism.
- Information as to the applicant, the transactions and their purpose: In all cases, it was necessary to have suitable and clear information as to the applicant's activity, his or her economic position, borrowings, the project and the object to be financed, the collaterals, properly reporting on and providing appropriate supporting documents for the application on all of these points.
- Searching the Bank of Spain's Risks Information Headquarters (CIRBE), the RAI and the filing system ASNEF, EXPERIAN.
- Insofar as collaterals are concerned, in transactions which due to size, term or typology carried with them a high risk level, it was necessary to provide sound collaterals.

- The transactions were always assessed objectively from the point of view of the risk, focussing primarily on the viability of the proposal and its risk factors.
- Transaction consistency based on the characteristics of the applicant and the purpose of the transaction in the case of mortgage loans for purposes other than purchase.
- LTV of the property to be mortgaged, credit standing and wealth of the applicant, and additional collaterals (if necessary) provided.
- Borrowing capacity: borrowing ratio taking into account all of the client's payment obligations.
- The appraisal report was reviewed to detect possible property value related warnings.
- Analysis of the main economic and financial figures. Trend of sales, borrowing level, own funds, gross margin, cash flow, employment position.

## 6.- Scoring

Scoring arose out of the need to rate the risk of all private individual transactions, and determine the quality of the risk taken on by UNNIM in this segment of transactions.

Global risk control was the unit managing all matters relating to the scoring tool.

UNNIM had in place two scoring models: private individual mortgages and personal retail loans. In both cases, the transaction was of a type in which the purpose was not of a business nature (where a self-employed work scoring method would have to be used).

### C) Delinquency management processes. Recovery process steps (irrespective of the transaction originator):

Recovery actions at BBVA are managed, on a case-by-case basis, through IT applications and centres designed for that purpose.

The process comprises the following stages:

Status	Applications	Centres
Pre-contentious	Delinquency/bad debts application	Recovery unit
Contentious	Recovery Management agenda / Outsourcing / Information centre / Strategies	Operations(pre-judicial) / Out-of-court (outsourcing) / CER (in-court) / Bad Debts Unit

### Recovery outline

The recovery process relies on the following tools:

- Booking delinquency: delinquency/bad debts application  
Manages booking of all matters defined as doubtful assets, within the meaning of Bank of Spain Circular 4/2004, December 22, 2004.
- Recovery management agenda  
Tool designed to expedite and drive recovery management, monitoring and controlling matters classified as doubtful assets/bad debts.  
Allows:
  - The status of a matter/procedure to be known
  - The steps taken for each matter/procedure to be updated
  - Personalised management portfolios to be prepared
  - An alerts system to be triggered

- Access to accounting movements

It receives information from the delinquency/bad debts application and transfers information to the information centre.

The agenda consists of different modules, the following being noteworthy:

- Payment agreements: Both out-of-court and in-court payment agreements.
- Telegrams: Claim telegrams automatically sent and recorded.
- Credit sale/Transfer.
- Maintaining assets: Assets taken as security for the transactions.
- Advance payments to court attorney: Court attorney procedural expenses.
- Alerts menu for cases managed.
- Extranet: external agent access to look up and update case files. Includes an automatic alerts system.

- Information centre

Collects information originating in the recovery management agency (delinquency and legal proceedings). Issues statistical summaries and account inventories, provides alerts and reports both daily and monthly.

#### *Recovery before taking legal action*

This is a highly personalised procedure in which the Recovery Manager is in touch with the obligor.

Steps in managing mortgage loans becoming fully delinquent before taking legal action:

- DELINQUENCY:
  - Upon becoming delinquent (four overdue monthly instalments) the application sends all borrowers and reported guarantors the delinquency letter and a written ultimatum.
  - Next action date: 1 month.
- WITHIN ONE MONTH OF BECOMING DELINQUENT (five monthly instalments overdue):
  - If at least one full instalment has been paid, the customer is proposed a payments scheme.
  - Otherwise, the event is notified to all the borrowers and guarantors.
  - Next action date: 1 month.
- WITHIN TWO MONTHS OF BECOMING DELINQUENT (six instalments overdue):
  - If at least one full instalment has been paid, the customer is proposed a payments scheme.
  - Otherwise, the process begins for legal action to be taken.
  - Next action date: 1 month.
- WITHIN THREE MONTHS OF BECOMING DELINQUENT (seven instalments overdue):
  - If at least one full instalment has been paid, the customer is proposed a payments scheme.
  - Otherwise, the process begins for the loan to be settled, legal proceedings to be commenced and all other tasks and procedures for the action to be brought.

#### *Pre-judicial stage, filing the legal claim*

If the above actions are not to no avail, then all documents are immediately prepared in order for legal proceedings to be commenced: settlement and closure of accounts, notarised payment request and notice of legal actions, drawing up of the complaint with the lawyer, etc. The auction value when the home is officially protected housing is determined by law.

## **5. Bad debts management processes**

If the recovery circuit described above is exhausted and even if the matter is defined as “irrecoverable” or “definitive bad debt”, recovery management at BBVA shall not however be exhausted.

BBVA has a specialised unit to do so and its specific mission consists of managing/recovering all matters classified as definitive bad debts in the Group.

These strategies are based on both mass-type processing by outsourcing (temporary assignment of cases to be managed by external collection agencies) and individualised case-by-case processing (by in-house staff and in-house/external lawyers).

Successful management is essentially derived from a markedly proactive character, in which directly managing/negotiating with obligors and valuation of the opportunity cost for BBVA feature prominently.

The following are the main functions:

- Boosting, analysing and distributing the Management information distributed to it to the unit (having regard to the client base assigned to it for management), and monitoring the results of the steps taken by the managing network.
- Analysing the results obtained by different customer profiles, both those managed directly by the network and indirectly by other departments, to propose recovery action lines to the unit leader.
- Working with the leader in monitoring and driving network actions.
- Coordinating management network incentives system implementation.
- Reporting to the unit leader, face-to-face and specialised recovery actions with customers and guarantors of defaulted transactions supported by a lawyer where necessary.
- Applying in management groups the powers to reduce and forgive conferred on them and proposing such others as may exceed their allocated sphere of yearly targets monitored on a monthly basis.

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

#### **Representations of the Originator.**

BBVA shall, as holder of the Mortgage Loan receivables until assigned to the Fund and as issuer of the Pass-Through Certificates, declare and represent 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 Bilbao and the Bank of Spain's Register of Credit Institutions, and is authorised to operate in the mortgage market.
- (2) That neither at today's date nor at any time since it was incorporated has it been decreed to be insolvent or in receivership, in bankruptcy or in suspension of payments, nor in any circumstance generating a liability which might result in the credit institution authorisation being revoked.
- (3) That it has obtained all necessary authorisations, including those required of its corporate bodies and, as the case may be, third parties potentially affected by the assignment of the Mortgage Loan receivables, to issue the Pass-Through Certificates, to validly execute the Fund Deed of Constitution, the agreements relating to the establishment of the Fund and to fulfil the undertakings made.
- (4) That it has audited annual accounts for the financial years ended December 31, 2013, 2012 and 2011 which have been filed with the CNMV and with the Companies Register. The audit report on the year 2013 annual accounts is unqualified.

