

PROSPECTUS

May 2016

# BBVA RMBS 16 FONDO DE TITULIZACIÓN

## ISSUE OF ASSET-BACKED BONDS

EUR 1,344,000,000 AXESOR / DBRS / MOODY'S  
AA<sub>(sf)</sub> / A (high) (sf) / Aa2 (sf)

Backed by pass-through certificates issued on mortgage loans by

# BBVA

*Subscribers*

# BBVA

 Banco  
Europeo de  
Inversiones

*Lead Manager*

# BBVA

*Paying Agent*

**BBVA**

*Fund established and managed by*

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

Prospectus entered in the Registers of the Comisión Nacional del Mercado de Valores  
on May 5, 2016

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## **GLOSSARY OF DEFINITIONS 109**

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

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

## RISK FACTORS

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

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

BBVA RMBS 16 FONDO DE TITULIZACIÓN (the “Fund” and/or the “Issuer”) is a separate, closed-end fund (closed assets and liabilities) devoid of legal personality and, in accordance with Part III of Encouragement of Business Financing Act 5/2015, April 27 (“Act 5/2015”) setting out the legal system for securitisations, is managed by a 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 be applied the obligations laid down in article 26 of Act 5/2015, which include using its best endeavours and acting transparently in enforcing Bondholders’ and financiers’ interests, and servicing and managing the Mortgage Loans. Notwithstanding the foregoing, the Management Company may delegate servicing of the Mortgage Loans to third parties, under article 26.3 and additional provision one of Royal Decree 716/2009, April 24, implementing certain aspects of Act 2/1981 and other mortgage and financial system rules, as currently worded (“Royal Decree 716/2009”). BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (the “Originator” or “BBVA”) shall continue to be the custodian and servicer of the Mortgage Loans, as issuer of the Pass-Through Certificates, by virtue of the Management Company’s delegated authority. No provision is made for a creditors’ meeting to be convened and the capacity to enforce Bondholders’ interests shall depend on the Management Company’s means.

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

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

#### c) Limitation of actions.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against Mortgage Loan Obligors who may have defaulted on their payment obligations or against 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.

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.

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

As regards the assignment to the Fund of the Mortgage Loan receivables by issuing the Pass-Through Certificates, it can only be rescinded or contested as provided for in article 71 of the Bankruptcy Act by the receivers, who shall have to prove the existence of fraud, all as set down in article 16.4 and in additional provision 4 of Act 5/2015 and articles 10 and 15 of Mortgage Market Regulation Act 2/1981, March 25, as currently worded ("**Act 2/1981**").

In 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 from the date on which insolvency is decreed, for those amounts will be considered to be the Fund's property, and must therefore be transferred to the Fund, represented by the Management Company. This right of separation would not necessarily extend to the monies received and kept by the insolvent Originator on behalf of the Fund before that date, for they might be earmarked as a result of the insolvency, given the essential fungible nature of money.

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

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

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

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

### **a) Liquidity.**

The Bond Issue will be subscribed for by BBVA and the European Investment Bank.

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

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

Moreover, the Fund may in no event repurchase the Bonds from Bondholders. 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.

### **b) Yield and duration.**

Calculation of the yield (internal rate of return), average life and duration of the Bonds contained in section 4.10 of the Securities Note is subject to fulfilment of Mortgage Loan repayment and, inter alia, to assumed Mortgage Loan prepayment rates (CPRs) and delinquency rates that may not be fulfilled, and to future market interest rates, given the floating nature of the Nominal Interest Rate.

In this connection, the details given in that section as to yield, average life and duration might not be representative because (i) 92.11% of the selected mortgage loans, in terms of outstanding principal, provide for the possibility, in certain events, of the initially agreed final maturity date being put back or brought forward by 10 years, although 38.28% of those mortgage loans, in terms of outstanding principal, have already set their maturity date as the maximum final maturity date, (ii) 92.11% of the selected mortgage loans, in terms of principal, allow payment of up to two instalments to be deferred in each calendar year and up to not more than ten deferred instalments throughout the term of the mortgage loan, subject to certain limitations (0.28% of the selected mortgage loans, in terms of outstanding principal, at April 14, 2016, have a deferred instalment), (iii) 90.47% of the selected mortgage loans, in terms of outstanding principal, allow “floating interest” to be switched to “constant interest” (out of the selected mortgage loans, 0.023%, in terms of outstanding principal, had switched from floating to constant interest at April 14, 2016); (iv) 9.57% of the selected mortgage loans, in terms of outstanding principal, at April 14, 2016, have a mixed interest rate structure (fixed and floating), with a weighted initial average fixed-rate period, until the date on which the loan interest rate is first reset, of 3.54 years; (v) 90.47% of the selected mortgage loans, in terms of outstanding principal, allow the repayment system to be changed from a equated monthly instalment (EMI) system to an EMI system with a final payment for a higher amount, provided that (a) the amount of the final instalment is neither less than 10% nor more than 30% of the capital amount outstanding at the date on which the change is requested, and (b) BBVA accepts that change (the option to change the repayment system has not been exercised in any of the selected loans since their origination) (out of the selected mortgage loans, 12.61%, in terms of outstanding principal, were granted subject to an EMI repayment system with a final higher instalment at April 14, 2016); (vi) out of the selected mortgage loans, 70.12%, in terms of outstanding principal, allow the annual nominal ordinary interest rate to be reduced where the obligor has purchased certain products or services from BBVA or BBVA group (at April 14, 2016, 18.41% of the selected mortgage loans, in terms of outstanding principal, benefit from all possible rebates in the applicable ordinary interest rate); (vii) 13.28% of the selected mortgage loans, in terms of outstanding principal, belonging to certain groups of debtors, benefit from rebates ranging between a maximum of 0.50% and 2.50%; and (viii) 0.97%, in terms of outstanding principal, benefit from a 0.10% or 0.20% interest rate rebate because the obligor’s salary is paid directly at BBVA. Mortgage Loan repayment performance is influenced by a number of economic and social factors such as market interest rates, the Obligor’s financial circumstances and the general level of economic activity, preventing their predictability.

**c) Late-payment interest.**

Late interest payment or principal repayment to Bondholders shall under no circumstances result in late-payment interest accruing to their favour.

**d) Bond Rating.**

The credit risk of the Bonds issued by the Fund has been assessed by the credit rating agencies Axesor, DBRS and Moody’s (the “**Rating Agencies**”).

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

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.

**e) Provisional ratings not confirmed.**

The failure by DBRS or Moody’s to confirm the provisional ratings given to the Bonds by 2pm (CET) on May 10, 2016 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.**

The holders of the Bonds issued by the Fund shall 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 and 1529 of the Civil Code, BBVA will be liable to the Fund exclusively for the existence and lawfulness of the Mortgage Loans 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 provide a direct or indirect assurance of a successful outcome of the transaction or 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 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 and Loan B derived from the Priority of Payments and the Liquidation Priority of Payments is a mechanism for distinctly hedging the Bonds and Loan B.

**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 on each Payment Date contained in sections 4.9.2 of the Securities Note and 3.4.6.2.1.2 of the Building Block.

**e) Delinquency.**

In calculating the amounts and details tabled in section 4.10 of the Securities Note, the assumption has been that on each Payment Date 0.75% of the Outstanding Balance of the Mortgage Loans shall fall in arrears and reach a delinquency rate of 5.39%, this being BBVA's mortgage loan delinquency rate at March 31, 2016 and, in any event, that the other assumed values referred to at the beginning of that section will apply. The 5.39% delinquency rate would be reached on the Payment Date falling on February 18, 2019 for 2%, 3% and 4% CPRs. This 5.39% mortgage loan delinquency rate would not trigger a reduction of the Required Cash Reserve, as set down in section 3.4.2.2 of the Building Block.

**f) LTV in excess of 80%.**

Selected mortgage loans at April 14, 2016 with a ratio, expressed as a percentage, of the outstanding principal amount to the appraisal value of the mortgaged properties (original appraisal for the mortgage loans to be granted or, where the capital arranged for is extended, a new subsequent appraisal for the extension) (the "LTV") in excess of 80% account for 5.64%, in terms of outstanding principal, of the selected portfolio, the average LTV weighted by the outstanding principal of each mortgage loan being 65.98%.

In addition to the above, assignment to the Fund shall be made by issuing the Pass-Through Certificates because (i) the LTV is in excess of 80%; (ii) BBVA knows that 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, or (iii) the repayment term for mortgage loans taken out after May 14, 2013 is in excess of thirty (30) years from the mortgage loan selection date, in accordance with the amendment made to article 4 of Act 2/1981 by article 4.6 of Act 1/2013, May 14, implementing measures to boost the protection of mortgagors, debt restructuring and social rentals, as currently worded ("**Act 1/2013**") (3.99% in terms of outstanding principal, of all the selected loans at April 14, 2016).

**g) Selected mortgage loan origination date concentration.**

Selected portfolio mortgage loans originated in the years 2010, 2011, 2012, 2013, 2014 and 2015 account for 76.13%, in terms of outstanding principal, of the total selected portfolio. Selected portfolio mortgage loans originated in the years 2010 and 2011 respectively account for 10.73% and 36.07%. The weighted average age of the selected mortgage loans is 63.55 months at April 14, 2016, the portfolio selection date.

**h) Geographical concentration.**

The number of selected mortgage loans at April 14, 2016 to be assigned to the Fund upon being established with obligors domiciled in the Community of Madrid (22.89% in terms of outstanding principal), Andalusia (17.46% in terms of outstanding principal), and Catalonia (15.98% in terms of outstanding principal) is 6,527 (51.44% of the total loans) and their outstanding principal amounts to EUR 944,304,985.75 (56.34% of the total), as detailed in section 2.2.2.o) 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.

**i) Amendment of the contract terms of the selected mortgage loans.**

As detailed in section 2.2 of the Building Block, the contract terms of 92.11% of the selected mortgage loans, in terms of outstanding principal, provide that, upon request by the obligor or borrower, the following may be done:

- (i) Change the maturity date if the obligor is in good standing in respect of all instalments due and is not in breach of any obligations established in the public deed, limited as follows: a) that each requested extension or reduction is for not more than sixty and not less than twelve monthly payments; b) that the due date of the last instalment after the requested extension of the term at no event exceeds the initially agreed maturity date by more than 10 years and does not precede the initially agreed maturity date by a period in excess of 10 years; and c) that the LTV is less than 80 percent. Out of the selected mortgage loans, 89.22% (92.11% in terms of outstanding principal) provide for this possibility, the maturity date being already set at the latest final maturity date in 34.64% of those mortgage loans (38.28% in terms of outstanding principal). The latest selected mortgage loan final maturity date after the mortgage loan term is extended, as the case may be, may at no event extend beyond January 31, 2058.
- (ii) Defer payment of up to two instalments in each calendar year, not more than ten instalments to be deferred throughout the mortgage loan term. Out of the selected mortgage loans, 89.22% (92.11% in terms of outstanding principal) provide for this possibility. 0.28% of the selected mortgage loans, in terms of outstanding principal, have a deferred instalment at April 14, 2016.

- (iii) Change the nature of the interest rate, after the first twelve months of the loan term have elapsed, from “constant interest” to “floating interest” mode and vice versa. Out of the selected mortgage loans, 87.21% (90.47% in terms of outstanding principal) provide for this possibility. Out of the selected mortgage loans, 0.023%, in terms of outstanding principal, had switched from floating to constant interest at April 14, 2016.
- (iv) Change the repayment system from an EMI system to an EMI system with a final payment, provided that (i) the amount of the final repayment is neither less than 10% nor more than 30% of the capital amount outstanding at the date on which the change is requested, and (ii) BBVA accepts such change. Out of the selected mortgage loans, 87.21% (90.47% in terms of outstanding principal) provide for this possibility. The option to change the repayment system has not been exercised with respect to any of the selected mortgage loans since their origination. At April 14, 2016, 12.61% of the loans, in terms of outstanding principal, were granted subject to an EMI repayment system with a final instalment.
- (v) Additionally, and provided that the obligor is in good standing in respect of the obligor’s mortgage loan obligations and has no payments overdue with BBVA under other transactions, the mortgage loan interest rate may have rebates in the annual nominal ordinary interest rate of up to 0.30%, where the obligor has purchased from BBVA or BBVA group a number of products or services. Out of the selected mortgage loans, 65.29% (70.12% in terms of outstanding principal) provide for this possibility. At April 14, 2016, the portfolio selection date, 18.41% of the selected mortgage loans, in terms of outstanding principal, have been awarded all the potential rebates in respect of the applicable interest rate.

Additionally, certain groups of obligors (113.28% in terms of outstanding principal of the selected mortgage loans) enjoy benefits ranging between 0.50% and 2.50% for having purchased products in groups A, B and/or C referred to in section 2.2 (v) of the Building Block.

Furthermore, the contract terms of 1.07% of the selected mortgage loans (0.97% in terms of outstanding principal) include a 0.10% or 0.20% interest rate rebate if the obligor’s salary is paid directly at BBVA.

In the event that all obligors should meet these requirements to benefit from the respective maximum reductions, the weighted interest rate of the selected portfolio would be reduced by 1.363% at April 14, 2016, down to 1.262%.

**j) Obligors.**

Out of the selected mortgage loans, 96.58%, in terms of outstanding principal, are mortgage loans granted by BBVA to Spanish individual obligors whereas the remaining 3.42% have been granted to foreign individual obligors resident in Spain.

**k) Loans granted through Real Estate Agents.**

As detailed in section 2.2.7 of the Building Block, 4.78% of the selected mortgage loan portfolio, in terms of outstanding principal, has been granted by BBVA with Real Estate Agents (APIS) acting as mediators. Those Agents merely have sales functions and, in any event, the mortgage loans have been granted by BBVA observing its usual credit risk analysis and appraisal procedures in granting mortgage loans to natural persons described in section 2.2.7 of the Building Block.

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

Act 1/2013, as amended by Royal Decree-Act 1/2015, February 27, on a second chance mechanism, reduction of the financial burden and other social measures (“**Royal Decree-Act 1/2015**”) provides for a number of measures which may affect recovery of unpaid Mortgage Loans and, therefore, the Fund, mainly as follows:

- The stay of eviction for up to four years in awards of the main residence of people who are in the specially vulnerable and financial circumstances therein 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 only request the award of the home at 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 and by Royal Decree-Act 1/2015, 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.).

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

## **ASSET-BACKED SECURITIES 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 16 FONDO DE TITULIZACIÓN, takes responsibility for the contents of this Registration Document.

Mr Mario Masiá Vicente, General Manager of the Management Company, is acting using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and March 31, 2010, and by the Board of Directors' Executive Committee at its meetings held on January 28, 2000 and November 23, 2009, and is expressly acting for establishing the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee on March 2, 2016.