## **2. In relation to the Mortgage Loans and the Pass-Through Certificates.**

- (1) That the assignment of the Mortgage Loan receivables to the Fund by means of the issue of the Pass-Through Certificates is carried out in BBVA's ordinary course of business and they are issued at arm's length in accordance with Act 2/1981, Royal Decree 716/2009 and as established by Additional Provision Five of Act 3/1994 and other applicable laws. Mortgage Loan receivables assigned to the Fund by issuing Pass-Through Certificates are so assigned because the Mortgage Loans do not satisfy all the requirements established in Chapter II of Royal Decree 716/2009 and, in particular, in accordance with article 12.7 of that Royal Decree, given that BBVA has taken into account that it is aware that the mortgaged assets have fallen short of the initial appraisal by more than 20%, the eligibility limits set in article 5 of the aforementioned Royal Decree having been exceeded. This information is consistent with the contents established in BBVA's special book register for mortgage loans and credits prepared in accordance with Royal Decree 716/2009.
- (2) That the Pass-Through Certificates are issued for the same term remaining until maturity and for the same interest rate of each of the underlying Mortgage Loans.
- (3) That all the Mortgage Loans exist and are valid and enforceable in accordance with its own terms and conditions and with the applicable laws.
- (4) That it is the legal and beneficial owner of each of the Mortgage Loans and there is no obstacle whatsoever for the Pass-Through Certificates to be issued.
- (5) That the details of the Pass-Through Certificates and the Mortgage Loans included in the schedules to the Deed of Constitution accurately reflect the current status of those Mortgage Loans and Pass-Through Certificates and are full and accurate, and match the data files on those Mortgage Loans sent to the Management Company.
- (6) That the Mortgage Loans are secured with a senior ranked real estate mortgage on 100% of the legal and beneficial ownership of each and every one of the mortgaged properties.
- (7) That the Mortgage Loans are all originated in a public deed, and the mortgages are all duly granted and entered in the relevant Land Registries. The registration of the mortgaged properties is in force and has not been howsoever opposed and is subject to no limitation whatsoever taking precedence over the mortgage, in accordance with the applicable regulations.
- (8) That the Mortgage Loans all stand as a valid and binding payment obligation for the relevant Obligor and are enforceable on their own terms.
- (9) That the Mortgage Loans are all denominated and payable exclusively in Euros, and the capital or principal has been fully drawn down.
- (10) That all the Mortgage Loan payment obligations are satisfied by directly debiting an account at BBVA.
- (11) That the Mortgage Loans have been granted to individuals residing in Spain (who are not employees, officers or directors of BBVA) for the purpose of financing the purchase, construction or renovation of homes and their annexes (parking spaces and/or lumber rooms), if any, or are subrogations by resident individuals to developer financing in respect of homes designed to be sold.
- (12) That the mortgages are granted on real properties already built wholly legally and beneficially owned by the respective mortgagor and to the best of BBVA's knowledge there is no litigation over the ownership of those properties which might detract from the mortgages.
- (13) That the properties mortgaged under the Mortgage Loans are not, and are not ineligible as, assets excluded for standing as security under article 11.1 d) of Royal Decree 716/2009, nor do the Mortgage Loans have any of the credit features excluded or restricted under articles 12.1 a), c), d) and f) and 12.2 of Royal Decree 716/2009.

- (14) That the mortgaged properties are all finished protected or officially protected homes located in Spain and have been appraised by duly qualified institutions approved by BBVA and entered in the Bank of Spain's relevant Official Register, evidence of which appraisal has been duly provided in the form of a certificate. The appraisals done satisfy all the requirements established in the mortgage market laws.
- (15) That the outstanding principal balance of each Pass-Through Certificate does not on the date of issue thereof and of assignment to the Fund exceed 80% of the appraisal value of the properties mortgaged as security for the relevant Mortgage Loan. That appraisal of the mortgage real estate properties is the appraisal carried out in order for the mortgage loan to be granted.
- (16) That the mortgaged properties are covered at least against the risk of damages and fires under individual policies naming BBVA 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 BBVA 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.
- (17) That the appraisal value of the mortgaged property or properties reported in all respects and contained in BBVA's database matches or is less than: (i) the value shown on the appraisal certificate issued by the appraisal firm that carried out the appraisal for the loan to be granted, which firm is entered in the Bank of Spain's Official Register; or (ii) the value resulting from multiplying the number of square metres recorded in the public deed originating the loan by the price per square metre defined in the relevant Housing Plan, and that such appraisal value matches the highest legal value under the official protection system.
- (18) That the Mortgage Loans have not been assigned either directly or otherwise perfected in registered, negotiable or bearer securities, other than the Pass-Through Certificates issued to be pooled in the Fund.
- (19) That on the date of issue of the Pass-Through Certificates none of the Mortgage Loans have any payments that are more than one (1) month overdue.
- (20) That, to the best of its knowledge, no Mortgage Loan Obligor holds any receivable against BBVA whereby that Obligor might be entitled to a set-off which might adversely affect the rights conferred by the Pass-Through Certificates other than by early amortisation thereof.
- (21) That in granting all the Mortgage Loans and in accepting, as the case may be, the subrogation of subsequent borrowers to the initial borrower's position, the lending policies in force set out in section 2.2.7 of the Prospectus Building Block have been strictly adhered to.
- (22) That the deeds for the mortgages granted on the properties securing the Mortgage Loans have all been duly filed in the records of BBVA suitable therefor, and are at the Management Company's disposal, for and on behalf of the Fund, and the Mortgage Loans are all clearly identified both in data files and by means of their deeds.
- (23) That the Outstanding capital Balance of each Mortgage Loan on the date of issue is equivalent to the principal figure of the relevant Pass-Through Certificate and that, in turn, the total capital of the Pass-Through Certificates is at least equivalent to EUR seven hundred million (700,000,000.00).
- (24) That the latest final maturity date of the Mortgage Loans is at no event after December 16, 2051.
- (25) That the Mortgage Loans are being serviced by BBVA in accordance with its set customary procedures for that purpose.
- (26) That, to the best of its knowledge, there is no litigation whatsoever in relation to the Mortgage Loans which may detract from their validity or which may result in the application of Civil Code



article 1535, nor do any circumstances exist which may result in the purchase agreement of the home mortgaged as security for the Mortgage Loans being ineffective.

- (27) That, to the best of its knowledge, no Obligor is able to make any objection whatsoever to paying any Mortgage Loan amount.
- (28) That on the date of issue it has received no notice of full prepayment of the Mortgage Loans.
- (29) That on the date of the issue at least two instalments have fallen due on each Mortgage Loan.
- (30) That the Pass-Through Certificate and Mortgage Loan information contained in the Prospectus is accurate and strictly true.
- (31) That, to the best of its knowledge, no circumstance whatsoever exists which might prevent the mortgage security from being enforced.
- (32) That the Mortgage Loans are not earmarked for any issue whatsoever of mortgage debentures, mortgage bonds, mortgage participation certificates or pass-through certificates, other than the issue of the Pass-Through Certificates, and, during their validity, the Mortgage Loans shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds, mortgage participation certificates or other pass-through certificates.
- (33) That, to the best of its knowledge, nobody has a preferred right over the Fund in and to the Mortgage Loans, as holder of the Pass-Through Certificates.
- (34) That none of the Mortgage Loans are an extension or reinstatement of previous loans in arrears.