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

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

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

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

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

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

The Management Company shall proceed to designate, for periods of not more than three (3) years, the statutory auditor who is for that period of time to audit the Fund's annual accounts, reporting that appointment to the CNMV. 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 legal limits in force on the subject. The Management Company shall also 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 2/2016, April 20, on securitisation fund accounting rules, annual accounts, public financial statements and non-public statistical information statements ("**Circular 2/2016**").

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 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 16 FONDO DE TITULIZACIÓN" and the following short names may also be used without distinction to identify the Fund:

- BBVA RMBS 16 FT
- BBVA RMBS 16 F.T.

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

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

###### **Companies Register**

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

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

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

The Management Company and BBVA, as Originator of the Mortgage Loan receivables, shall proceed to execute on May 9, 2016 a public deed whereby BBVA RMBS 16 FONDO DE TITULIZACIÓN 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**").

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

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

###### 4.4.2 Existence of the Fund.

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

The Fund shall be in existence until August 17, 2064 or the following Business Day if that is not a Business Day (the "**Final Maturity Date**"), other than in the event of Early Liquidation before then as set forth in section 4.4.3 of this Registration Document or if any of the events laid down in section 4.4.4 thereof should occur.

#### 4.4.3 Early Liquidation of the Fund.

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

- (i) When the amount of the Outstanding Balance of the 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 then outstanding may be honoured and settled in full in the Liquidation Priority of Payments.

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

- (ii) Where, in any event or circumstance whatsoever unrelated to the Fund’s operations, a substantial alteration occurs or the financial balance of the Fund is permanently damaged. This event includes such circumstances as the existence of any change in the law or supplementary implementing regulations, the establishment of withholding obligations or other situations which might permanently affect the financial balance of the Fund.
- (iii) Mandatorily, in the event that the Management Company should be adjudged insolvent and/or have its licence to operate as a securitisation fund management company revoked by the CNMV and a four-month term should elapse but a new management company should not have been designated in accordance with the provisions of section 3.7.1.3 of the Prospectus Building Block.
- (iv) If the Management Company should have the express consent and acceptance of all Bondholders and of all lenders, 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 the Bonds issued or that it is about to occur.
- (vi) Upon the lapse of seventy-two (72) 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 and lenders 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 price equivalent to a reasonable market value, 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. 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 three (3) entities who may, in its view, give a price equivalent to 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 price equivalent to 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 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, which shall be applied to honouring the payment obligations for the Bonds.

#### **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 and Loan B being fully amortised and repaid.
- (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 August 17, 2064 or the following Business Day if that is not a Business Day).
- (v) Upon the establishment of the Fund terminating in the event that DBRS or Moody's should not confirm the provisional ratings assigned to the Bonds as final ratings by 2pm (CET) on May 10, 2016. 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 (1) month after the occurrence of the event of termination, the Management Company shall execute a statutory declaration before a notary declaring that the Fund's obligations have been settled and terminated and that the Fund has terminated. However, the Management Company shall defray the Fund set-up and Bond issue expenses payable with the Start-Up Loan, and the Start-Up Loan agreement shall not be terminated but shall rather be cancelled after those amounts are settled, principal repayment being subordinated

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

In the event that there should be any remainder following liquidation of the Fund 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.

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

Upon a period of three (3) months elapsing from liquidation of the Fund's remaining assets and distribution of the Liquidation Available Funds 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 lenders and the CNMV were notified, and (iii) how the Liquidation Available Funds were distributed in the Liquidation Priority of Payments; this shall be the subject of an extraordinary notice and all other appropriate administrative procedures will be observed. The Management Company will submit that statutory declaration to the CNMV.

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

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

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

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

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

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

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

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

- (ii) Bond issue, subscription, transfer, repayment and redemption are not subject to or exempt from, as the case may be, payment of Value Added Tax and Capital Transfer and Documents Under Seal Tax.
- (iii) The Fund pays Corporation Tax, the taxable income being determined in accordance with the provisions of Title IV of Corporation Tax Act 27/2014, applying the general rate in force from time to time, which currently stands at 25%, 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 2/2016, lays down the criteria based on which securitisation funds must make the relevant valuation adjustments for impairment in the value of financial assets. Article 13.1 of Act 27/2014 lays down that the rules relating to the circumstances determining deductibility of valuation adjustments due to impairment in the value of debt instruments valued at their depreciated cost held by securitisation funds shall be established by way of regulations. Chapter III of the Corporation Tax Regulations refers to those circumstances. Additionally, pursuant to article 16.6 a) of Act 27/2014, the Fund shall not be applied the limitation regarding deductibility of financial expenses.

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

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

- (ix) The Originator’s management of the Mortgage Loans is exempt from Value Added Tax.

#### 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 Spanish or foreign individuals residing in Spain with senior ranked real estate mortgage security on finished homes (and their annexes -parking spaces and/or 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, together with the Loan B drawdown, 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 to principal repayment on the Bonds issued and Loan B in accordance with 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 the Bonds.

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

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

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 one of the Subscribers of the Bond Issue, together with the EIB.

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), Loan B, Subordinated Loan, Start-Up Loan, Financial Intermediation and Bond Paying Agent Agreements. Additionally, BBVA shall be the Mortgage Loan Servicer, as issuer of the Pass-Through Certificates, pursuant to article 26.3 and additional provision one of Royal Decree 716/2009, and in accordance with the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.

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

TIN No.: A-48265169 Business Activity Code No.: 6419

Registered office: Plaza de San Nicolás number 4, 48005 Bilbao (Spain).

Principal places of business: Calle Azul number 4, 28050 Madrid.

Gran Vía number 1, 48001 Bilbao

Paseo de Recoletos number 10, 28001 Madrid

The long-term deposit rating assigned by Moody’s to BBVA is A3 from June 17, 2015.

The long-term critical obligation rating (COR) assigned by DBRS to BBVA is A (high) from February 4, 2016, whereas the long-term rating assigned by DBRS to BBVA is A at that same date.

Axesor has not assigned any credit rating to BBVA, notwithstanding the internal assessments made by that rating agency regarding the aforementioned bank. Axesor has advised that those assessments, at the date hereof, provide BBVA with a long-term credit rating meeting the requirements for BBVA to act as counterparty to the Treasury and Paying Agent Agreements. If those assessments fall below the required rating levels, Axesor will notify BBVA and the latter will notify the Management Company in order for the remedial actions defined in this Prospectus and in the aforementioned Agreements to be taken.

- The EUROPEAN INVESTMENT BANK (“**EIB**”) will be one of the Bond Issue Subscribers.

The EUROPEAN INVESTMENT BANK is a financing institution with own legal personality, created by the Treaty of Rome of March 25, 1957 establishing the European Economic Community, with place of business in Luxembourg, 100 boulevard Konrad Adenauer, and Luxembourg Tax Number P50246636.

- Axesor Conocer para Decidir, S.A. (“**Axesor**”) is one of the Rating Agencies rating the Bond Issue.

Axesor is a rating agency with place of business at Parque Comercial San Isidro, C/ Graham Bell s/n, Edificio Axesor, Armilla, Granada, Spain, and has Tax Identification Number A-18413302. Axesor’s ratings are all available at the company’s website (<http://rating.axesor.es/>).

Axesor Conocer para Decidir, S.A. was registered and authorised on October 1, 2012 as a credit rating agency in the European Union in accordance with Regulation (EC) no. 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, as currently worded (“**Regulation 1060/2090**”).

- DBRS Ratings Limited (“**DBRS**”) is one of the Rating Agencies rating the Bond Issue.

DBRS is a rating agency with place of business at 20 Fenchurch Street 31<sup>st</sup> Floor, London, EC3M 3BY, United Kingdom. DBRS ratings are all available online at Bloomberg and at its website ([www.dbrs.com](http://www.dbrs.com)).

DBRS Ratings Limited was registered and authorised on October 31, 2011 as a credit rating agency in the European Union in accordance with Regulation 1060/2009.

- Moody’s Investors Service Ltd. (“**Moody’s**”) is one of the Rating Agencies rating the Bond Issue.

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

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

- 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 this Prospectus (including its legal, tax and contractual aspects), the transaction and financial service agreements referred to herein and the Deed of Constitution.

TIN: B-81709081

Registered Office: Calle Herosilla 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 87.86% interest in the share capital of EUROPEA DE TITULIZACIÓN.

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

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

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

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

EUROPEA DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before Madrid Notary Mr Roberto Blanquer Uberos, his 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, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated October 4, 1999 and in a deed executed on October 25, 1999 before Madrid Notary Mr Luis Felipe Rivas Recio, his 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 of dissolution thereof provided by the laws and the articles of association.

### **6.2 Audit.**

The annual accounts of EUROPEA DE TITULIZACIÓN for the years ended December 31, 2013 and 2014 have been audited by the firm Deloitte. The annual accounts for the year ended December 31, 2015 are pending an audit report by Deloitte and submission to the General Shareholders Meeting for approval.

In addition, Deloitte has audited BBVA's individual and consolidated annual accounts for the years ended December 31, 2015 and 2014.

### **6.3 Principal activities.**

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

The following table itemises the 75 securitisation funds managed, giving their date of establishment and the face amount of the bonds issued by those funds and their outstanding principal balances at March 31, 2016.

Securitisation Fund	Establishment	Initial Bond Issue	Bond Issue Balance 31.03.2016		Bond Issue Balance 31.12.2015		Bond Issue Balance 31.12.2014
		EUR	EUR	Δ%	EUR	Δ%	EUR
<b>TOTAL</b>		<b>127,883,574,000.00</b>	<b>46,121,639,692.00</b>	<b>-2.76%</b>	<b>47,432,613,325.99</b>	<b>-1.84%</b>	<b>48,322,474,012.31</b>
BBVA-10 PYME FT	14/12/2015	780,000,000.00	780,000,000.00	0.00%	780,000,000.00		
BBVA Consumo 7 FT	27/07/2015	1,450,000,000.00	1,450,000,000.00	0.00%	1,450,000,000.00		
BBVA RMBS 15 FTA	11/05/2015	4,000,000,000.00	3,843,164,832.00	0.00%	3,901,737,432.00		
BBVA RMBS 14 FTA	24/11/2014	700,000,000.00	606,790,210.60	-2.07%	619,604,230.00	-29.20%	700,000,000.00
BBVA CONSUMO 6 FTA	15/10/2014	300,000,000.00	300,000,000.00	0.00%	300,000,000.00	-29.20%	300,000,000.00
BBVA RMBS 13 FTA	14/07/2014	4,100,000,000.00	3,794,411,850.50	-1.48%	3,851,218,047.50	-29.20%	4,054,904,797.00
Rural Hipotecario XVII FTA	03/07/2014	101,124,000.00	79,399,170.00	-10.05%	88,267,464.00	-29.20%	99,457,227.00
BANKIA PYME I FTA	20/12/2013	645,000,000.00	227,819,524.20	-9.25%	251,043,645.75	-29.20%	456,645,261.75
BBVA RMBS 12 FTA	09/12/2013	4,350,000,000.00	3,904,490,656.65	-1.56%	3,966,223,707.75	-3.73%	4,187,915,628.75
Rural Hipotecario XVI FTA	24/07/2013	150,000,000.00	120,154,152.60	-4.27%	125,517,261.45	-5.81%	139,662,093.75
Rural Hipotecario XV FTA	18/07/2013	529,000,000.00	438,939,257.65	-2.50%	450,182,787.64	-6.48%	484,814,015.98
Rural Hipotecario XIV FTA	12/07/2013	225,000,000.00	174,708,983.25	-7.67%	189,221,064.75	-7.21%	203,745,377.25
BBVA Securitised Funding 1 FTA	11/03/2013	850,000,000.00	332,543,740.00	-12.73%	381,042,640.00	-27.18%	618,941,260.00
BBVA-9 PYME FTA	24/12/2012	470,000,000.00	0.00	0.00%	0.00	-31.74%	230,732,440.00
BBVA RMBS 11 FTA	11/06/2012	1,400,000,000.00	1,188,856,566.80	-1.48%	1,206,738,134.00	-4.44%	1,266,508,185.60
BBVA EMPRESAS 6 FTA	19/12/2011	1,200,000,000.00	0	0.00%	0.00	-37.36%	388,128,816.00
BBVA RMBS 10 FTA	20/06/2011	1,600,000,000.00	1,352,006,684.80	-1.28%	1,369,579,305.60	-3.81%	1,426,229,088.00
BBVA Empresas 5 FTA	14/03/2011	1,250,000,000.00	0	0.00%	0.00	-40.06%	298,691,622.50
MBS BANCAJA 8 FTA	23/12/2010	450,000,000.00	301,231,842.75	-1.87%	306,975,810.15	-8.65%	338,179,213.35
MBS BANCAJA 7 FTA	23/07/2010	875,000,000.00	587,247,405.50	-2.07%	599,638,198.25	-8.49%	659,102,417.75
BBVA Empresas 4 FTA	19/07/2010	1,700,000,000.00	172,121,600.00	-8.65%	188,427,830.00	-33.40%	265,234,340.00
BBVA RMBS 9 FTA	19/04/2010	1,295,000,000.00	983,339,861.00	-1.40%	997,258,780.00	-4.89%	1,049,546,736.00
BBVA Empresas 3 FTA	21/12/2009	2,600,000,000.00	0	0.00%	0.00	-33.05%	294,408,790.00
BBVA Consumo 4 FTA	09/12/2009	1,100,000,000.00	0.00	0.00%	0.00	-46.10%	141,336,325.74
Rural Hipotecario XII FTA	04/11/2009	910,000,000.00	541,801,542.34	-2.80%	557,383,306.96	-9.14%	611,858,310.04
Bancaja Leasing 1 FTA	22/10/2009	800,000,000.00	0	0.00%	0.00	-14.59%	319,456,678.40
VAL Bancaja 1 FTA	27/05/2009	300,000,000.00	190,636,660.00	-1.91%	194,357,943.00	-8.29%	210,085,961.20
Bancaja - BVA VPO 1 FTA	03/04/2009	390,000,000.00	210,334,581.48	-3.65%	218,297,137.50	-9.96%	247,462,436.70
BBVA Empresas 2 FTA	09/03/2009	2,850,000,000.00	0	0.00%	0.00	-26.84%	467,802,534.00
Rural Hipotecario XI FTA	25/02/2009	2,200,000,000.00	1,095,836,574.25	-3.92%	1,140,553,573.83	-11.68%	1,280,789,455.33
MBS Bancaja 6 FTA	02/02/2009	1,000,000,000.00	491,961,492.00	-3.23%	508,387,172.00	-12.07%	574,990,999.20
Bancaja 13 FTA	09/12/2008	2,895,000,000.00	1,789,323,929.27	-1.99%	1,825,604,503.04	-8.43%	1,979,541,090.67
Bankinter 4 FTPYME FTA	15/09/2008	400,000,000.00	0	0.00%	0.00	-19.01%	128,074,630.80
BBVA-8 FTPYME FTA	21/07/2008	1,100,000,000.00	0.00	-100.00%	82,604,553.35	-27.12%	126,199,991.09
Rural Hipotecario X FTA	25/06/2008	1,880,000,000.00	875,356,256.00	-3.81%	910,050,210.88	-11.26%	1,026,081,080.64
BBVA RMBS 5 FTA	26/05/2008	5,000,000,000.00	2,799,742,572.50	-1.58%	2,844,688,022.50	-6.40%	3,020,881,760.00
BBVA Consumo 3 FTA	14/04/2008	975,000,000.00	0.00	0.00%	0.00	-49.32%	56,758,531.05
BBVA-7 FTGENCAT FTA	11/02/2008	250,000,000.00	0	0.00%	0.00	-32.03%	24,089,271.93
Bankinter 3 FTPYME FTA	12/11/2007	617,400,000.00	145,899,052.08	-4.15%	152,219,461.83	-17.31%	182,417,746.68
BBVA Empresas 1 FTA	05/11/2007	1,450,000,000.00	0	0.00%	0.00	-40.92%	82,683,965.43
FTPYME Bancaja 6 FTA	26/09/2007	1,027,000,000.00	103,560,271.83	-4.12%	108,012,910.37	-20.36%	128,068,213.30
BBVA RMBS 3 FTA	23/07/2007	3,000,000,000.00	1,890,948,555.45	-1.36%	1,917,007,655.55	-4.67%	2,015,955,352.05
PYME Valencia 1 FTA	20/07/2007	865,300,000.00	98,070,878.40	-9.47%	108,327,797.80	-16.09%	137,506,288.24
Bancaja 11 FTA	16/07/2007	2,022,900,000.00	1,025,259,708.60	-2.15%	1,047,754,678.00	-7.22%	1,133,098,438.30
BBVA Leasing 1 FTA	25/06/2007	2,500,000,000.00	164,355,183.88	-7.33%	177,351,751.18	-24.79%	235,699,104.22
BBVA-6 FTPYME FTA	11/06/2007	1,500,000,000.00	74,493,989.01	-7.76%	80,757,173.99	-35.23%	88,974,145.20
BBVA Finanzia Autos 1 FTA	30/04/2007	800,000,000.00	12,570,938.72	-24.13%	16,569,061.12	-45.77%	40,094,060.64
MBS Bancaja 4 FTA	27/04/2007	1,873,100,000.00	644,256,588.85	-3.71%	669,102,521.51	-11.74%	766,124,623.20
Rural Hipotecario IX FTA	28/03/2007	1,515,000,000.00	606,115,217.21	-3.56%	628,511,187.72	-10.86%	705,739,038.64
BBVA RMBS 2 FTA	26/03/2007	5,000,000,000.00	2,443,357,200.00	-2.26%	2,499,883,920.00	-6.91%	2,703,754,320.00
BBVA RMBS 1 FTA	19/02/2007	2,500,000,000.00	1,270,114,440.00	-2.08%	1,297,101,260.00	-6.14%	1,391,627,020.00
Bancaja 10 FTA	26/01/2007	2,631,000,000.00	1,190,932,906.10	-2.25%	1,218,328,240.40	-7.60%	1,326,517,363.00
BBVA Consumo 2 FTA	27/11/2006	1,500,000,000.00	0	0.00%	0.00	-57.42%	44,377,144.25
Ruralpyme 2 FTPYME FTA	24/11/2006	617,050,000.00	0.00	-100.00%	71,417,340.48	-19.20%	91,114,304.85