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

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

1. In the event of early amortisation of the Pass-Through Certificates upon the relevant Mortgage Loan capital being prepaid, there will be no substitution of the relevant Pass-Through Certificates.
2. In the event that during the full term of the Pass-Through Certificates it should be found that any of them or the relevant Mortgage Loan fail to conform to the representations given in section 2.2.8 above upon the Fund being established or, in relation to representation (24), at any time during the life of the Fund, BBVA agrees, subject to the Management Company's consent, to proceed forthwith to remedy and, if that is not possible, substitute or, as the case may be, redeem the affected Pass-Through Certificates not substituted, by early amortisation of the affected Pass-Through Certificates, subject to the following rules:
  - (i) The party becoming acquainted with the existence of a Pass-Through Certificate in that circumstance, be it the Originator or the Management Company, shall advise the other party. 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 to substitution of the affected Pass-Through Certificates, notifying the Management Company of the characteristics of the mortgage 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, interest rate, outstanding principal value and mortgage ranking as the affected Pass-Through Certificates and also similar credit quality in terms loan to value ratio of the mortgaged property or properties in order for the same to be assigned by issuing the Pass-Through Certificates to be replaced, in order for the financial balance of the Fund not to be affected by such substitution, nor indeed the rating 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 mortgage loan or loans, and after advising the Originator expressly of mortgage loans eligible to be so substituted, such substitution shall be made by early amortisation of the affected Pass-Through Certificates and issuing the new substitute Pass-Through Certificates.

Substitution shall be recorded in a public deed subject to the same formalities established for the issue of and subscription for the Pass-Through Certificates upon the Fund being established, in accordance with the specific characteristics of the new mortgage 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 Pass-Through Certificates in accordance with rule (i) above, the affected Pass-Through Certificates not substituted shall be amortised early. That early amortisation shall take place by a repayment in cash to the Fund by the Originator of the outstanding principal of the affected Pass-Through Certificates not substituted, interest accrued and not paid, calculated until the repayment date, and any other amount owing to the Fund under those Pass-Through Certificates.
  - (iii) In the event of (i) and (ii) above occurring, BBVA shall be vested in all the rights attaching to those Pass-Through Certificates 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 Mortgage 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 Servicer 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 Pass-Through Certificates, in accordance with the procedure provided for in paragraph 2 above of this section, which shall not result in the Originators 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 by the Originator and cannot be charged to the Fund or the Management Company. The Management Company shall notify the CNMV of Pass-Through Certificate replacements in terms of the procedure provided for in paragraph 2 above.

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

In accordance with BBVA's representation (16) given in section 2.2.8.2 of this Building Block, the mortgaged properties are covered at least against the risk of damages and fires under individual policies naming BBVA 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 BBVA 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 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 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, as the case may be, from appraisals made by appraisers for the purpose of granting and arranging the same.

Nevertheless, in considering ineligible loans, BBVA has taken into account that for all the selected portfolio mortgage loans, the value of the mortgaged asset has fallen short of the initial appraisal by more than 20%, pursuant to article 12.7 of Royal Decree 716/2009, the eligibility limits set in article 5 of the aforementioned Royal Decree having been exceeded, which is why the mortgage loans will be assigned to the Fund by issuing Pass-Through Certificates.

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

Not applicable.

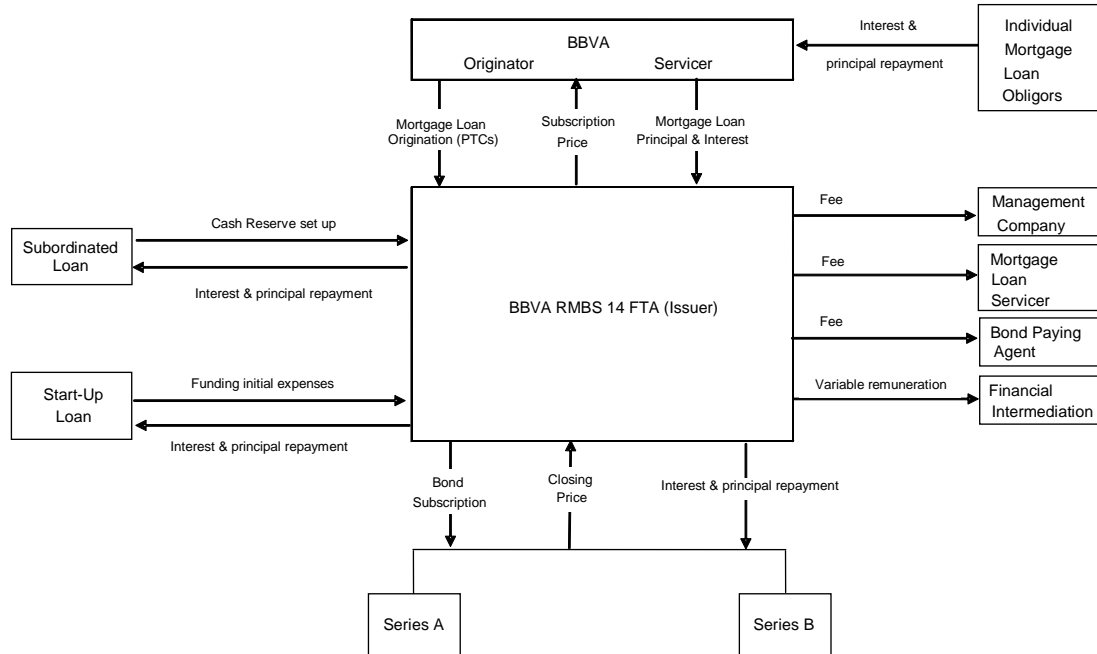
**2.4 Where the Issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.**

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>700,150,000.00</b>	<b>Obligations and securities</b>	<b>700,000,000.00</b>
Mortgage Loans (PTCs)	700,150,000.00	Series A Bonds	637,000,000.00
(adjustment excess to EUR 150,000.00)		Series B Bonds	63,000,000.00
<b>Liquid assets</b>	<b>36,700,000.00</b>	<b>Credit institution liabilities</b>	<b>36,850,000.00</b>
Treasury Account (Cash Reserve and interest timing difference on 1 <sup>st</sup> Payment Date)*	36,200,000.00	Start-Up Loan	1,850,000.00
Resources for paying Fund expenses	500,000.00	Subordinated Loan	35,000,000.00
		<b>Short-term creditors</b>	<b>to be determined</b>
		Mortgage Loan interest accrued	to be determined
<b>TOTALS</b>	<b>736,850,000.00</b>		<b>736,850,000.00</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.

- 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.
- BBVA is the Originator of the Mortgage Loan receivables to be assigned to the Fund upon being established by issuing the Pass-Through Certificates, 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, Mortgage Loan Servicing and Pass-Through Certificate Custody, Bond Paying Agent and Financial Intermediation Agreements.

- (iii) GARRIGUES, 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.
- (iv) Deloitte has audited the most significant features of a sample of BBVA's selected mortgage loans.
- (v) Moody's and S&P are the Rating Agencies that have assigned the rating to each Bond Issue 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 Mortgage Loan receivables to the Fund.**

The Deed of Constitution shall perfect the issue by BBVA of the Pass-Through Certificates which shall be the instruments for assigning the Mortgage Loan receivables effective upon the very date on which the Fund is established, and their subscription by the Fund, represented by the Management Company.

The Pass-Through Certificates will be issued as provided for in Act 2/1981 and additional provision five of Act 3/1994, and other applicable laws.

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

The Pass-Through Certificates may be transferred by a written statement on the very certificate and, in general, by any of the means admitted by Law. Transfer of 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 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 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, 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 required, or to substitute or exchange the same for the above purposes.

The 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 Mortgage Loan Servicing 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 BBVA shall therefore custody the

documents supporting the Pass-Through Certificates deposited, observing the Management Company's instructions.

BBVA, as the issuer, shall keep a special book in which it shall enter the Pass-Through Certificates issued and the changes of address notified by Pass-Through Certificate holders, moreover 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.

Given that acquisition or holding of the Pass-Through Certificates is limited to professional investors, the Fund's subscription for and holding of 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, pursuant to paragraph two of article 32.1 of Royal Decree 716/2009, given that securitisation funds are considered professional investors, as established in paragraph 3.a) of article 78 b of the Securities Market Act.

The assignment by BBVA to the Fund of the Mortgage Loan receivables, carried out upon BBVA issuing and the Fund subscribing for the Pass-Through Certificates, shall not be notified to the respective Obligors, which notice is not compulsory in order for the assignment to be effective. However, in the event of insolvency, liquidation or substitution of the Servicer, or if the Originator is involved in a restructuring process as defined in Act 9/2012, or because the Management Company deems it reasonably justified, the Management Company may demand the Servicer to notify Obligors (and, as the case may be, third-party guarantors and mortgaged property insurers) of the transfer to the Fund of the outstanding Mortgage Loan receivables, 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, as the case may be, third-party guarantors and mortgaged property insurers, 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, as the case may be, third-party guarantors and mortgaged property insurers).

### **3.3.2 Pass-Through Certificate issue and subscription terms.**

1. The Mortgage Loan receivables will be fully and unconditionally assigned, perfected upon BBVA issuing and the Fund subscribing for the Pass-Through Certificates, from the date of establishment of the Fund and for the entire term remaining until maturity of each Mortgage 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 and issue of the Pass-Through Certificates are made, but shall not be liable for the Obligors' solvency.

The Originator shall not bear the risk of default on the Mortgage Loans and shall therefore have no liability whatsoever for the Obligors' default of principal, interest or any other Mortgage 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 Pass-Through Certificates, saving as provided for in section 2.2.9 of this Building Block.

2. The issue of each Pass-Through Certificate shall be made for all the outstanding principal pending repayment on the issue and assignment date, which shall be the date of establishment of the Fund, and for all ordinary interest on each Mortgage Loan.
3. The rights attaching to the Mortgage Loan Pass-Through Certificates shall accrue from the date on which they are issued and the Fund is established. Specifically, without limitation and for illustrative purposes only, the issue of each Pass-Through Certificate shall confer on the Fund the following rights in relation to each Mortgage Loan:
  - a) To receive all Mortgage Loan capital or principal repayment amounts accrued, including Mortgage Loan interest subsidisation amounts accrued, if any, to be advanced by BBVA as set out in section 3.3.5 of this Building Block.

- b) To receive all Mortgage Loan capital ordinary interest amounts accrued, including Mortgage Loan interest subsidisation amounts, if any, accrued to be advanced by BBVA as set out in section 3.3.5 of this Building Block. This will also include interest accrued and not due on each Mortgage Loan from the last interest settlement date, on or before the date of issue of the Pass-Through Certificates, and overdue interest, if any, on that same date.
  - c) To receive all Mortgage Loan late-payment interest amounts.
  - d) To receive any other amounts, properties, assets, securities or rights received as payment of Mortgage 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 a deed-in-lieu-of-foreclosure transaction, on the sale or utilisation of properties, assets or securities awarded or given in a deed-in-lieu-of-foreclosure transaction 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 Mortgage Loans accruing for the Originator and derived therefrom, including those derived from 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 Mortgage Loans, excluding the fees established for each Mortgage Loan, which shall remain to the benefit of the Originator.
4. In the event of Mortgage Loan prepayment upon a full or partial repayment of the principal, there will be no direct substitution of the affected Pass-Through Certificates.
  5. The Fund's rights under the Pass-Through Certificates shall be linked to the payments made by the Obligors and by BBVA, which will advance payment of Mortgage Loan subsidisation payments accrued payable by the Public Works Ministry on the terms laid down in section 3.3.5 of this Building Block, 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 Mortgage 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 thereupon perfect the assignment attached to the issue of 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 Pass-Through Certificates, the Fund shall therefore be entitled to all the amounts BBVA would have received under such insurance contracts.

### **3.3.3 Pass-Through Certificate issue price.**

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

The Management Company shall pay the total Pass-Through Certificate subscription 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 Mortgage 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 subscription for 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 Mortgage Loan, item (ii) of paragraph one of this section, shall be paid by the Fund on each Collection Date falling on the earlier of the first interest settlement date of each Mortgage Loan. Payment of accrued interest shall not be made subject to the Priority of Payments.

If the establishment of the Fund and hence the issue of and subscription for 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 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 subscription for the Pass-Through Certificates.

#### **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, other than for adjustments derived from repayment of the Subordinated Loan which do not affect fulfilment of the retention commitment. The Originator shall agree in the Deed of Constitution to include at its website from the sale of Bonds to a third party 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, the Subordinated Loan principal (first loss tranche), in order for the retention to initially equal [5]% 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 Mortgage Loans.
- That the Originator shall agree in the Deed of Constitution, from the sale of Bonds to a third party, 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 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.

#### **3.3.5 Housing Plan subsidisation advances and payment.**

BBVA will advance and pay to the Fund on each Collection Date, as described in section 3.4.1 below, the subsidised part, if any, of the accrued payment due by the Public Works Ministry under the Housing Plans, together with the part of the payment due by the Obligor, provided that the latter (i.e. the non-subsidised part) has actually been paid by the Obligor.



Therefore, subsidisation amounts actually paid by the Public Works Ministry subsequently to payments being collected shall be for BBVA.

Additionally, in regard to benefit Mortgage Loans under Housing Plan 2005-2008 for which subsidisation financial aid has been recognised based on the constructive criterion of article 35 of Royal Decree-Act 20/2012 set out in section 2.2 of this Building Block and that financial aid has not been paid to the relevant Obligor on the date of establishment of the Fund, BBVA shall pay the Obligor in full the relevant subsidisation, covering both the part accrued before the date of establishment of the Fund and the part accrued after the date of establishment of the Fund. Therefore, subsidisation amounts paid subsequently by the Public Works Ministry shall be for BBVA.

### **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.**

Mortgage 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 addition, in the case of Housing Plan Mortgage Loan subsidisation, BBVA shall pay to the Fund, along with the part of the payment made by the Obligor, the part of the payment accrued payable by the Public Works Ministry.

The weighted average interest rate of the mortgage loans selected at November 4, 2014, as detailed in section 2.2.2.j) of this Building Block, is 2.741%, which is above the 0.389% weighted average nominal interest rate of the Bonds that has been presumed for hypothetical purposes in the table contained in section 4.10 of the Securities Note.

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 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 Mortgage Loan delinquency and default and the interest rate risk occurring in the Fund because the Mortgage Loans are subject, during the life of the Fund to interest with different benchmark indices and reset and settlement periods with respect to the 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 Mortgage Loan income received and until interest payment and principal repayment on the Bonds 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.

- (iv) Prepayment by BBVA to the Fund of the accrued subsidisation amounts payable by the Public Works Ministry mitigates the timing difference between submission for payment by the Public Works Ministry of the Mortgage Loan subsidisations and actual collection of those subsidisations.