Securitisation Fund	Establishment	Initial Bond Issue	Bond Issue Balance 31.03.2016		Bond Issue Balance 31.12.2015		Bond Issue Balance 31.12.2014
		EUR	EUR	Δ%	EUR	Δ%	EUR
Bankinter 13 FTA	20/11/2006	1,570,000,000.00	709,988,949.77	-2.49%	728,111,919.02	-7.74%	794,787,388.38
Valencia Hipotecario 3 FTA	15/11/2006	911,000,000.00	332,990,207.18	-4.45%	348,502,716.18	-10.43%	387,613,678.29
BBVA-5 FTPYME FTA	23/10/2006	1,900,000,000.00	45,453,173.70	-8.40%	49,619,007.30	-31.77%	77,926,592.40
PYME Bancaja 5 FTA	02/10/2006	1,178,800,000.00	77,948,066.89	-8.05%	84,773,751.91	-15.48%	97,814,768.80
Bankinter 2 PYME FTA	26/06/2006	800,000,000.00	110,916,879.40	-5.26%	117,071,247.40	-18.49%	144,059,010.40
Consumo Bancaja 1 FTA	26/06/2006	612,900,000.00	0.00	0.00%	0.00	-26.12%	14,109,264.00
Rural Hipotecario VIII FTA	26/05/2006	1,311,700,000.00	433,228,315.40	-4.70%	454,598,305.76	-10.82%	517,816,549.72
BBVA Consumo 1 FTA	08/05/2006	1,500,000,000.00	0	0.00%	0.00	-47.82%	44,441,818.80
MBS Bancaja 3 FTA	03/04/2006	810,000,000.00	230,459,633.60	-2.99%	237,555,062.80	-10.70%	271,070,626.80
Bancaja 9 FTA	02/02/2006	2,022,600,000.00	635,439,850.00	-2.78%	653,602,480.00	-9.70%	735,186,500.00
BBVA Autos 2 FTA	12/12/2005	1,000,000,000.00	0	0.00%	0.00	-56.85%	25,958,793.00
Valencia Hipotecario 2 FTH	07/12/2005	950,000,000.00	268,451,623.00	-4.45%	280,948,334.90	-11.47%	318,583,444.90
EdT FTPYME Pastor 3 FTA	05/12/2005	520,000,000.00	13,138,540.80	-10.26%	14,640,994.06	-22.62%	19,134,457.12
Bankinter 11 FTH	28/11/2005	900,000,000.00	336,441,339.72	-3.34%	348,076,522.89	-9.04%	388,092,908.26
Rural Hipotecario Global I FTA	18/11/2005	1,078,000,000.00	296,455,454.31	-3.55%	307,361,684.97	-12.45%	348,456,579.04
BBVA-4 PYME FTA	26/09/2005	1,250,000,000.00	0	0.00%	0.00	-34.57%	26,234,779.96
Bankinter 10 FTA	27/06/2005	1,740,000,000.00	552,589,709.30	-2.89%	569,059,031.28	-9.24%	633,995,674.82
MBS Bancaja 2 FTA	27/06/2005	809,200,000.00	163,151,609.36	-3.69%	169,402,337.36	-11.92%	197,405,288.16
BBVA Hipotecario 3 FTA	13/06/2005	1,450,000,000.00	44,706,419.08	-10.93%	50,194,530.15	-32.56%	77,920,784.88
Rural Hipotecario VII FTA	29/04/2005	1,100,000,000.00	259,171,034.60	-5.08%	273,035,094.78	-12.65%	318,579,843.07
Bancaja 8 FTA	22/04/2005	1,680,100,000.00	452,594,189.14	-3.00%	466,570,467.12	-9.34%	522,901,610.80
Bankinter 9 FTA	14/02/2005	1,035,000,000.00	309,811,449.01	-3.31%	320,417,261.24	-9.61%	359,303,750.75
BBVA-3 FTPYME FTA	29/11/2004	1,000,000,000.00	0	0.00%	0.00	-43.11%	14,556,430.62
FTPYME Bancaja 3 FTA	11/10/2004	900,000,000.00	19,291,358.79	-7.91%	20,949,503.00	-30.18%	28,157,405.16
Bancaja 7 FTA	12/07/2004	1,900,000,000.00	381,223,703.49	-3.68%	395,793,497.61	-10.92%	451,281,021.66
Rural Hipotecario VI FTA	07/07/2004	950,000,000.00	194,669,755.91	-6.25%	207,655,789.67	-12.10%	242,925,273.83
MBS Bancaja 1 FTA	17/05/2004	690,000,000.00	56,065,342.08	-4.92%	58,966,228.20	-18.23%	74,203,037.64
Valencia Hipotecario 1 FTA	23/04/2004	472,000,000.00	74,000,167.08	-5.89%	78,629,016.21	-15.45%	94,856,197.44
Bankinter 8 FTA	03/03/2004	1,070,000,000.00	233,480,336.26	-3.33%	241,514,764.30	-10.86%	273,725,519.01
Bankinter 7 FTH	18/02/2004	490,000,000.00	104,048,052.78	-3.27%	107,566,172.64	-10.94%	123,735,920.06
Bancaja 6 FTA	03/12/2003	2,080,000,000.00	303,289,091.56	-3.95%	315,754,135.32	-11.86%	362,498,652.36
Rural Hipotecario V FTA	28/10/2003	695,000,000.00	115,318,636.84	-4.45%	120,690,840.12	-12.91%	141,302,007.46
Bankinter 6 FTA	25/09/2003	1,350,000,000.00	285,999,002.70	-3.97%	297,833,872.98	-11.58%	340,516,051.33
FTPYME Bancaja 2 FTA	19/09/2003	500,000,000.00	0	0.00%	0.00	-28.78%	17,495,991.65
Bancaja 5 FTA	14/04/2003	1,000,000,000.00	132,413,505.30	-3.92%	137,822,849.20	-12.83%	158,452,756.35
Bankinter 5 FTH	16/12/2002	710,000,000.00	111,473,985.25	-4.24%	116,415,446.95	-12.50%	134,578,816.09
Rural Hipotecario IV FTH	14/11/2002	520,000,000.00	60,469,493.84	-5.02%	63,663,417.99	-15.02%	75,534,772.01
Bancaja 4 FTH	05/11/2002	1,000,000,000.00	109,404,876.65	-3.90%	113,848,019.75	-13.76%	133,255,981.70
Bankinter 4 FTH	24/09/2002	1,025,000,000.00	153,517,520.45	-4.79%	161,243,789.66	-13.38%	187,754,100.50
Bancaja 3 FTA	29/07/2002	520,900,000.00	74,525,446.63	-5.97%	79,257,192.79	-19.68%	100,254,363.91
Rural Hipotecario III FTH	14/05/2002	325,000,000.00	0	0.00%	0.00	-18.89%	35,482,878.37
Bankinter 3 FTH	22/10/2001	1,322,500,000.00	137,358,095.86	-4.96%	144,520,318.63	-15.36%	171,809,136.59
BCL Municipios I FTA	21/06/2000	1,205,000,000.00	0	0.00%	0.00	-22.53%	61,540,080.00
Bankinter 2 FTH	25/10/1999	320,000,000.00	0	0.00%	0.00	-17.04%	25,156,010.75



#### 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, consecutively 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)	31.12.2015*	31.12.2014	Δ%	31.12.2013
<b>Equity</b>	<b>34,047,496.46</b>	<b>31,736,426.20</b>	<b>8.97%</b>	<b>29,122,908.50</b>
Capital	1,803,037.50	1,803,037.50	0.00%	1,803,037.50
Reserves	32,244,458.96	29,933,388.70	9.57%	27,319,871.00
<i>Legal</i>	360,607.50	360,607.50	0.00%	360,607.50
<i>Voluntary</i>	31,883,851.46	29,572,781.20	9.69%	26,959,263.50
Previous financial year's result				
<b>Year's profit</b>	<b>3,324,886.46</b>	<b>3,851,783.77</b>	<b>-11.57%</b>	<b>4,355,862.83</b>

\* Annual accounts pending an audit report by Deloitte and submission to the General Shareholders Meeting for approval.

The Management Company' total equity and share capital are sufficient to carry on its business as required by article 29 d) of Act 5/2015.

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

There are no shareholdings in any other company.

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

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

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

### **Board of Directors.**

The Board of Directors has the following membership:

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

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

(\*\*) Proprietary Directors designated by BBVA.

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

### **General Manager.**

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

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

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

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

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

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

#### **6.9 Litigation in the Management Company.**

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

## 7. MAJOR SHAREHOLDERS

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

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

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

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

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

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

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

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

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

Not applicable.

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

Not applicable.

### 8.3 Legal and arbitration proceedings.

Not applicable.

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

Not applicable.

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

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

No statement or report is included.

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

No information sourced from a third party is included.

**10. DOCUMENTS ON DISPLAY**

**10.1 Documents on display.**

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

- a) the Deed of Constitution of the Fund;
- b) the transcripts of the Management Company's and the Originator's corporate resolutions;
- c) this Prospectus;
- d) the audit report on certain features and attributes of a sample of all of BBVA's selected 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 letter from BBVA taking responsibility, with the Management Company, for the Securities Note (including the Building Block);
- f) the notarial certificate recording payment of the Bond Issue, once the Bond Issue is paid up;
- g) the annual reports and the quarterly reports provided for in article 35 of Act 5/2015;
- h) the Rating Agencies' letters notifying the provisional and final ratings assigned to the Bond Issue;
- i) the Management Company's annual accounts and the relevant audit reports; and
- j) the Management Company's articles of association and memorandum of association.

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

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

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

In addition, the documents listed in a) to 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 16 FONDO DE TITULIZACIÓN, takes responsibility for the contents of this Securities Note (including the Building Block).

Mr Mario Masiá Vicente, General Manager of the Management Company, is acting using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and March 31, 2010, and by the Board of Directors' Executive Committee at its meetings held on January 28, 2000 and November 23, 2009, and is expressly acting for establishing the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee on March 2, 2016.

Ms Patricia Cuenllas Arias and Ms María Reyes Bover Rodríguez, 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 16 FONDO DE TITULIZACIÓN, 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 José Ignacio Uranga Otaegui on May 8, 2001, his document number 1855.

Ms María Reyes Bover Rodríguez is acting as attorney-in-fact for the Lead Manager BBVA using the powers conferred on her before Notary José María Arriola Arana on September 6, 2004, his document number 1706.

##### **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 Ms María Reyes Bover Rodríguez declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Securities Note (including the Building Block) is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

#### **2 RISK FACTORS**

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

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

### **3 KEY INFORMATION**

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

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

- a) EUROPEA DE TITULIZACIÓN is the Fund Management Company and is responsible for servicing and managing the Mortgage Loans under article 26.1.b) of Act 5/2015, pursuant to which it is the management company's duty to service and manage the assets pooled in the Fund. Notwithstanding the foregoing, under article 26.3 and additional provision one of Royal Decree 716/2009, and by virtue of the Management Company's delegated authority, BBVA shall, as issuer of the Pass-Through Certificates, continue to be the custodian and servicer of the Mortgage Loans.
- 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 subscribed for by the Fund and shall be the Fund's counterparty under the Lead Management and Subscription, Guaranteed Interest Rate Account (Treasury Account), Loan B, Subordinated Loan, Start-Up Loan, Paying Agent and Financial Intermediation Agreements. In addition, BBVA is involved as Lead Manager and one of the Subscribers of the Bond Issue and as Paying Agent of the Bond Issue. Additionally, BBVA shall be the Mortgage Loan Servicer, as issuer of the Pass-Through Certificates, pursuant to article 26.3 and additional provision one of Royal Decree 716/2009, and in accordance with the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement
- d) The EUROPEAN INVESTMENT BANK is involved as one of the Bond Issue Subscribers.
- e) 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.
- f) GARRIGUES, as independent adviser, has provided legal advice for establishing the Fund and the Bond Issue and has been involved in reviewing this Prospectus (including its legal, tax and contractual aspects), the transaction and financial service agreements referred to herein and the Deed of Constitution.
- g) Axesor, DBRS and Moody's are the Rating Agencies that have rated the Bond Issue.