### 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-five million (35,000,000.00) (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-five million (35,000,000.00).
- (ii) The higher of:
  - a) 10.00% of the Outstanding Principal Balance of the Bond Issue.
  - b) EUR seventeen million five hundred thousand (17,500,000.00).
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 Mortgage Loans is higher than 1.00% of the Outstanding Balance of Non-Doubtful Mortgage 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-five million (35,000,000.00) (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 Mortgage 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 result of adding: (i) the Bond Reference Rate determined for each Interest Accrual Period, and (ii) 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 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 March 24, 2015.

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 the Rating Agencies should not confirm the provisional ratings assigned to the Bonds in each Series as final ratings by 2pm (CET) on November 25, 2014.

#### **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 one million eight hundred and fifty thousand (1,850,000.00) (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 subscription for the Pass-Through Certificates, at the difference between their total face capital and the face amount of the Bond Issue and to covering the timing difference existing between Mortgage 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 result of adding: (i) the Bond Reference Rate determined for each Interest Accrual Period, and (ii) 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 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 March 24, 2015.

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 Mortgage 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, March 24, 2015, and the following until the Payment Date falling on December 28, 2017, because December 24, 25 and 26 are not Business Days, inclusive.
- (ii) The portion of Start-Up Loan principal used to partly finance Pass-Through Certificate subscription and not used, as the case may be, shall be repaid on the first Payment Date, March 24, 2015.

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) Mortgage Loan principal repaid and ordinary and default interest collected, including Mortgage Loan subsidisation amounts, if any, payable by the Public Works Ministry and advanced by BBVA to the Fund;
- (iii) any other Mortgage Loan amounts received owing to the Fund, and on the sale or utilisation of properties or assets awarded or given to the Fund in a deed-in-lieu-of-foreclosure transaction 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: a) zero percent (0.00%) and b) the interest rate resulting from decreasing (i) the Reference Rate determined for each Bond Interest Accrual Period substantially matching each Treasury Account interest accrual period (ii) 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, inclusive, and the first Determination Date, March 16, 2015, exclusive.

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 by S&P, or Moody’s rating or the S&P rating should be removed, the Management Company shall, within not more than thirty (30) calendar days from the day of Moody’s rating downgrade below Baa3, or within not more than sixty (60) calendar days from the day of the S&P rating downgrade below BBB, after notifying the relevant Rating Agency, do one of the following in order to allow a suitable level of guarantee to be maintained with respect to the commitments derived from the Guaranteed Interest Rate Account (Treasury Account) Agreement in order for the ratings 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 BBB by S&P, 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 S&P.
- 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 BBB by S&P, 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 holder shall irrevocably agree to notify the Management Company of any change or removal of the Bond rating given by the Rating Agencies, 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 or above in the long-term by Moody’s and BBB or above in the long-term by S&P, 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 price for subscribing for 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) Mortgage Loan principal repayment income, including Mortgage Loan subsidisation principal amounts, if any, to be paid by the Public Works Ministry and advanced by BBVA to the Fund, during the Determination Period preceding the relevant Payment Date.
- b) Mortgage Loan ordinary and late-payment interest income, including Mortgage Loan subsidisation principal amounts, if any, to be paid by the Public Works Ministry and advanced by BBVA to the Fund, 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.

- 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 fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement, and any Fund set-up and Bond issue and admission expenses not paid at the first Payment Date. Only expenses prepaid or disbursed on the Fund's behalf by and Mortgage Loan amounts reimbursable to the Servicer, provided they are all properly supported, and the fee under the Servicing Agreement in the event that BBVA should be replaced as Servicer, shall be made to the Servicer under 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 Doubtful Mortgage Loans since the Fund was established, reckoned at the amount of the Outstanding Balance as at the Doubtful Mortgage Loan classification date, is in excess of 4.00% of the initial Outstanding Balance of the Mortgage 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 Mortgage 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 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>rd</sup> place in the order of priority as established in 3<sup>rd</sup> place above.
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 fee established in the Servicing Agreement.

In the event that the BBVA should be replaced as Mortgage Loan Servicer by a third party, payment of the servicing fee due to the third party 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) 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 those derived from the Paying Agent Agreement, are estimated at EUR one hundred and ninety thousand (190,000.00). Because most of those expenses are directly related to the Outstanding Principal Balance of the Bond Issue and that balance 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 Mortgage 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 a deed-in-lieu-of-foreclosure transaction on the Mortgage 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 firstly to amortising Series A until fully amortised and 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 Pass-Through Certificates 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 fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and Mortgage Loan amounts reimbursable to the Servicer, provided they are all properly supported, and the fee under the Servicing Agreement in the event that BBVA should be replaced as Servicer, shall be made to the Servicer under the Servicing Agreement 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 fee established in the Servicing Agreement.

In the event that the BBVA should be replaced as Mortgage Loan Servicer by a third party, payment of the servicing fee due to the third party shall be moved up to 2<sup>nd</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 Mortgage Loan receivables and the rating 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 shall 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 February, May, August and November, 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 February 28, 2015, 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, March 24, 2015.

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.

The Financial Intermediation Agreement shall be fully terminated in the event that the Rating Agencies should not confirm any of the provisional ratings assigned to each Bond Series as final ratings by 2pm (CET) on November 25, 2014.

### **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 below Baa3 by Moody’s or below BBB by S&P, the Management Company shall, within not more than thirty (30) calendar days, from the occurrence of either event, after first notifying the relevant Rating Agency, do one of the following in order to allow a suitable level of guarantee to be maintained with respect to the commitments derived from the Bond Paying Agent Agreement and 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 BBB by S&P, 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 S&P, or
- b) revoke the Paying Agent's designation as paying agent and thereupon designate another institution with long-term unsecured and unsubordinated debt obligations rated at least as high as Baa3 by Moody's and/or BBB by S&P, 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 the Rating Agencies, forthwith upon that occurrence throughout the life of the Bond issue.

All costs, expenses and taxes incurred in connection with doing and arranging a) above shall be borne by the guaranteed institution.

The Paying Agent 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.

In consideration of the services to be provided by the Paying Agent, the Fund shall pay it on each Payment Date 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 the Rating Agencies should not confirm the provisional ratings assigned to each Series as final ratings by 2pm (CET) on November 25, 2014.

### **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: Paseo de la Castellana number 81, 28046 Madrid.

Gran Vía number 1, 48001 Bilbao.

Calle de Saucedo number 28, 28050 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 September 30, 2014 and December 31, 2013 and 2012 and how the information at the latter two dates compares. The financial information at the latter two dates 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	30.09.2014	31.12.2013 (A)	31.12.2012 (B)	Δ% (A-B)/B
<b>BALANCE SHEET (MEUR)</b>				
Total assets	637,699	599,517	637,785	-6.00
Customer credit (gross)	361,084	350,110	367,415	-4.71
Customer deposits	329,610	310,176	292,716	5.96
Other customer resources	114,630	99,213	91,774	8.11
Total customer resources	444,240	409,389	384,491	6.48
Net assets	48,389	44,850	43,802	2.39
<b>PROFIT &amp; LOSS ACCOUNT (MEUR)</b>				
Interest margin	10,868	14,613	15,122	-3.37
Gross margin	15,592	21,397	22,441	-4.65
Net margin	7,546	10,196	11,655	-12.52
Pre-tax profit	3,085	2,750	1,659	65.76
Profit attributed to the Group	1,929	2,228	1,676	32.94
<b>DATA PER SHARE AND MARKET VALUE</b>				
Price	9.55	8.95	6.96	28.59
Market capitalisation (MEUR)	56,228	51,773	37,924	36.52
Earnings per share	0.33	0.39	0.31	25.81
Book value per share	7.98	8.00	8.04	-0.50
PBVR (Price/Book Value Ratio: times)	1.2	1.10	0.90	22.22
<b>RELEVANT RATIOS (%)</b>				
ROE	5.6	5.00	4.00	
ROA	0.5	0.48	0.37	
RORWA	0.9	0.91	0.70	
Efficiency ratio with depreciation	51.6	52.30	46.60	
Delinquency rate	6.1	6.80	5.10	
VPO mortgage loan delinquency rate	1.03	-	-	
Coverage rate	63.00	60.00	72.00	
<b>CAPITAL RATIOS (%)</b>				
BIS II ratio	14.90	14.90	13.00	
Core capital	11.70	11.60	10.80	
TIER I	11.70	12.20	10.80	
<b>ADDITIONAL INFORMATION</b>				
Number of shares (million)	5,887	5,786	5,449	
Number of shareholders	947,901	974,395	1,044,129	
Number of employees	108,920	109,305	115,852	
Number of branches	7,362	7,420	7,987	
Number of cash dispensers	21,566	20,415	20,177	

### 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 Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and other applicable laws, and on the terms of the Deed of Constitution and of the Prospectus.

The Management Company shall discharge for the Fund the functions attributed to it in Royal Decree 926/1998.

It is also the Management Company's duty, as the manager of third-party portfolios, to represent and enforce the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors. Consequently, the Management Company shall make its actions conditional on their protection and observe the provisions established for that purpose from time to time. Bondholders and all other ordinary creditors of the Fund shall have no recourse against the Fund Management Company, other than for a breach of its duties or failure to observe the provisions of the Deed of Constitution and the Prospectus.

### **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, the Rating Agencies and any other supervisory body.
- (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 this Deed of Incorporation to be amended if they do not result in a change of the Priority of Payments of the Fund. In addition, the Management Company may amend the Deed of Constitution, on the terms laid down in article 7 of Act 19/1992. 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 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 Mortgage Loan income amount actually received by the Fund matches the amounts that must be received by the Fund, on the Pass-Through Certificate issue terms and on the terms of their respective agreements communicated by the Originator, and that the Mortgage 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.

- (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 18 and 19 of Royal Decree 926/1998 set forth hereinafter and with subsequent rules statutorily established in that connection.

#### *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 in a letter addressed to the CNMV, including a designation of the substitute management company. That letter shall enclose a letter from the new management company, declaring its willingness to take over that function and applying for the appropriate authorisation.
- (ii) The CNMV's substitution authorisation shall be subject to meeting of the following requirements:
  - (a) The substituted Management Company's delivery of the accounting records and data files to the new management company. That delivery will only be taken to have been made when the new management company is able to fully take over its function and that circumstance is notified to the CNMV.
  - (b) The ratings accorded to the Bonds by the Rating Agencies should not fall as a result of the proposed substitution.
- (iii) The Management Company may in no event resign its duties until and unless all requirements and formalities have been complied with in order for its substitute to take over its duties.
- (iv) The substitution expenses originated shall be borne by the resigning Management Company and may in no event be passed on to the Fund.
- (v) The substitution shall be published within fifteen days by means of a notice inserted in two nationwide newspapers and in the bulletin of the organised secondary market where the Bonds issued by the Fund are listed. Furthermore, the Management Company shall notify the Rating Agencies of that substitution.

#### *Forced substitution.*

- (i) In the event that the Management Company should be adjudged insolvent 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 shall 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 the 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 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 on the Outstanding Principal Balance of the Bond Issue and, as the case may be, on the value of the properties awarded or given to the Fund in a deed-in-lieu-of-foreclosure transaction, 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 it 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 2016, 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 above-mentioned 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 and custody of the securitised assets.**

BBVA, Originator of the Mortgage Loan receivables by issuing the Pass-Through Certificates to be subscribed for by the Fund, as established in article 2.2.b) of Royal Decree 926/1998 and article 26.3 of Royal Decree 716/2009, shall continue as attorney for the Management Company to be responsible for Mortgage Loan servicing and custody, and relations between BBVA and the Fund, represented by the Management Company, shall be governed by the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement (the "**Servicing Agreement**") in relation to custody and servicing of the Mortgage Loans and custody of the Pass-Through Certificate supporting documents.

BBVA (the “**Servicer**” under the Servicing Agreement) shall accept the appointment received from the Management Company and thereby agrees as follows:

- (i) To be custodian and servicer of the Mortgage Loans assigned to the Fund subject to the system terms and ordinary servicing and custody procedures established in the Servicing Agreement.
- (ii) To continue servicing the Mortgage Loans, devoting the same time and efforts to them as it would devote and use to service its own mortgage 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 Mortgage 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 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 Mortgage Loan servicer, and custodian of the relevant agreements 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.

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 Mortgage Loans.**

#### **1. Custody of deeds, policies, agreements, documents and files.**

The Servicer shall keep all Mortgage Loan deeds, 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 Mortgage 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 Mortgage 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 Mortgage Loans.

Mortgage 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, i.e. on the Collection Dates, in accordance with the terms and conditions laid down in the Servicing Agreement. In addition, in the case of Housing Plan Mortgage Loan subsidisation, BBVA shall pay to the Fund, along with the part of the payment made by the Obligor, the part of the payment accrued payable by the Public Works



Ministry. 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.

In the event of the long-term credit rating for the Servicer's unsecured and unsubordinated debt obligations being downgraded below BBB- by S&P, the Servicer will do one of the following:

- (i) obtain from an institution with long-term unsecured and unsubordinated debt obligations rated at least as high as BBB- by S&P, within not more than thirty (30) calendar days from the occurrence of that event, a first demand guarantee, meeting S&P's criteria in force from time to time, in an amount allowing the Bond rating given by S&P to be maintained; or
- (ii) post cash collateral to the Fund, within not more than ten (10) calendar days from the occurrence of that event, at an institution with long-term unsecured and unsubordinated debt obligations rated at least as high as BBB- by S&P..

The cash collateral amount shall be equivalent to the estimated aggregate amount of Mortgage Loan repayment and interest instalments during one month from the date of downgrade below BBB- by S&P, calculated with a 12.00% CPR or the historical CPR of the Mortgage Loans assigned to the Fund if that should be above 12.00%.

The Management Company, for and on behalf of the Fund, may only draw on those cash collaterals or call the guarantee issued to the Fund to the extent of the Mortgage 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 amount whatsoever to the Fund not previously received from the Obligors, notwithstanding the provisions of section 3.3.5 of the Building Block in connection with BBVA advancing to the Fund subsidisations payable by the Public Works Ministry.

### **3. Fixing the interest rate.**

The Servicer shall continue fixing the interest rates applicable in each interest period as established in the respective Mortgage 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 Mortgage Loan, to fulfilment by the Obligors of their obligations under the Mortgage Loans, to delinquency status and ensuing changes in the characteristics of the Mortgage Loans, and to actions to demand payment in the event of late payment, court actions and auction of real properties or assets, 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 Mortgage 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. Mortgage Loan subrogation.**

The Servicer shall be authorised to permit substitutions in the Obligor's position under the Mortgage Loan agreements, exclusively where the new obligor's characteristics are not less creditworthy than those of the former Obligor and those characteristics observe the mortgage lending policies and the State system applicable to protected or officially protected homes, 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.