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

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

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

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

The total face value amount of the Issue of Asset-Backed Bonds (the "**Bond Issue**" or the "**Bonds**") is EUR one billion three hundred and forty-four million (1,344,000,000.00), comprising thirteen thousand four hundred and forty (13,440) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries and denominated in Euros. The ISIN code of the Bonds is ES0305132005.

#### 4.1.2 Bond issue price.

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

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

#### 4.1.3 Subscription for the Bond Issue.

The Bond Issue shall be fully subscribed for on the date of establishment of the Fund by BBVA and the EIB (the “**Subscribers**”) 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 and the EIB, as follows:

Subscribers	Bonds	
	Number	Face Value
EIB	7,500	750,000,000.00
BBVA	5,940	594,000,000.00
<b>Total</b>	<b>13,440</b>	<b>1,344,000,000.00</b>

BBVA and the EIB 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 DBRS or Moody’s should not confirm the provisional ratings assigned to the Bonds as final ratings by 2pm (CET) on May 10, 2016 or in the events provided for by the laws in force for the time being.

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

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

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

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

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

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

The Bonds issued by the Fund will be exclusively represented by means of book entries, and will become such Bonds when entered in the relevant register of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.U. (“**Iberclear**”), the institution in charge of the accounting record. In this connection, and for the record, the Deed of Constitution shall have the effects prescribed by article 7 of the Securities Market Act.



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

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

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

The Bonds shall be denominated in Euros.

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

Loan B interest payment and principal repayment is deferred with respect to the 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 the Fund priority of payments.**

Payment of interest accrued by the 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.

##### **4.6.2 Simple reference to the order number of Bond principal repayment in the Fund priority of payments.**

Bond principal repayment is third (3<sup>rd</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 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.

#### **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 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 and 3.4.6.2.1.2 of the Building Block. 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.

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 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.

The resultant yearly nominal interest rate (the “**Nominal Interest Rate**”) shall be payable by interest accrual 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 the Bonds 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, May 11, 2016, inclusive, and the first Payment Date, August 17, 2016, exclusive, and
- (ii) the duration of the last Interest Accrual Period shall be equivalent to the exact number of days elapsed between the last Payment Date before liquidation of the Fund, inclusive, and the liquidation date, exclusive.

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

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

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

- a) zero percent (0%); and
- b) the result of adding:
  - (i) the Reference Rate, as established in the following section, and
  - (ii) a 0.50% margin.

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

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

The reference rate (“**Reference Rate**”) for determining the Nominal Interest Rate applicable to the Bonds is as follows:

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

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

Euribor definitions approved by EMMI and EURIBOR ACI supplementing or replacing 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 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 the Bonds 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 the Bonds 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 May 11, 2016 to the Subscribers. The Management Company will also notify this to the Paying Agent, AIAF and Iberclear.

The Nominal Interest Rates determined for the Bonds 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 the Bonds, payable on each Payment Date for each Interest Accrual Period, shall be calculated 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 Bonds at the Determination Date preceding that Payment Date or on the liquidation date.

*R* = Nominal Interest Rate of the Bonds 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 will be paid until finally amortised by Interest Accrual Periods in arrears on February 17, May 17, August 17 and November 17 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 shall be August 17, 2016, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, May 11, 2016, inclusive, and August 17, 2016, exclusive.

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

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

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

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

In the event that on a Payment Date the Fund should be unable to make full or partial payment of interest accrued on the Bonds, in the Priority of Payments, unpaid amounts shall be accumulated on the following Payment Date to interest, 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 or, in the event of liquidation of the Fund, in the Liquidation Priority of Payments.

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

The Fund, through its Management Company, may not defer Bond interest payment beyond August 17, 2064, 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 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 shall be amortised in an equal amount by reducing the face amount of each of the Bonds.

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

Bond principal shall be amortised by partial amortisation on each Payment Date after Bond amortisation begins, in the amount applied on each Payment Date to amortising the Bonds, in accordance with the rules given in section 3.4.6.2.1.2 of the Building Block, prorated between the Bonds by reducing the face amount of each Bond. The first partial amortisation of the Bonds shall occur on the first Payment Date, August 17, 2016.

Final amortisation of the Bonds shall occur on the Final Maturity Date (August 17, 2064 or the following Business Day if that is not a Business Day), notwithstanding their possible full amortisation before that date due to the partial amortisation for which provision is made or that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to Early Liquidation of the Fund and thereby Early Amortisation of the Bond Issue before the Final Maturity Date.

##### **4.9.3 Partial amortisation of the Bonds.**

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 on each Payment Date other than the Final Maturity Date or upon Early Liquidation of the Fund on the specific amortisation terms established in section 4.9.2 of this Securities Note and on the terms described hereinafter in this section and in section 3.4.6.2.1.2 of the Building Block.

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

Determination dates (the “**Determination Dates**”) will be the dates falling on the seventh (7<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 which the Fund shall dispose of on the relevant Payment Date, in the Priority of Payments. The first Determination Date shall be August 5, 2016.

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

- (i) the duration of the first Determination Period shall be equal to the days elapsed between the date of establishment of the Fund, inclusive, and the first Determination Date, August 5, 2016, inclusive, and
- (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which the Fund terminates or Early Liquidation of the Fund concludes, as provided for in section 4.4.3 of the Registration Document, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), not including the first date b) but including the last date a).

#### 4.9.3.2 **Outstanding Principal Balance of the Bonds and Loan B.**

The outstanding principal balance of the Bond Issue (the “**Outstanding Principal Balance of the Bonds**” or the “**Outstanding Principal Balance of the Bond Issue**”) shall be the sum of the principal pending repayment (outstanding balance) at a date of all the Bonds.

The outstanding principal balance of Loan B (the “**Outstanding Principal Balance of Loan B**”) shall be the principal pending repayment (outstanding balance) of Loan B at a date.

#### 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 in the Fund’s assets 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. The potential deferment of payment of instalments referred to in section 2.2 (ii) of the Building Block, shall not be considered a delay in payment of overdue Mortgage Loan amounts.

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 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. The potential deferment of payment of instalments referred to in section 2.2 (ii) of the Building Block, shall not be considered a delay in payment of overdue Mortgage Loan amounts.

Failed Mortgage Loans (the “**Failed Mortgage Loans**”) shall be deemed to be Mortgage Loans, whether or not overdue, the recovery of which is considered unlikely after an individualised analysis and which are written off the Fund’s assets. Failed Mortgage Loans shall have previously been classified as Doubtful Mortgage Loans.

#### 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 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 August 17, 2064 or the following Business Day if that is not a Business Day, without prejudice to the Management Company, for and on behalf of the Fund, and in accordance with the provisions of sections 4.9.3 and 4.9.4 of this Securities Note, proceeding to amortise the Bond Issue 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 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 Obligors' 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: 1.262% weighted average interest rate (the result of deducting from the weighted average mortgage loan rate, 1.363% at April 14, 2016, the maximum possible rebate applicable to the mortgage loans as set out in section 2.2 (v) of the Building Block) which has been used for calculating the repayment and interest instalments of each of the selected mortgage loans;
- maintenance of the selected loan repayment systems at April 14, 2016, including, as the case may be, the due date of the instalments (the option to change the EMI repayment system to an EMI repayment system with a final instalment has not been exercised in any of the selected mortgage loans since their origination);
- Mortgage Loan portfolio delinquency: the assumption is that on each Payment Date 0.75% of the Outstanding Balance of the Mortgage Loans falls in arrears and reaches a delinquency rate of 5.39%, this being BBVA's mortgage loan delinquency rate at March 31, 2016, with 70% recoveries within 9 quarters of becoming delinquent, and the remaining mortgage loans not recovered becoming doubtful. The 5.39% delinquency rate would be reached on the Payment Date falling on February 18, 2019 for 2%, 3% and 4% CPRs. This 5.390% mortgage loan delinquency rate would not trigger a reduction of the Required Cash Reserve, as set down in section 3.4.2.2 of the Building Block;
- Mortgage Loan portfolio doubtful rate: 1.62% per annum (arrived at based on BBVA's mortgage delinquency rate at March 31, 2016 referred to in the above paragraph and the percentage loans not recovered), 50% per annum of the Outstanding Balance of Doubtful Mortgage Loan principal being recovered within 18 months of becoming doubtful; the resultant cumulative Mortgage Loan portfolio doubtful rate from the establishment of the Fund with respect to the initial Outstanding Balance of the Mortgage Loans upon the Fund being established being: 11.04% for a 2% CPR; 10.20% for a 3% CPR; and 9.44% for a 4% CPR;
- that the Mortgage Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is May 11, 2016;
- that the final maximum maturity date has been taken into account in all mortgage loans in which an extension of the maturity date is allowed; and
- that there is no deferment of payment of instalments of any of the selected mortgage loans (just 0.28% of the selected mortgage loans, in terms of outstanding principal, had deferred instalments at April 14, 2016).

The actual adjusted duration and the yield or return on the Bonds will also depend on their floating rate. The nominal interest rates assumed for the different Interest Accrual Periods are as follows, resulting from 3-month Euribor (-0.251%) at May 3, 2016, and the margins set in section 4.8.1.2 of this Securities Note:

<b>Bonds</b>	
<b>Nominal interest rate</b>	0.249%

The weighted average interest rate of the mortgage loans selected as at April 14, 2016, as detailed in section 2.2.2.l) of the Building Block, bearing in mind that the maximum possible reduction would apply to the mortgage loans as referred to in section 2.2.v) of the Building Block, is 1.262%, which is above the 0.249% nominal interest rate of the Bonds that has been presumed for hypothetical purposes for the different Interest Accrual Periods.

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

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option provided in section 4.4.3 of the Registration Document when the Outstanding Balance of the 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 in recent months of similarly characterised loans previously securitised by BBVA, would be as follows:

<b>% CPR:</b>	<b>2.00%</b>	<b>3.00%</b>	<b>4.00%</b>
	<b>Bonds</b>		
<b>Average life (years)</b>	9.77	8.73	7.85
<b>IRR</b>	0.252%	0.252%	0.252%
<b>Duration (years)</b>	9.58	8.57	7.72
<b>Final maturity (date)</b>	17 05 2038	17 11 2036	17 05 2035
<b>Final maturity (years)</b>	22.03	20.53	19.03

The Management Company expressly states that the servicing tables described hereinafter for the Bonds 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 2.00%, 3.00% and 4.00% throughout the life of the Bond Issue, actual prepayment changes continually.
- The Outstanding Principal Balance of the Bonds 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 in all Interest Accrual Periods, the nominal interest rate of the Bonds is known to float.
- It is assumed that the Management Company will exercise the Early Liquidation option of the Fund and thereby Early Amortisation of the Bond Issue when the Outstanding Balance of the 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.

The details as to average life and duration might not be representative because out of the selected mortgage loans at April 14, 2016 and in terms of outstanding principal:

- (i) 92.11% provide for the possibility, in certain events, of the initially agreed final maturity date being put back or brought forward by 10 years, although 38.28% have already set their maturity date as the maximum final maturity date;
- (ii) 92.11% allow payment of up to two instalments to be deferred in each calendar year and up to not more than ten deferred instalments throughout the term of the mortgage loan, subject to certain limitations (0.28% have a deferred instalment);



- (iii) 90.47% allow “floating interest” to be switched to “constant interest” (0.023% had switched from floating to constant interest);
- (iv) 9.57% have a mixed interest rate structure (fixed and floating), with a weighted initial average fixed-rate period, until the date on which the loan interest rate is first reset, of 3.54 years;
- (v) 90.47% allow the repayment system to be changed from an EMI system to an EMI system with a final payment for a higher amount, provided that (a) the amount of the final instalment is neither less than 10% nor more than 30% of the capital amount outstanding at the date on which the change is requested, and (b) BBVA accepts that change (this option has not been exercised in any of the selected loans since their origination) (out of the selected mortgage loans, 12.61%, in terms of outstanding principal, were granted subject to an EMI repayment system with a final higher instalment at April 14, 2016); and
- (vi) 70.12% allow the annual nominal ordinary interest rate to be reduced where the obligor has purchased certain products or services from BBVA or BBVA group (18.41% benefit from all possible rebates in the applicable ordinary interest rate); 13.28%, belonging to certain groups of debtors, benefit from rebates ranging between a maximum of 0.50% and 2.50%; and 1.07% of the selected mortgage loans (0.97%, in terms of outstanding principal), benefit from a 0.10% or 0.20% interest rate rebate because the obligor’s salary is paid directly at BBVA.