The mortgagor may apply for subrogation to the Servicer in connection with the Mortgage Loans pursuant to 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 Pass-Through Certificate.

#### **6. Authorities and actions in relation to Mortgage Loan renegotiation procedures.**

The Servicer may not voluntarily cancel the Mortgage Loans or their mortgages and security arrangements for any reason other than Mortgage Loan payment, relinquish or settle in regard thereto, forgive the Mortgage 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 Mortgage 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 mortgage 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 8, 2014 of the Secretary of State of the Economy and Business Support, published in the Official State Gazette dated October 21, 2014.

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 (“**Royal Decree-Act 6/2012**”) are met. In this connection, the Servicer shall first notify the Management Company of requests made by Obligors, 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 Mortgage 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 Mortgage Loan term extension renegotiations without requiring the Management Company’s prior consent, subject to the following generic enabling requirements.

#### **Extending the period of maturity.**

The final maturity or final amortisation date of the Mortgage 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 Mortgage 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 Mortgage 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 Mortgage Loan may be extended provided that the following requirements are met:

- a) That the final maturity date of the Mortgage Loans is not after December 16, 2051.
- b) That, in any event, the Mortgage Loan capital or principal repayment instalment frequency is maintained, 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 Mortgage Loans to be amended as set out in this section 6 by a Servicer.

If there should be any amendment of a Mortgage 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 Mortgage Loans to be updated.

In the event of amendment of the Mortgage Loans, 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 Mortgage Loans will be kept by the Servicer, in accordance with the provisions of paragraph 2 of this section.

## **7. Action against Obligor in the event of Mortgage Loan default.**

### ***Actions in the event of late payment.***

The Servicer shall use the same efforts and procedure for claiming overdue Mortgage Loan amounts it applies for the rest of its portfolio mortgage 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 mortgage 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.

### ***Legal actions.***

The Servicer, using its fiduciary title to the Mortgage Loans or using the power referred to in the following paragraph, shall take all relevant actions against Obligors failing to meet their Mortgage 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 and in accordance with the requirements signed by the Servicer and the Public Works Ministry.

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 Mortgage 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 proceedings if, for a period of six (6) months, a Mortgage 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 Mortgage 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 December 16, 2051. 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 Mortgage Loan Obligor to pay the debt.

In addition to the legal actions in the event of default by any Obligor as established in this section, the Management Company, acting for and on behalf of the Fund, shall have the following remedies provided for mortgage participation certificates in article 31 of Royal Decree 716/2009, which also apply to the 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 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 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 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 Mortgage Loan amounts. Furthermore, the Servicer will provide the Management Company with all such documents as the latter may request in relation to said Mortgage 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 Mortgage 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 Mortgage 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 Mortgage Loan.

#### **10. Subcontracting.**

The Servicer may subcontract any of the services it may have agreed to provide under the Servicing Agreement other than those that may not be so delegated in accordance with the laws in force for the time being. 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, the Servicer shall not be excused or released under that subcontract or subdelegation from any of the liabilities undertaken in the Servicing Agreement which may legally be attributed or ascribed to it.

#### **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, Chapter I of Act 1/2013 provides for a two-year stay from the entry into force of that Act 1/2013 (i.e. until May 15, 2015) 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 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, serviced 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 Mortgage Loans acquired by the Fund terminate, once all the Mortgage 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 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. Replacement of the Servicer shall require the consent of the Public Works Ministry. 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 Mortgage 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 Mortgage 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 restructuring process as defined in Act 9/2012 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 Mortgage 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 Mortgage 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 the Rating Agencies should not confirm the provisional ratings assigned to each Series as final ratings by 2pm (CET) on November 25, 2014.

**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 as Fund manager and manager of Bondholders' interests, nor in relation to the Obligors' Mortgage Loan obligations, without prejudice to the liabilities undertaken thereby in the Deed of Constitution of the Fund as Originator of the Mortgage Loan receivables assigned to the Fund by subscribing for the Pass-Through Certificates acquired by the Fund.

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 Mortgage Loans and custody 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.

The Management Company shall, for and on behalf of the Fund, be entitled to take executive action against the Servicer where the breach of the obligation to pay to the Fund any and all principal repayment and interest and other amounts paid by the Obligors under the Mortgage Loans owing to the Fund does not result from the Obligors' default and is attributable to the Servicer.

Upon the Mortgage 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, as the Fund's representative, who shall have that action on the terms described in this section.

#### **3.7.2.4 Servicer's remuneration.**

In consideration of Mortgage Loan custody, servicing and management, Pass-Through Certificate supporting document custody and all other services provided for in the Agreement, the Servicer shall be entitled to receive in arrears on each Payment Date during the term of the Servicing Agreement a servicing fee equal to 0.01% per annum, inclusive of VAT, as the case may be, 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 Mortgage 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 Fund 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.

Furthermore, on each Payment Date, the Servicer shall be entitled to reimbursement of all Mortgage 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 registering, managing, appraising and overseeing the sale of assets or properties, awarded or given as payment to the Fund, after first justifying the same. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Priority of Payments or, upon liquidation of the Fund, 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.
- (iv) Financial Intermediation:  
Financial Intermediation Agreement  
Description in section 3.4.6.4 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 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' Mortgage 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 Mortgage 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 Mortgage Loans at the Determination Date preceding the Payment Date:

1. Outstanding Balance.
2. Interest and principal amount of instalments in arrears.
3. Mortgage Loan interest rate and, if the interest floats, benchmark indices.
4. Mortgage Loan maturity years.
5. Outstanding Balance of Doubtful Mortgage Loans and cumulative amount of Doubtful Mortgage 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, in relation to the Fund's Annual Accounts:**

Annual accounts (balance sheet, profit & loss account and management report) and audit report within the period provided for by law to do so or, otherwise, within four (4) months of the close of each fiscal year, which shall be filed with the CNMV.

**4.1.2 Extraordinary notices.**

The following shall be the subject of an extraordinary notice:

1. The Nominal Interest Rate determined for each Bond Series for the first Interest Accrual Period.
2. Other:

Any material event occurring in relation to the Mortgage Loans, the Bonds, the Fund and the Management Company proper, which, being exceptional, may materially influence trading of the Bonds and, in general, any material change in the Fund's assets or liabilities, change in the Deed of Constitution, as the case may be, or in the event of 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 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 82 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 November 25, 2014, 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 contained in CNMV Circular 2/2009, amended by Circular 6/2014, October 27, 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 Mortgage Loans in order that they may monitor the rating 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 November 18, 2014.**

*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 19/1992**” shall mean Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7., as currently worded

“**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 3/1994**” shall mean Act 3/1994, April 14, adapting Spanish laws in the matter of credit institutions to the Second Banking Coordination Directive and introducing other changes in relation to the financial system, as currently worded.

“**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 (i) the Outstanding Principal Balance of the Bond Issue, and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans.

“**Available Funds for Amortisation**” shall mean the amount to be allocated to Bond amortisation on each Payment Date and this 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.

“**Back-Up Servicer Facilitator**” shall mean the Management Company, which shall proceed to nominate a new back-up Servicer if in any of the events described in section 3.7.2.2 of the Building Block the Servicing Agreement should have to be terminated.

“**Back-Up Servicer**” shall mean the entity replacing BBVA as Servicer if in any of the events described in section 3.7.2.2 of the Building Block the Servicing Agreement should have to be terminated.