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

Payment Dates	CPR = 2.00%			CPR = 3.00%			CPR = 4.00%		
	Bonds			Bonds			Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
TOTALS	100.000.00	2.466.28	102.466.28	100.000.00	2.203.27	102.203.27	100.000.00	1.981.11	101.981.11
11 05 2016									
17 08 2016	1.876.49	67.78	1.944.28	2.218.84	67.78	2.286.62	2.563.67	67.78	2.631.46
17 11 2016	1.471.93	62.44	1.534.37	1.754.48	62.22	1.816.70	2.037.44	62.00	2.099.44
17 02 2017	1.462.82	61.50	1.524.32	1.737.12	61.10	1.798.23	2.010.35	60.71	2.071.05
17 05 2017	1.435.73	58.60	1.494.33	1.693.02	58.04	1.751.07	1.947.92	57.49	2.005.41
17 08 2017	1.445.00	59.66	1.504.66	1.703.29	58.92	1.762.22	1.957.78	58.19	2.015.97
17 11 2017	1.451.55	58.74	1.510.29	1.703.90	57.84	1.761.74	1.951.19	56.94	2.008.13
19 02 2018	1.485.21	59.07	1.544.28	1.739.10	57.99	1.797.09	1.986.76	56.91	2.043.67
17 05 2018	1.458.90	53.78	1.512.68	1.696.58	52.62	1.749.20	1.927.06	51.48	1.978.54
17 08 2018	1.467.06	55.94	1.523.00	1.705.06	54.57	1.759.62	1.934.49	53.21	1.987.70
19 11 2018	1.457.23	56.20	1.513.43	1.687.00	54.65	1.741.64	1.907.11	53.11	1.960.22
18 02 2019	1.448.88	53.49	1.502.37	1.671.21	51.84	1.723.05	1.882.86	50.21	1.933.08
17 05 2019	1.423.70	50.85	1.474.55	1.630.89	49.11	1.680.00	1.826.84	47.41	1.874.25
19 08 2019	1.431.12	53.39	1.484.51	1.638.33	51.40	1.689.73	1.833.03	49.46	1.882.48
18 11 2019	1.421.53	50.78	1.472.31	1.620.92	48.73	1.669.65	1.806.96	46.72	1.853.68
17 02 2020	1.413.34	49.89	1.463.23	1.605.64	47.71	1.653.35	1.783.80	45.59	1.829.39
18 05 2020	1.394.34	49.00	1.443.34	1.574.79	46.70	1.621.49	1.740.72	44.46	1.785.18
18 08 2020	1.395.83	48.12	1.443.95	1.573.70	45.71	1.619.41	1.736.04	43.37	1.779.41
17 11 2020	1.386.44	47.76	1.434.20	1.556.88	45.21	1.602.09	1.711.20	42.74	1.753.94
17 02 2021	1.378.40	46.88	1.425.29	1.542.11	44.22	1.586.32	1.689.10	41.65	1.730.75
17 05 2021	1.356.27	44.50	1.400.77	1.506.77	41.83	1.548.60	1.640.67	39.25	1.679.92
17 08 2021	1.360.31	45.14	1.405.45	1.510.40	42.28	1.552.68	1.642.83	39.53	1.682.36
17 11 2021	1.351.09	44.27	1.395.36	1.494.24	41.32	1.535.55	1.619.33	38.49	1.657.82
17 02 2022	1.342.56	43.42	1.385.98	1.479.23	40.37	1.519.60	1.597.47	37.46	1.634.93
17 05 2022	1.319.95	41.17	1.361.13	1.444.43	38.14	1.482.57	1.550.85	35.25	1.586.10
17 08 2022	1.324.93	41.72	1.366.65	1.448.70	38.51	1.487.20	1.553.46	35.45	1.588.91
17 11 2022	1.315.61	40.88	1.356.48	1.432.73	37.58	1.470.32	1.530.65	34.46	1.565.11
17 02 2023	1.307.54	40.04	1.347.58	1.418.60	36.67	1.455.27	1.510.25	33.49	1.543.74
17 05 2023	1.285.64	37.93	1.323.57	1.385.41	34.60	1.420.01	1.466.36	31.47	1.497.83
17 08 2023	1.290.45	38.39	1.328.84	1.389.28	34.89	1.424.16	1.468.46	31.60	1.500.06
17 11 2023	1.280.66	37.57	1.318.23	1.373.26	34.00	1.407.26	1.446.19	30.66	1.476.85
19 02 2024	1.272.26	37.55	1.309.82	1.359.14	33.85	1.392.99	1.426.31	30.39	1.456.70
17 05 2024	1.255.90	34.38	1.290.28	1.333.82	30.86	1.364.68	1.392.57	27.58	1.420.15
19 08 2024	1.255.39	35.91	1.291.30	1.330.66	32.10	1.362.76	1.386.32	28.56	1.414.87
18 11 2024	1.247.29	33.97	1.281.26	1.316.57	30.24	1.346.81	1.366.36	26.77	1.393.13
17 02 2025	1.237.70	33.19	1.270.89	1.301.69	29.41	1.331.09	1.346.28	25.91	1.372.19
19 05 2025	1.218.00	32.41	1.250.41	1.272.32	28.59	1.300.91	1.308.20	25.06	1.333.27
18 08 2025	1.225.15	31.64	1.256.80	1.277.86	27.79	1.305.65	1.311.58	24.24	1.335.82
17 11 2025	1.214.44	30.87	1.245.31	1.261.80	26.98	1.288.78	1.290.42	23.42	1.313.84
17 02 2026	1.203.26	30.44	1.233.69	1.245.72	26.48	1.272.20	1.269.67	22.85	1.292.52
18 05 2026	1.184.42	29.03	1.213.45	1.217.97	25.13	1.243.10	1.234.11	21.56	1.255.68
17 08 2026	1.194.05	28.60	1.222.66	1.225.52	24.64	1.250.16	1.239.17	21.03	1.260.20
17 11 2026	1.176.01	28.16	1.204.17	1.203.16	24.13	1.227.29	1.212.81	20.47	1.233.28
17 02 2027	1.178.16	27.41	1.205.57	1.199.46	23.36	1.222.82	1.203.70	19.70	1.223.40
17 05 2027	1.148.99	25.79	1.174.78	1.163.24	21.86	1.185.10	1.161.54	18.31	1.179.86
17 08 2027	1.150.78	25.93	1.176.71	1.163.58	21.86	1.185.44	1.160.07	18.19	1.178.26
17 11 2027	1.144.01	25.20	1.169.20	1.151.70	21.12	1.172.82	1.143.61	17.45	1.161.06
17 02 2028	1.129.97	24.47	1.154.43	1.133.84	20.39	1.154.23	1.122.31	16.73	1.139.04
17 05 2028	1.122.47	23.23	1.145.71	1.119.05	19.24	1.138.29	1.101.34	15.66	1.117.01
17 08 2028	1.111.90	23.04	1.134.94	1.106.96	18.95	1.125.91	1.087.64	15.31	1.102.95
17 11 2028	1.100.19	22.33	1.122.52	1.091.07	18.25	1.109.32	1.068.12	14.62	1.082.74
19 02 2029	1.092.77	22.10	1.114.87	1.079.41	17.94	1.097.35	1.052.78	14.24	1.067.02
17 05 2029	1.076.27	19.80	1.096.07	1.056.10	15.95	1.072.05	1.024.00	12.55	1.036.55
17 08 2029	1.071.92	20.25	1.092.17	1.050.80	16.20	1.067.00	1.017.54	12.62	1.030.16
19 11 2029	1.064.58	19.99	1.084.57	1.039.16	15.87	1.055.03	1.002.28	12.23	1.014.51
18 02 2030	1.052.54	18.68	1.071.23	1.023.73	14.71	1.038.44	984.00	11.21	995.21
17 05 2030	1.046.60	17.43	1.064.03	1.010.30	13.60	1.023.90	964.64	10.24	974.88
19 08 2030	1.031.82	17.93	1.049.75	995.91	13.87	1.009.77	950.34	10.31	960.65
18 11 2030	1.024.28	16.71	1.041.00	984.38	12.80	997.18	935.56	9.39	944.95
17 02 2031	1.015.56	16.07	1.031.62	972.20	12.18	984.37	920.57	8.80	929.37
19 05 2031	1.000.28	15.43	1.015.71	951.37	11.57	962.94	895.61	8.22	903.83
18 08 2031	996.59	14.80	1.011.39	946.55	10.97	957.52	889.64	7.65	897.30
17 11 2031	1.002.03	14.17	1.016.20	946.40	10.37	956.78	884.96	7.09	892.05
17 02 2032	990.36	13.69	1.004.05	931.94	9.88	941.83	868.37	6.61	874.98
17 05 2032	956.25	12.78	969.03	896.65	9.09	905.74	832.62	5.92	838.55
17 08 2032	961.20	12.45	973.65	898.22	8.72	906.94	831.33	5.53	836.86
17 11 2032	932.37	11.84	944.21	869.33	8.15	877.48	802.73	5.00	807.73
17 02 2033	924.97	11.25	936.22	858.94	7.60	866.53	790.09	4.49	794.57
17 05 2033	915.86	10.31	926.17	844.68	6.82	851.50	772.18	3.85	776.03
17 08 2033	910.80	10.07	920.88	838.69	6.51	845.21	765.36	3.49	768.85
17 11 2033	893.39	9.50	902.89	819.92	5.98	825.90	745.80	3.01	748.81
17 02 2034	877.39	8.93	886.31	802.60	5.46	808.06	727.72	2.53	730.25
17 05 2034	885.79	8.10	893.88	803.49	4.78	808.27	723.03	2.00	725.03
17 08 2034	864.85	7.80	872.65	784.31	4.43	788.75	705.35	1.61	706.95
17 11 2034	855.03	7.25	862.29	772.21	3.94	776.15	691.74	1.16	692.90
19 02 2035	843.02	6.86	849.88	758.57	3.52	762.09	677.11	0.73	677.85
17 05 2035	841.03	5.84	846.87	751.30	2.80	754.10	451.63	0.27	451.90
17 08 2035	869.62	5.64	875.26	772.92	2.48	775.40			
19 11 2035	822.46	5.20	827.66	730.41	2.03	732.45			
18 02 2036	834.98	4.51	839.49	737.07	1.51	738.58			
19 05 2036	840.86	3.99	844.85	737.09	1.05	738.14			
18 08 2036	799.12	3.46	802.58	700.63	0.58	701.21			
17 11 2036	761.24	2.95	764.20	223.70	0.14	223.84			
17 02 2037	752.06	2.50	754.56						
18 05 2037	733.48	1.98	735.46						
17 08 2037	694.85	1.54	696.39						
17 11 2037	685.86	1.12	686.97						
17 02 2038	700.61	0.68	701.29						
17 05 2038	366.42	0.23	366.65						

#### 4.11 Representation of security holders.

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

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

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

##### a) Corporate resolutions.

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

In a resolution dated March 2, 2016, the Executive Committee of EUROPEA DE TITULIZACIÓN's Board of Directors resolved that:

- i) BBVA RMBS 16 FONDO DE TITULIZACIÓN be set up in accordance with the legal system for which provision is made in Act 5/2015, and all other legal and statutory provisions in force and applicable 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 Spanish or foreign individuals residing in Spain with senior ranked real estate mortgage on finished homes (and their annexes - lumber rooms and/or parking spaces- if any) located in Spain.
- iii) The Bonds be issued by the Fund.

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

At a meeting held on February 24, 2016, BBVA's Board of Directors resolved to issue, once or several times, pass-through certificates and/or mortgage participation certificates altogether totalling not more than EUR one billion six hundred million (1,600,000,000.00) on homebuyer mortgage loans granted by BBVA, 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, inter alia, that this Prospectus be approved by and entered at the CNMV, in accordance with the provisions of article 22.1 d) of Act 5/2015.

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

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

Upon the CNMV registering this Prospectus, the Management Company shall in the presence of BBVA, as Originator, proceed to execute on May 9, 2016 a public deed whereby BBVA RMBS 16 FONDO DE TITULIZACIÓN will be established, BBVA will assign the Mortgage Loan receivables to the Fund upon the Pass-Through Certificates being issued and subscribed for, and the Fund will issue the Asset-Backed Bonds, on the terms provided in article 22 of Act 5/2015.

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

The Management Company shall submit a copy of the Deed of Constitution to the CNMV to be entered in the Official Registers by May 11, 2016.

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

The Bond issue date shall be May 9, 2016.

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

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

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

Each Subscriber shall subscribe for its portion of the Bond Issue on May 9, 2016 and pay to the Fund by 2pm (CET) on May 11, 2016 (the “**Closing Date**”), for same day value, the issue price comprising the face value of all the Bonds subscribed for.

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

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

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

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

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

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

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

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

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

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

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

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

The expected expenses deriving from setting up the Fund and issue and admission to trading of the Bond Issue are EUR six hundred and fifteen thousand (615,000.00). These expenses include, inter alia, the initial Management Company fee, notary's fees, rating and legal advice fees, CNMV fees, AIAF and Iberclear fees, the initial fee payable to European DataWarehouse ("EDW") and Prospectus translation expenses.

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

## **7 ADDITIONAL INFORMATION.**

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

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 annual accounts for the years ended December 31, 2013 and 2014 and BBVA's annual accounts for the years ended December 31, 2015 and 2014. The Management Company's annual accounts for the year ended December 31, 2015 are pending an audit report by Deloitte and submission to the General Shareholders Meeting for approval.

### **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.

Axesor, DBRS and Moody's have, on the registration date of this Prospectus, respectively assigned the following provisional ratings to the Bonds, and expect to assign the same final ratings by 2pm (CET) on May 10, 2016.

	<b>Axesor Rating</b>	<b>DBRS Rating</b>	<b>Moody's Rating</b>
Bonds	AA-(sf)	A (high) (sf)	Aa2 (sf)

If DBRS or Moody's should not confirm the assigned provisional ratings as final by 2pm (CET) on May 10, 2016, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section 4.1.2.2 of the Building Block. Furthermore, this circumstance would result in the establishment of the Fund, the Bond Issue and the issue of and subscription for the Pass-Through Certificates terminating, as provided for in section 4.4.4 (v) of the Registration Document.

### Rating considerations.

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

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

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

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

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

The ratings take into account the structure of the Bond Issue, the transaction documents (including this Prospectus and the transaction and financial service agreements referred to herein), the legal aspects thereof and of the issuing Fund, the characteristics of the selected 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 the Bonds at any time, based on any information that may come to their notice. Those events, which shall not constitute early liquidation events of the Fund on their own, shall forthwith be notified to both the CNMV and the Bondholders, in accordance with the provisions of section 4.1 of the Building Block.

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

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

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

### **1. SECURITIES**

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

The Fund shall be set up with the Pass-Through Certificates issued by BBVA 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 below EUR one billion six hundred million (1,600,000,000.00), the amount resulting from adding (i) the face value amount of the Bond Issue and (ii) the amount of Loan B.

#### **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 Bonds issued to be 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 to be covered to a different extent. In exceptional circumstances, the enhancement transactions could actually fall short for meeting payments on the Bonds or other creditors of the Fund. The credit enhancement transactions are described in sections 3.4.2, 3.4.3 and 3.4.4 of this Building Block.

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 the Bonds issued or suggesting that it will occur, the Management Company may proceed to Early Liquidation of the Fund and thereby Early Amortisation of the Bond Issue on the terms laid down in section 4.4.3 of the Registration Document.

The contents of the preceding paragraphs are provided by the Management Company based on (i) the Originator's representations set out in section 2.2.8 of the Building Block in relation to the Pass-Through Certificates and the Mortgage Loans and to the Originator proper, (ii) the information supplied by the Originator and (iii) the audit report on certain features and attributes of a sample of the portfolio of selected 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 Spanish or foreign individuals residing in Spain with senior ranked real estate mortgage security on finished homes (and, as the case may be, their annexes -parking spaces and/or lumber rooms-) located in Spain, and comprising 12,672 mortgage loans, their outstanding principal as at April 14, 2016 being EUR 1,674,145,261.44 and the overdue principal being EUR 91,802.36.



The contract terms of 92.11% of the selected mortgage loans, in terms of outstanding principal, provide that, upon request by the obligor or borrower, any of the following may be done:

- (i) Change the maturity date on the terms given in section 2.2.4.1 of this Building Block. Out of the selected mortgage loans, 89.22% (92.11% in terms of outstanding principal) provide for this possibility, the maturity date being already set at the latest final maturity date in 34.64% of those mortgage loans (38.28% in terms of outstanding principal).
- (ii) Defer payment of up to two instalments in each calendar year, not more than ten instalments to be deferred throughout the mortgage loan term, subject to the following limitations:
  - a) That not less than twelve months have elapsed since the due date of the last instalment in respect of which payment was deferred in a previous calendar year.
  - b) That there were no overdue loan payments on the due dates during the year next preceding the date of the monthly instalment in respect of which payment is to be deferred.
  - c) That the LTV is less than 80 percent at the time of applying.

The amount of the deferred instalments shall be accumulated to the outstanding capital on the day after the instalments fall due and shall as a capital increase earn interest from that date at the current loan interest rate.

Out of the selected mortgage loans, 89.22% (92.11% in terms of outstanding principal) provide for this possibility. 0.28% of the selected mortgage loans, in terms of outstanding principal, have a deferred instalment at April 14, 2016.

- (iii) After the first twelve months of the mortgage loan term have elapsed, change the “floating interest” mode at which payments are calculated for the first year, to the “constant interest” mode or keep it in place. The most outstanding characteristics of those interest rate modes are as follows:
  - a) The “constant interest” mode: Whenever the loan is in this mode, interest shall be fixed for a period of 36 months and the benchmark index used for determining the same shall be the rate of mortgage loans for more than three years granted by credit institutions as a whole (MLBI). The interest rate to be applied to the loan will be the result of adding to the MLBI reference rate the margin set in the deed originating the loan.
  - b) The “floating interest” mode: Whenever the loan is in this mode, there shall be subsequent floating interest periods, each of which shall comprise six months or a year and the benchmark index used shall be one-year EURIBOR published in the Official State Gazette. The interest rate to be applied to the loan will be the result of adding to the EURIBOR reference rate the margin set in the deed originating the loan.

The obligor may choose to change the mode during the mortgage loan term, provided that the obligor is in good standing in respect of the obligor’s mortgage loan obligations, and with the following frequency: (i) once every 6 or 12 months if “floating interest” is the applicable mode or (ii) within 36 months of electing the “constant interest” mode.

Out of the selected mortgage loans, 87.21% (90.47% in terms of outstanding principal) provide for this possibility (out of the selected mortgage loans, 0.023%, in terms of outstanding principal, had switched from floating to constant interest at April 14, 2016).

Out of the selected mortgage loans, 11.08% (9.57%, in terms of outstanding principal), have a mixed interest rate structure (fixed/floating), resulting in an initial fixed-rate period up to the first interest rate reset date, and notwithstanding which the mortgage loan may switch to “constant interest” or “floating interest” mode at the first interest rate reset date. The weighted initial average 9.57% fixed-rate period of the selected mortgage loans, in terms of outstanding principal, at April 14, 2016, is 3.54 years.

- (iv) Change the repayment system from an EMI system to an EMI system with a final payment for a higher amount, provided that (i) the amount of the final repayment is neither less than 10% nor more than 30% of the capital amount outstanding at the date on which the change is requested, and (ii) BBVA accepts such change.

Out of the selected mortgage loans, 87.21% (90.47% in terms of outstanding principal) provide for this possibility. This option has not been exercised by any of the selected mortgage loans since their origination. At April 14, 2016, 12.61% of the loans, in terms of outstanding principal, were granted subject to an EMI repayment system with a final instalment for a higher amount.

- (v) Additionally, and provided that the obligor is in good standing in respect of the obligor's mortgage loan obligations and has no payments overdue with BBVA under other transactions, the mortgage loan interest rate may have rebates in the annual nominal ordinary interest rate, where the obligor has arranged with BBVA or BBVA group any or some of the following product or service groups:

Group A: Direct salary payment, credit card and household comprehensive insurance (up to 0.20% bonus).

Group B: Life insurance or actual loan repayment insurance (up to 0.25% bonus if the Group A products and at least one Group B product are purchased).

Group C: Individual social insurance or pension plan (up to 0.30% bonus if the Group A products, at least one Group B product and any of Group C products are purchased).

Out of the selected mortgage loans, 65.29% (70.12% in terms of outstanding principal) provide for this possibility, although as of April 14, 2016, the portfolio selection date, 18.41% of the selected mortgage loans, in terms of outstanding principal, benefited from all possible deductions on the applicable ordinary interest rate.

Additionally, 13.28% in terms of outstanding principal of the selected mortgage loans, including civil servants in the General Mutual Benefit Society of Civil Servants of the State, civil servants in the Defence Ministry or civil servants in the Judicial General Mutual Benefit Society, enjoy benefits ranging between 0.50% and 2.50% for having purchased products in groups A, B and/or C above.

Furthermore, the contract terms of 1.07% of the selected mortgage loans (0.97% in terms of outstanding principal) include a 0.10% or 0.20% interest rate rebate if the obligor's salary is paid directly at BBVA.

In the event that all obligors should meet the requirements to benefit from the respective maximum interest rate rebates, the weighted interest rate of the selected loans at April 14, 2016 would be reduced by 1.363%, down to 1.262%.

Out of the selected mortgage loans, 96.58%, in terms of outstanding principal, are mortgage loans granted by BBVA to Spanish individual obligors whereas the remaining 3.42% have been granted to foreign individual obligors resident in Spain.

Out of the selected mortgage loans, 9.57%, in terms of outstanding principal, at April 14, 2016, have a mixed interest rate structure (fixed and floating), with a weighted initial average fixed-rate period, until the date on which the loan interest rate is first reset, of 3.54 years

The Mortgage Loan receivables shall be assigned to the Fund by means of the issue of pass-through certificates because BBVA considers that they are all ineligible for the issue of mortgage participation certificates.

In considering ineligible loans, BBVA has taken into account (i) loans with an LTV in excess of 80% at the mortgage loan selection date; (ii) cases in which 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, or (iii) the repayment term for mortgage loans taken out after May 14, 2013 is in excess of thirty (30) years from the mortgage loan selection date, in accordance with the amendment made to article 4 of Act 2/1981 by article 4.6 of Act 1/2013. This information is consistent with the content provided for in BBVA's special book register for mortgage loans and credits drawn up in accordance with Royal Decree 716/2009.

The following table shows the reason for the ineligibility of the 12,672 selected mortgage loans, in terms of number and principal balances outstanding at the selection date of those mortgage loans:

	Mortgage loans		Outstanding principal	
	No.	%	(EUR)	%
Mortgage loans with an LTV in excess of 80%	682	5.38	94,505,060.62	5.64
Mortgage loans where the value of the mortgage asset has fallen short by more than 20% with respect to the initial appraisal	11,516	90.88	1,512,811,976.73	90.36
Mortgage loans taken out after May 14, 2013 with a repayment term in excess of 30 years	474	3.74	66,828,224.09	3.99
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</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, title, 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, loan to value ratio (% LTV), 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.**

The securitised assets are governed by Spanish Law.

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

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

The following table gives the concentration of the ten obligors weighing most in the portfolio of selected mortgage loans as at April 14, 2016.

<b>Mortgage loan portfolio at 14.04.2016</b>				
<b>Classification by Obligor</b>				
	Mortgage loans		Outstanding principal	
		%	(EUR)	%
Obligor 1	1	0.01	913,648.86	0.05
Obligor 2	1	0.01	906,121.46	0.05
Obligor 3	1	0.01	838,472.80	0.05
Obligor 4	1	0.01	823,576.34	0.05
Obligor 5	1	0.01	812,861.98	0.05
Obligor 6	1	0.01	806,313.66	0.05
Obligor 7	1	0.01	780,286.12	0.05
Obligor 8	1	0.01	776,007.99	0.05
Obligor 9	1	0.01	759,866.98	0.05
Obligor 10	1	0.01	745,449.30	0.04
Rest: 12,632 obligors	12,662	99.92	1,665,982,655.95	99.51
<b>Total 12,642 obligors</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>

**b) Information regarding selected mortgage loan purpose.**

The following table gives the purpose of the selected mortgage loans as at April 14, 2016.

<b>Mortgage loan portfolio at 14.04.2016</b>				
<b>Classification by mortgage loan purpose</b>				
	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Acquisition of residential property or subrogation to developer financing	12,672	100.00	1,674,145,261.44	100.00
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</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.

<b>Mortgage loan portfolio at 14.04.2016</b>				
<b>Classification by use of the home</b>				
	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Main home	11,868	93.66	1,598,163,375.97	95.46
Second home	804	6.34	75,981,885.47	4.54
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>

**c) Information as to type of property mortgaged as security for the selected mortgage loans.**

The selected mortgage loans are all secured with a senior ranked real estate mortgage granted on 100% of the legal and beneficial ownership of each and every one of the mortgaged properties -homes and annexes, if any (parking spaces and/or lumber rooms-.

Additionally to the mortgage securities, some of the selected mortgage loans have third-party personal bonds.

<b>Mortgage loan portfolio at 14.04.2016</b>				
<b>Classification by third-party personal bonds</b>				
	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
With third-party personal bonds	2,642	20.85	337,047,849.03	20.13
Without third-party personal bonds	10,030	79.15	1,337,097,412.41	79.87
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>

The following table gives the distribution by legal system of the residential property securing the selected mortgage loans.

<b>Mortgage loan portfolio at 14.04.2016</b>				
<b>Classification by legal system of the residential property given as security</b>				
	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Free-market housing	11,478	90.58	1,562,254,128.07	93.32
Protected housing	1,194	9.42	111,891,133.37	6.68
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>

**d) 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 November 27, 2015. The average seniority weighted by the outstanding principal of the selected mortgage loans is 5.30 years at April 14, 2016.

<b>Mortgage loan portfolio at 14.04.2016</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>
2000	78	0.62	6,119,091.75	0.37
2001	184	1.45	13,308,705.43	0.79
2002	237	1.87	17,442,241.85	1.04
2003	332	2.62	26,753,964.40	1.60
2004	271	2.14	27,240,786.52	1.63
2005	487	3.84	61,136,574.24	3.65
2006	442	3.49	62,776,322.53	3.75
2007	500	3.95	73,996,073.13	4.42
2008	400	3.16	58,936,730.54	3.52
2009	322	2.54	51,925,476.69	3.10
2010	918	7.24	179,689,572.97	10.73
2011	4,451	35.12	603,793,435.95	36.07
2012	624	4.92	80,019,759.15	4.78
2013	1,328	10.48	143,461,372.87	8.57
2014	973	7.68	118,073,705.75	7.05
2015	1,125	8.88	149,471,447.67	8.93
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>
	<b>63.55</b>	<b>Months</b>	<b>Weighted average age</b>	
	<b>195.42</b>	<b>Months</b>	<b>Maximum age</b>	
	<b>4.57</b>	<b>Months</b>	<b>Minimum age</b>	

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

The following table gives the outstanding mortgage loan principal distribution as at April 14, 2016 by EUR 50,000 intervals, and the average, minimum and maximum amount. Intervals with no contents are not detailed.

<b>Mortgage loan portfolio at 14.04.2016</b>				
<b>Classification by outstanding principal</b>				
<b>Principal interval (EUR)</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
	<b>No.</b>	<b>%</b>	<b>(EUR)</b>	<b>%</b>
0,00 - 49,999.99	759	5.99	30,262,680.75	1.81
50,000,00 - 99,999.99	4,189	33.06	322,763,157.05	19.28
100,000,00 - 149,999.99	4,292	33.87	527,976,185.29	31.54
150,000,00 - 199,999.99	1,873	14.78	320,738,030.03	19.16
200,000,00 - 249,999.99	717	5.66	158,288,167.69	9.45
250,000,00 - 299,999.99	266	2.10	72,503,387.96	4.33
300,000,00 - 349,999.99	141	1.11	45,457,458.84	2.72
350,000,00 - 399,999.99	194	1.53	72,696,135.29	4.34
400,000,00 - 449,999.99	94	0.74	39,659,462.09	2.37
450,000,00 - 499,999.99	45	0.36	21,341,204.53	1.27
500,000,00 - 549,999.99	24	0.19	12,579,989.05	0.75
550,000,00 - 599,999.99	31	0.24	17,854,135.31	1.07
600,000,00 - 649,999.99	23	0.18	14,301,381.19	0.85
650,000,00 - 699,999.99	10	0.08	6,734,648.37	0.40
700,000,00 - 749,999.99	5	0.04	3,572,081.81	0.21

Mortgage loan portfolio at 14.04.2016				
Classification by outstanding principal				
Principal interval (EUR)	Mortgage loans		Outstanding principal	
	No.	%	(EUR)	%
750,000,00 - 799,999.99	3	0.02	2,316,161.09	0.14
800,000,00 - 849,999.99	4	0.03	3,281,224.78	0.20
900,000,00 - 949,999.99	2	0.02	1,819,770.32	0.11
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>
Average principal:			132,113.74	
Minimum principal:			14,530.61	
Maximum principal:			913,648.86	

f) 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 the floating nature of the interest rate and the benchmark indices applicable for determining the nominal interest rate.

Mortgage loan portfolio at 14.04.2016					
Classification by Type of Interest Rate and Interest Rate Benchmark Index					
Type of Interest Rate and Benchmark Index	Mortgage loans		Outstanding principal		Margin over index*
		%	(EUR)	%	
<b>CONSTANT/FLOATING<sup>(1)</sup></b>	<b>9,728</b>	<b>76.77</b>	<b>1,369,856,738.95</b>	<b>81.82</b>	<b>1.134</b>
1-year Euribor	9,724	76.74	1,369,473,223.17	81.80	1.134
MLBI all institutions	4	0.03	383,515.78	0.02	1.288
<b>MIXED (FIXED/FLOATING)<sup>(2)</sup></b>	<b>1,404</b>	<b>11.08</b>	<b>160,164,923.57</b>	<b>9.57</b>	<b>1.934</b>
1-year Euribor	1,404	11.08	160,164,923.57	9.57	1.934
<b>FLOATING<sup>(3)</sup></b>	<b>1,540</b>	<b>12.15</b>	<b>144,123,598.92</b>	<b>8.61</b>	<b>0.737</b>
1-year Euribor	1,319	10.41	127,366,917.51	7.61	0.817
MLBI all institutions	221	1.74	16,756,681.41	1.00	0.128
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>	<b>1.183</b>
(1) Loans with the initial period over or having no such initial period and in either a "FLOATING interest" or "CONSTANT INTEREST" mode. (2) Loans still in an initial fixed-rate period and whose interest rate has not yet been reset. Details are given of the benchmark index to be used to determine the interest rate when that initial fixed-rate period is over. (3) Floating-rate loans (the agreement does not provide for the option of switching from floating to constant or vice versa).					