“**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 million (700,000,000.00), consisting of seven thousand (7,000) Bonds pooled in two Series (Series A and Series 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.

“**Circular 2/2009**” shall mean 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 3/2008**” shall mean Bank of Spain Circular 3/2008, May 22, to credit institutions, on determination and control of minimum capital requirements, as currently worded.

“**Closing Date**” shall mean November 26, 2014, 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*).

“**Collection Dates**” shall mean the dates on which the Servicer shall pay to the Fund Mortgage Loan amounts received owing to the Fund and they shall be 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.

“**Cooperation Agreements**” shall mean the cooperation agreements entered into by the Originator with the Public Works Ministry (formerly the Housing Ministry or Public Works, Transport and Environment Ministry) for each Housing Plan.

“**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.

“**Deed of Constitution**” shall mean the public deed recording the establishment of the Fund, issue by BBVA of and subscription by the Fund for the Mortgage Loan Pass-Through Certificates, and issue by the Fund of the Asset-Backed Bonds.

“**Delinquent Mortgage 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 Mortgage 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 March 16, 2015.

“**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, March 16, 2015, 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 Mortgage Loans**” shall mean Mortgage 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 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 the THOMPSON REUTERS financial information system under an FBE (“Fédération Bancaire de l’Union Européene”) mandate, 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 the FBE and the Financial Markets Association (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.

**“Final Maturity Date”** shall mean the final Bond amortisation date, i.e. June 24, 2055 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, subscription by the Fund for the Pass-Through Certificates and the rating assigned to each Bond Series, entered into between the Management Company, for and on behalf of the Fund, and BBVA.

**“Fund”** shall mean BBVA RMBS 14 FONDO DE TITULIZACIÓN DE ACTIVOS.

**“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.

**“Housing and Renovation Plan 2009-2012”** shall mean State Housing and Renovation Plan 2009-2012, governed by Royal Decree 2066/2008, December 12.

**“Housing Plan 2005-2008”** shall mean State Housing Plan 2005-2008, governed by Royal Decree 801/2005, July 1, subsequently amended by Royal Decree 14/2008, January 11.

**“Housing Plans”** shall mean Housing Plan 2005-2008 and Housing and Renovation Plan 2009-2012.

**“Iberclear”** shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal.

**“Initial Cash Reserve”** shall mean the Cash Reserve set up on the Closing Date by drawing down the Subordinated Loan amount totalling EUR thirty-five million (35,000,000.00).

**“Interest Accrual Period”** shall mean the 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, November 26, 2014, inclusive, and the first Payment Date, March 24, 2015, 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.

**“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 Pass-Through Certificates 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.

**“LTV”** shall mean the ratio, expressed as a percentage, of the outstanding principal amount to the appraisal value of mortgage loan mortgaged properties (original appraisal for the mortgage loans to be granted).

**“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 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 holding company to which Moody’s Investors Service España, S.A. is affiliated.

**“Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement”** or **“Servicing Agreement”** shall mean the Mortgage Loan custody and servicing and Pass-Through Certificate supporting document custody agreement entered into between the Management Company, acting for and on behalf of the Fund, and BBVA, as Servicer.

**“Mortgage Loans”** shall mean the mortgage loans owned by BBVA granted to individuals residing in Spain with senior ranked real estate mortgage security on finished protected or officially protected homes located in Spain, assigned to the Fund upon BBVA issuing and the Fund subscribing for Pass-Through Certificates.

In this Prospectus the term “Mortgage Loans” shall be used to refer collectively to the Mortgage Loans or the Pass-Through Certificates perfecting the assignment of the Mortgage Loan 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; 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 Mortgage Loans”** shall mean Mortgage Loans that are not deemed to be either Delinquent Mortgage Loans or Doubtful Mortgage Loans.

**“Non-Doubtful Mortgage Loans”** shall mean Mortgage Loans that are not deemed to be Doubtful Mortgage Loans at a date.

**“Obligors”** shall mean the Mortgage Loan borrowers and their guarantors and sureties thereunder.

**“Originator”** shall mean BBVA, originator of the Mortgage Loan receivables by issuing Pass-Through Certificates.

**“Outstanding Balance of the Mortgage 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 Mortgage Loans.



**“Outstanding Principal Balance of the Bond Issue”** shall mean the sum of the Outstanding Principal Balance of Series A and B making up the Bond Issue.

**“Outstanding Principal Balance of the Series”** shall mean 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, in accordance with article 12.7 of Royal Decree 716/2009, given that under article 12.7 of Royal Decree 716/2009, BBVA has taken into account that, in all the selected portfolio mortgage loans, the value of the mortgage asset has fallen short of the initial appraisal by more than 20%, the eligibility limits set in article 5 of the aforementioned Royal Decree having been exceeded, 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 March 24, June 24, September 24 and December 24 in each year or the following Business Day if any of those is not a Business Day. The first Payment Date shall be March 24, 2015.

**“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 Moody’s and S&P.

**“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 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.

**“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 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.

**“Required Cash Reserve”** shall mean, on each Payment Date, the lower of: (i) EUR thirty-five million (35,000,000.00) and (ii) the higher of a) 10.00% of the Outstanding Principal Balance of the Bond Issue and b) EUR seventeen million five hundred thousand (17,500,000.00). 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 14/2008**” shall mean Royal Decree 14/2008, January 11, amending Royal Decree 801/2005, July 1, as currently worded.

“**Royal Decree 2066/2008**” shall mean Royal Decree 2066/2008, December 12, governing State Housing and Renovation Plan 2009-2012, as currently worded.

“**Royal Decree 216/2008**” shall mean Royal Decree 216/2008, February 15, in relation to the capital of financial institutions.

“**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 801/2005**” shall mean Royal Decree 801/2005, July 1, approving State Plan 2005-2008 to foster home buying by citizens, as currently worded.

“**Royal Decree 926/1998**” shall mean Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, as currently worded.

“**Royal Decree-Act 20/2012**” shall mean Royal Decree-Act 20/2012, July 13, on measures to guarantee budget stability and promote competitiveness.

“**Royal Decree-Act 6/2012**” shall mean Royal Decree-Act 6/2012, March 9, on urgent measures for the protection of insolvent mortgage obligors.

“**Royal Decrees**” shall mean Royal Decree 801/2005, subsequently amended by Royal Decree 14/2008, and Royal Decree 2066/2008.

“**S&P**” shall mean both Standard & Poor’s Credit Market Services Europe Limited, Sucursal en España and Standard & Poor’s Credit Market Services Europe Limited and Standard & Poor’s Rating Services.

“**Securities Market Act**” shall mean Securities Market Act 24/1988, July 28, as currently worded.

“**Series A Bonds**” shall mean Series A Bonds issued by the Fund having a total face amount of EUR six hundred and thirty-seven million (637,000,000.00) comprising six thousand three hundred and seventy (6,370) 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 sixty-three million (63,000,000.00) comprising six hundred and thirty (630) 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 the institution in charge of Mortgage Loan custody and servicing and Pass-Through Certificate supporting document custody under the Mortgage Loan Servicing and Pass-Through Custody Agreement, i.e. BBVA (or any other institution taking its stead as Servicer).

“**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 one million eight hundred and fifty thousand (1,850,000.00).

“**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-five million (35,000,000.00).

**“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, 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.

**“UNNIM”** shall mean Unnim Banc, S.A.U.