As set out in section 2.2 of this Building Block, the contract terms of 87.21% of the selected mortgage loans (90.47% in terms of outstanding principle) allow the obligor to change the nature of the interest rate, after the first twelve months of the mortgage loan term have elapsed, to one of the following interest rate modes:

- To the "constant interest" mode: Whenever the mortgage loan is in this mode, interest shall be fixed for a period of 36 months and the benchmark index used for determining the same shall be the rate of mortgage loans for more than three years granted by credit institutions as a whole (MLBI). The interest rate to be applied to the mortgage loan will be the result of adding to the MLBI reference rate the margin set in the deed originating the loan.
- To the "floating interest" mode: Whenever the loan is in this mode, there shall be subsequent floating interest periods, each of which shall comprise six months or a year and the benchmark index used shall be one-year EURIBOR published in the Official State Gazette. The interest rate to be applied to the mortgage loan will be the result of adding to the EURIBOR reference rate the margin set in the deed originating the mortgage loan.

In any event, the margin above the reference rate, regardless of whether that is MLBI (constant rate) or one-year EURIBOR (floating rate), is maintained throughout the life of the mortgage loan, regardless of the potential interest rate margin reductions available from time to time to the mortgage loan.

However, out of the selected mortgage loans, 11.08% (9.57%, in terms of outstanding principal), have a mixed interest rate structure (fixed/floating), resulting in an initial fixed-rate period up to the first interest rate reset date, and notwithstanding which the mortgage loan may switch to “constant interest” or “floating interest” mode at the first interest rate reset date. The weighted average fixed-rate term of selected mortgage loans thus characterised, in terms of outstanding principal, at April 14, 2016, is 3.54 years.

The following table gives details of the year in which the interest rate of mortgage loans with a mixed interest rate structure (fixed/floating) will first be reset.

<b>Mortgage loan portfolio at 14.04.2016</b>				
<b>Classification according to the year in which in which the interest rate of mortgage loans with a mixed interest rate structure (fixed/floating) will first be reset.</b>				
<b>Reset Year</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
2016	1,067	76.00	128,077,653.11	79.97
2017	101	7.19	10,397,090.30	6.49
2018	94	6.70	8,311,251.30	5.19
2019	19	1.35	1,566,439.68	0.98
2020	7	0.50	669,929.83	0.42
2021	2	0.14	172,595.31	0.11
2022	22	1.57	2,288,921.45	1.43
2023	3	0.21	143,345.90	0.09
2024	3	0.21	212,349.76	0.13
2025	1	0.07	90,348.80	0.06
2026	2	0.14	80,891.87	0.05
2027	14	1.00	1,111,488.55	0.69
2028	5	0.36	414,164.85	0.26
2029	1	0.07	67,764.75	0.04
2030	2	0.14	233,637.91	0.15
2031	6	0.43	729,534.26	0.46
2032	26	1.85	2,619,329.07	1.64
2033	9	0.64	946,076.57	0.59
2034	9	0.64	854,145.34	0.53
2035	6	0.43	722,408.80	0.45
2036	5	0.36	455,556.16	0.28
<b>Total</b>	<b>1,404</b>	<b>100.00</b>	<b>160,164,923.57</b>	<b>100.00</b>

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 or to a fixed interest rate 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 selected mortgage loan distribution based on the margin over the respective benchmark index applicable to the selected mortgage loans to determine the nominal interest rate in 0.50% intervals. Intervals with no contents are not detailed.

Mortgage loan portfolio at 14.04.2016					
Classification by margin					
Margin interval (EUR)	Mortgage loans No.	Mortgage loans %	Outstanding principal (EUR)	Outstanding principal %	Weighted Margin%*
<b>1-year Euribor</b>	<b>12,447</b>	<b>98.22</b>	<b>1,657,005,064.25</b>	<b>98.98</b>	<b>1.187</b>
0.0000 - 0,4999	1,127	8.89	208,056,264.56	12.43	0.401
0.5000 - 0,9999	3,838	30.29	542,712,541.58	32.42	0.737
1.0000 - 1,4999	2,921	23.05	379,719,837.44	22.68	1.187
1.5000 - 1,9999	2,958	23.34	357,462,326.28	21.35	1.649
2.0000 - 2,4999	643	5.07	76,782,734.86	4.59	2.115
2.5000 - 2,9999	394	3.11	41,906,941.84	2.50	2.627
3.0000 - 3,4999	359	2.83	32,544,013.79	1.94	3.163
3.5000 - 3,9999	171	1.35	15,057,227.80	0.90	3.656
4.0000 - 4,4999	30	0.24	2,335,130.27	0.14	4.165
4.5000 - 4,9999	5	0.04	297,522.09	0.02	4.745
5.5000 - 5,9999	1	0.01	130,523.74	0.01	5.900
<b>MLBI all institutions</b>	<b>225</b>	<b>1.78</b>	<b>17,140,197.19</b>	<b>1.02</b>	<b>0.154</b>
0.0000 - 0,4999	207	1.63	15,573,235.34	0.93	0.076
0.5000 - 0,9999	12	0.09	1,003,146.25	0.06	0.569
1.0000 - 1,4999	3	0.02	340,554.16	0.02	1.240
1.5000 - 1,9999	1	0.01	67,585.07	0.00	1.900
2.0000 - 2,4999	1	0.01	107,363.86	0.01	2.000
2.5000 2,9999	1	0.01	48,312.51	0.00	2.500
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>	<b>1.176</b>

\*Average margin weighted by outstanding principal of the interval.

In the event that all Obligors should meet the requirements laid down in 2.2 (v) above to benefit from the respective maximum reductions, the average margin weighted by the outstanding principal applicable to the mortgage loans for determining the interest rate would be reduced to 1.075%.

BBVA has advised the Management Company that in the event that the benchmark index should be negative, in order to determine the interest rate applicable to the mortgage loan (i) the provisions of the relevant agreement would govern; and (ii) in the event that the mortgage loan agreement should not refer specifically to any such event and the benchmark index should be negative, the interest rate applicable to the mortgage loan would be the result of adding the negative benchmark index to the margin, notwithstanding which the applicable interest rate could at no event be less than zero (0).

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

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

Mortgage loan portfolio at 14.04.2016				
Classification by instalment payment frequency				
Instalment payment frequency	Mortgage loans %		Outstanding principal (EUR) %	
Monthly	12,672	100.00	1,674,145,261.44	100.00
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>



**h) Information regarding selected mortgage loan interest rate reset frequency.**

The following table gives the selected mortgage loan distribution based on the mortgage loan interest rate reset frequency.

<b>Mortgage Loan portfolio at 14.04.2016</b>				
<b>Classification by interest rate reset frequency</b>				
<b>Interest rate reset frequency</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
<b>Loans in the initial fixed-rate period<sup>1</sup></b>	<b>1,404</b>	<b>11.08</b>	<b>160,164,923.57</b>	<b>9.57</b>
Six-Monthly	1,111	8.77	118,639,605.64	7.09
Yearly	293	2.31	41,525,317.93	2.48
<b>Loans with the initial fixed-rate period over</b>	<b>11,268</b>	<b>88.92</b>	<b>1,513,980,337.87</b>	<b>90.43</b>
Yearly	1,721	13.58	173,527,761.16	10.37
Six-Monthly	9,543	75.31	1,340,069,060.93	80.04
Three-Yearly	4	0.03	383,515.78	0.02
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>

<sup>1</sup> Applicable reset frequency once the fixed-rate period is over.

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

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

<b>Mortgage loan portfolio at 14.04.2016</b>				
<b>Classification by repayment system</b>				
	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
EMI *	11,408	90.03	1,463,073,066.94	87.39
EMI with final payment **	1,264	9.97	211,072,194.50	12.61
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>

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

\*\* The final principal instalment amounts to EUR 65,360,210.11 (30.97% of the outstanding principal under the EMI with final payment for a higher amount system).

Out of the selected mortgage loans, 87.21% (90.47% in terms of outstanding principal) provide for the possibility of changing the repayment system from an EMI system to an EMI system with a final payment for a higher amount, provided that (i) the amount of the final repayment is neither less than 10% nor more than 30% of the capital amount outstanding at the date on which the change is requested, and (ii) BBVA accepts such change. At April 14, 2016, 12.61% of the loans, in terms of outstanding principal, have an EMI repayment system with a final instalment.

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

None of the selected mortgage loans provide for a principal repayment exclusion period at April 14, 2016.

**k) Deferral of selected mortgage loan payments.**

Out of the selected mortgage loans, 89.22% (92.11% in terms of outstanding principal) provide for deferral of up to two instalments in each calendar year, not more than ten instalments to be deferred throughout the mortgage loan term, subject to the following limitations:

- a) That not less than twelve months have elapsed since the due date of the last instalment in respect of which payment was deferred in a previous calendar year.

- b) That there were no overdue loan payments on the due dates during the year next preceding the date of the monthly instalment in respect of which payment is to be deferred.
- c) That the LTV is less than 80 percent at the time of applying.

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

The following table gives the selected mortgage loan distribution by 0.50% nominal interest rate intervals applicable as at April 14, 2016, and their average, minimum and maximum values. The nominal interest rates applicable to the mortgage loans range between 0.242% and 6.601%. Intervals with no contents are not detailed.

<b>Mortgage loan portfolio at 14.04.2016</b>					
<b>Classification by applicable nominal interest rate</b>					
<b>Interest Rate % Interval</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>		<b>% Interest Rate*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
0.0000 - 0.4999	656	5.18	128,243,501.94	7.66	0.432
0.5000 - 0.9999	3,837	30.28	558,345,877.10	33.35	0.759
1.0000 - 1.4999	3,423	27.01	444,105,049.95	26.53	1.246
1.5000 - 1.9999	2,694	21.26	331,533,252.60	19.80	1.707
2.0000 - 2.4999	829	6.54	91,956,063.36	5.49	2.190
2.5000 - 2.9999	308	2.43	33,094,531.97	1.98	2.674
3.0000 - 3.4999	187	1.48	16,985,679.97	1.01	3.175
3.5000 - 3.9999	109	0.86	11,312,696.92	0.68	3.697
4.0000 - 4.4999	111	0.88	10,757,272.36	0.64	4.186
4.5000 - 4.9999	145	1.14	14,130,919.53	0.84	4.717
5.0000 - 5.4999	186	1.47	17,154,170.79	1.02	5.219
5.5000 - 5.9999	148	1.17	13,288,848.68	0.79	5.703
6.0000 - 6.4999	37	0.29	3,117,592.35	0.19	6.171
6.5000 - 6.9999	2	0.02	119,803.92	0.01	6.586
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>	
	<b>Weighted average:</b>				<b>1.363 %</b>
	<b>Simple average:</b>				<b>1.497 %</b>
	<b>Minimum:</b>				<b>0.242 %</b>
	<b>Maximum:</b>				<b>6.601 %</b>

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

**m) 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. If, however, as detailed in section 2.2.2.f), the benchmark index should be negative, the interest rate applicable to the mortgage loan could at no event be less than zero (0).

Part of the selected mortgage loans have had a maximum nominal interest rate ceiling set for applicable nominal interest rate variability. The maximum nominal interest rates applicable to the selected mortgage loans as at April 14, 2016 range between 10.00% and 35.00%.

The following table gives the selected mortgage loan distribution by 1.00% maximum nominal interest rate intervals applicable for determining the nominal interest rate. Intervals with no contents are not detailed.

Mortgage loan portfolio at 14.04.2016					
Classification by applicable maximum nominal interest rates					
Maximum % Interest Rate Interval	Mortgage loans %		Outstanding principal (EUR) %		Maximum % Interest Rate*
No interest rate caps	7,201	56.83	900,280,107.58	53.78	
9.01 - 10.00	4	0.03	682,885.46	0.04	10.00
11.01 - 12.00	1,018	8.03	112,038,846.82	6.69	12.00
12.01 - 13.00	3	0.02	475,785.01	0.03	12.54
13.01 - 14.00	8	0.06	711,078.94	0.04	14.00
14.01 - 15.00	4,259	33.61	634,029,240.10	37.87	15.00
15.01 - 16.00	3	0.02	329,698.44	0.02	16.00
16.01 - 17.00	2	0.02	299,034.50	0.02	17.00
18.01 - 19.00	1	0.01	42,664.77	0.00	19.00
25.01 - 30.00	172	1.36	25,194,098.48	1.50	30.00
Cap > 30%	1	0.01	61,821.34	0.00	35.00
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>	

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

**n) 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.

Mortgage loan portfolio at 14.04.2016						
Classification by final maturity year						
Final Repayment Year	Mortgage loans %		Outstanding principal (EUR) %		Residual Life wa*	
					Months	Date
2020	1	0.01	23,471.58	0.00	49.58	31/05/2020
2021	19	0.15	662,799.02	0.04	62.19	19/06/2021
2022	22	0.17	667,300.18	0.04	73.79	06/06/2022
2023	26	0.21	1,243,684.34	0.07	87.05	15/07/2023
2024	28	0.22	1,547,959.52	0.09	100.06	14/08/2024
2025	50	0.39	2,439,542.24	0.15	111.41	25/07/2025
2026	74	0.58	4,912,050.17	0.29	124.19	17/08/2026
2027	111	0.88	7,978,781.39	0.48	134.93	10/07/2027
2028	114	0.90	9,132,351.15	0.55	147.40	23/07/2028
2029	87	0.69	8,944,370.86	0.53	160.10	14/08/2029
2030	140	1.10	15,568,940.85	0.93	171.41	24/07/2030
2031	270	2.13	24,876,311.68	1.49	183.55	28/07/2031
2032	225	1.78	21,069,971.17	1.26	195.01	10/07/2032
2033	304	2.40	29,137,673.10	1.74	207.46	24/07/2033
2034	247	1.95	28,360,542.20	1.69	219.33	20/07/2034
2035	479	3.78	62,629,315.53	3.74	231.43	23/07/2035
2036	601	4.74	72,806,725.16	4.35	243.14	14/07/2036
2037	476	3.76	61,599,656.55	3.68	256.15	13/08/2037
2038	294	2.32	38,405,964.45	2.29	267.69	30/07/2038
2039	319	2.52	49,584,849.53	2.96	279.03	10/07/2039
2040	380	3.00	63,233,112.59	3.78	291.63	27/07/2040
2041	1,119	8.83	142,066,219.49	8.49	303.33	18/07/2041
2042	249	1.96	38,212,690.94	2.28	314.40	20/06/2042
2043	1,179	9.30	132,241,471.62	7.90	328.82	02/09/2043
2044	862	6.80	106,365,641.58	6.35	339.12	11/07/2044
2045	829	6.54	122,400,342.02	7.31	350.96	06/07/2045
2046	766	6.04	111,482,841.63	6.66	363.23	14/07/2046
2047	349	2.75	58,684,270.19	3.51	374.41	19/06/2047
2048	315	2.49	49,463,989.86	2.95	386.64	25/06/2048
2049	262	2.07	39,582,442.22	2.36	399.69	27/07/2049
2050	473	3.73	85,853,559.38	5.13	411.39	18/07/2050

Mortgage loan portfolio at 14.04.2016						
Classification by final maturity year						
Final Repayment Year	Mortgage loans		Outstanding principal		Residual Life wa*	
		%	(EUR)	%	Months	Date
2051	1,645	12.98	235,761,431.91	14.08	423.15	11/07/2051
2052	136	1.07	19,925,368.63	1.19	434.25	13/06/2052
2053	97	0.77	12,106,826.78	0.72	449.05	06/09/2053
2054	48	0.38	5,728,345.87	0.34	458.90	02/07/2054
2055	76	0.60	9,444,446.06	0.56	469.46	20/05/2055
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>328.82</b>	<b>02/09/2043</b>
	<b>Simple average:</b>				<b>318.41</b>	<b>20/10/2042</b>
	<b>Minimum:</b>				<b>49.58</b>	<b>31/05/2020</b>
	<b>Maximum:</b>				<b>474.87</b>	<b>31/10/2055</b>

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

As set out in section 2.2.4.1 of this Building Block, the contract terms of 92.11% in terms of outstanding principal of the mortgage loans allow the maturity date to be changed, and the maturity date has already been set as the maximum final maturity date in respect of 38.28% of those mortgage loans, in terms of outstanding principal. In this regard, the last maximum final maturity date of the mortgage loans selected as at April 14, 2016 is January 31, 2058 (includes the maximum extension referred to in section 2.2.4.1 of this Building Block).

**o) 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 14.04.2016				
Classification by Autonomous Communities				
	Mortgage loans		Outstanding principal	
		%	(EUR)	%
Andalusia	2,553	20.15	292,683,079.72	17.48
Aragón	328	2.59	37,199,577.62	2.22
Asturies	298	2.35	34,004,357.53	2.03
Cantabria	191	1.51	23,362,798.65	1.40
Castile La Mancha	490	3.87	55,563,448.27	3.32
Castile León	588	4.64	63,679,241.87	3.80
Catalonia	1,668	13.16	267,515,921.74	15.98
Ceuta	124	0.98	19,944,159.47	1.19
Valencian Community	1,204	9.50	138,751,391.50	8.29
Extremadura	309	2.44	28,497,892.15	1.70
Galicia	707	5.58	76,556,916.48	4.57
Balearic Isles	290	2.29	41,618,956.01	2.49
Canary Islands	665	5.25	72,945,957.10	4.36
La Rioja	66	0.52	8,130,823.23	0.49
Madrid	2,302	18.17	383,250,954.87	22.89
Melilla	94	0.74	13,643,062.61	0.81
Murcia	367	2.90	41,358,162.76	2.47
Navarre	79	0.62	11,673,164.71	0.70
Basque Country	349	2.75	63,765,395.15	3.81
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>

**p) 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 April 14, 2016.

Arrears in payment of instalments due at 14.04.2016				
Interval days	Mortgage loans	Outstanding principal	Outstanding and overdue principal % on Total outstanding principal	
In good standing	12,344	1,631,839,595.56	-	-
1 to 15 days	328	42,305,665.88	42,397,468.24	2.532
<b>Total</b>	<b>12,672</b>	<b>1,674,145,261.44</b>	<b>42,397,468.24</b>	<b>2.532</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.

**q) 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 April 14, 2016 to the appraisal value of the selected mortgage loan mortgaged properties (original appraisal for the mortgage loans to be granted or, where the capital arranged for is extended, a new subsequent appraisal for the extension) ranged between 21.94% and 99.05%, and the average ratio weighted by the outstanding principal of each mortgage loan is 65.98%.

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 (92.17% of the selected loans, in terms of outstanding principal). In the remaining 7.83%, the appraisals are new due to a capital extension arranged, carried out by appraisers observing all regulatory requirements in a public novation deed extending the capital and subject to the same credit risk analysis and valuation procedure summarised in section 2.2.7 of this Building Block.

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

Mortgage loan portfolio at 14.04.2016 Classification by loan to value ratio (%)					
Ratio Intervals	Mortgage loans		Outstanding principal		(% LTV (principal appraisal value*))
		%	(EUR)	%	
20.00 - 24.99	34	0.27	1,762,343.72	0.11	24.57
25.00 - 29.99	312	2.46	17,047,474.24	1.02	27.10
30.00 - 34.99	119	0.94	8,622,037.26	0.52	32.68
35.00 - 39.99	153	1.21	12,850,454.05	0.77	37.67
40.00 - 44.99	193	1.52	17,638,378.29	1.05	42.78
45.00 - 49.99	320	2.53	34,478,154.21	2.06	47.73
50.00 - 54.99	903	7.13	117,632,147.13	7.03	52.73
55.00 - 59.99	1,252	9.88	170,044,548.25	10.16	57.66
60.00 - 64.99	2,241	17.68	305,514,486.63	18.25	62.83
65.00 - 69.99	2,829	22.32	391,099,927.63	23.36	67.54
70.00 - 74.99	2,744	21.65	385,374,912.27	23.02	72.31

<b>Mortgage loan portfolio at 14.04.2016</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>	
75.00 - 79.99	888	7.01	117,060,985.13	6.99	76.85
80.00 - 84.99	278	2.19	38,268,165.98	2.29	82.11
85.00 - 89.99	194	1.53	27,541,315.73	1.65	87.36
90.00 - 94.99	129	1.02	17,669,297.29	1.06	92.50
95.00 - 99.99	83	0.65	11,540,633.63	0.69	96.97
<b>Total</b>	<b>12,672</b>	<b>100.00</b>	<b>1,674,145,261.44</b>	<b>100.00</b>	
<b>Weighted Average:</b>					<b>65.98 %</b>
<b>Simple Average:</b>					<b>64.73 %</b>
<b>Minimum:</b>					<b>21.94 %</b>
<b>Maximum:</b>					<b>99.05 %</b>

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

Out of the selected mortgage loans, 5.42% (5.68% in terms of outstanding principal) have an LTV (loan-to-value ratio at April 14, 2016 for the mortgaged properties - original appraisal for the mortgage loans to be granted or, where the capital arranged for is extended, a new subsequent appraisal for the extension) at April 14, 2016 at least as high as 80%.

In addition to the above, for the purpose of their assignment to the Fund by issuing the Pass-Through Certificates, cases have been taken into account in which (i) loans have an LTV in excess of 80% at the mortgage loan selection date; (ii) BBVA knows that 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, or (iii) the repayment term for mortgage loans taken out after May 14, 2013 is in excess of thirty (30) years from the mortgage loan selection date, in accordance with the amendment made to article 4 of Act 2/1981 by article 4.6 of Act 1/2013.

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 below EUR one billion six hundred million (1,600,000,000.00), the amount resulting from adding (i) the face value amount of the Bond Issue and (ii) the Loan B amount.

### 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 to Spanish or foreign individuals residing in Spain with real estate mortgage security on homes (and, as the case may be, their annexes -parking spaces and/or lumber rooms) located in Spain.

The Mortgage Loans were originated in a public deed subject to the Mortgage Act, February 8, 1946, and Act 2/1981. 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 four of Act 5/2015, on the terms provided for in section 3.3 of this Building Block. Issue of and subscription for the Pass-Through Certificates will be made in the actual Deed of Constitution of the Fund.

#### **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 prepay all or part of the outstanding capital, in which case interest accrual on the part prepaid will cease as of the date on which repayment occurs.

The final maturity date of the selected mortgage loans at April 14, 2016 lies between May 31, 2020 and January 31, 2058, the latter being the latest maturity date of the selected mortgage loans, in accordance with 2.2.2.n) above.

##### **2.2.4.1 Changing the asset maturity date.**

The public deeds originating the mortgage loans provide that the obligor and BBVA may agree to change the loan maturity date -as often as the obligor shall deem appropriate- if the obligor is in good standing in respect of all instalments due and is not in breach of any of the obligations established in the public deed, subject to the following limitations:

- a) That each requested extension or reduction is for not more than sixty and not less than twelve monthly payments.
- b) That the due date of the last instalment after the requested extension of the term is at no event more than 10 years after the initially agreed maturity date and does not reduce the initially agreed term by more than 10 years.
- c) That the LTV is less than 80 percent.

Out of the selected mortgage loans, 89.22% (92.11% in terms of outstanding principal) provide for this possibility, the maturity date being already set at the latest final maturity date in 34.64% of those mortgage loans (38.28% in terms of outstanding principal).

Based on those terms for changing the maturity date, the last maximum final maturity date of the mortgage loans selected as at April 14, 2016 is January 31, 2058.

#### **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 below EUR one billion six hundred million (1,600,000,000.00), the amount resulting from adding (i) the face value amount of the Bond Issue and (ii) the Loan B amount.

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 12,672 mortgage loans, their outstanding principal as at April 14, 2016 being EUR 1,674,145,261.44 and the overdue principal being EUR 91,802.36.

#### **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, where the capital arranged for is extended, a new subsequent appraisal for the extension) or level of collateralisation is given in section 2.2.2 q) of this Building Block.

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

The mortgage loans selected to back the issue of the Pass-Through Certificates to be subscribed for by the Fund have been granted by BBVA either directly (95.22% of the selected mortgage loan portfolio, in terms of outstanding principal) or with Real Estate Agents acting as mediators (the remaining 4.78%) following in both cases its usual credit risk analysis and assessment procedures for granting mortgage loans to individuals. The following is a summary description of the procedures currently in place at 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.

Commercial banking has more than 3,000 branches nation-wide, assigned to 7 territorial management offices, with a specific business sphere and a person responsible for promotion to private individuals who coordinates, encourages and supports the various priority actions and steps in his or her field.

BBVA requests the following documents for mortgage transactions:

- Identification (Tax Identification Number, Foreigner Identification Number, passport).
- Employment history.
- Contract of employment.
- Last two payslips.
- Personal income tax return and/or income and withholdings certificate.
- Other bank account movements (non-customers),
- Wealth Tax Return, as the case may be,
- Registry extract regarding the home to be purchased,
- Commonhold Association certificate,
- Works budget and licence, where it is to be renovated,
- Proof of rental expenses,
- Separation judgment and settlement agreement,
- Last three mortgage receipts in the event of substitution,
- Proof of other income (rental, etc.),

### **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:

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

## 3. Risk monitoring processes

A three-step analysis is made of how the risk of default is monitored as described below.

### Customer

The branch holding the investment is contacted in order for the branch to notify the customer of the arrears. The internal audit is also used to inform both of transaction marking deficiencies and of how risky certain customers and branches are, which are monitored by the monitoring officers at each territorial management office.

In addition, debt recovery letters are sent centrally and overdue instalments are claimed by telephone calls made by a services company.

### Transactions marketed through estate agents (APIS)

Referrers with high delinquency rates are revised monthly. Estate agents are cross-checked every six months using BBVA's various quality files in order to see how they are each progressing.

### Branches – statistical and other monitoring

Monitoring by the branch account manager occurs on a daily basis using the various support tools. Monthly, a pattern is established for branch / area / territorial office delinquency ratios, LTV ratios and delinquent group typologies, and scoring dependability is reviewed.

The conclusions, results and action plans are analysed monthly on the risk monitoring committees.

Samplings are made to check that upon completion mortgaged properties are valued at market, and in addition appraisers have to be recognised by the Bank of Spain.

The risks that are to be monitored are identified as follows:

- Analysing the development of certain credit quality indicators for (private individual or business) products/segments in each field of management.
- Using a number of monitoring tools to detect customers who may turn out to be problematic.
- By an analysis made by the risks departments at the territorial divisions and central administration focusing on monitoring the risk.

Processing of customer information is aimed at locating eventful customers in order for recovery steps and monitoring to be effective. Irregular investments are therefore overseen by branch and in order to monitor that information a structure has been put in place consisting of meetings at both branch and risk committee levels and territorial division and central administration level.

#### 4. Delinquency management processes

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 monthly 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 monthly 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..

## **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.

## **6. Resetting the appraisal value of the mortgaged properties**

In order to adapt the capacity to issue covered bonds to the provisions of article 12 of Royal Decree 716/2009, BBVA put in place in 2013 a procedure for resetting the value of the properties underlying those mortgages. Thus, mortgage loans whose security has fallen short of the initial appraisal by more than 20% and thereby exceeding the limit of the ratio of the outstanding loan principal to the updated value of the mortgaged property are considered ineligible.

In the case of mortgages on properties intended to be used as the first home, unless the valuation has been reset by means of the relevant appraisal, the updated valuation shall be obtained based on a price index calculated as the lower of that obtained based on the quarterly information published by an appraisal firm registered with the Bank of Spain and that published on a quarterly basis by the Public Works Ministry. That index-based valuation calculated applies to all mortgages granted in a same year. The valuation is considered to have fallen short where it is more than 20% below the initial valuation and a year has elapsed without a balance having been recovered between the updated valuation and the outstanding loan principal.

### **2.2.8 Indication of representations and collaterals 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 Biscay and the Bank of Spain's Register of Credit Institutions, and is authorised to operate in the mortgage market.
- (2) That neither at the date hereof nor at any time since it was incorporated has it been decreed to be insolvent or has it been in any circumstance generating a liability which might result in the credit institution authorisation being revoked or in a termination process in terms of Credit Institution Restructuring and Termination and Investment Services Firms Act 11/2015, June 18 ("**Act 11/2015**").
- (3) That it has obtained all necessary authorisations, including those required of its corporate bodies and, as the case may be, third parties potentially affected by the assignment of the Mortgage Loan receivables, to issue the Pass-Through Certificates, to validly execute the Fund Deed of Constitution, and the agreements relating to the establishment of the Fund and to fulfil the undertakings made therein.

- (4) That it has audited annual accounts for the financial years ended December 31, 2015 and 2014 which have been filed with the CNMV and with the Companies Register. The audit report on the annual accounts for both years 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 these are issued in accordance with Act 2/1981, Royal Decree 716/2009 and as established by additional provision four of Act 5/2015 and other applicable laws. Mortgage Loan receivables assigned to the Fund by issuing pass-through certificates are so assigned because the relevant Mortgage Loans do not satisfy all the requirements established in Chapter II of Royal Decree 716/2009. This information is consistent with the content provided for in BBVA's special book register for mortgage loans and credits drawn up in accordance with Appendix I to 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 their 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 Spanish or foreign individuals residing in Spain (who are not employees, officers or directors of BBVA) for the purpose of financing the purchase of homes and their annexes (parking spaces and/or lumber rooms), if any, or are subrogations by resident Spanish or foreign 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 homes (and their annexes -parking spaces and/or lumber rooms-, if any) 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 100% of the appraisal value of the properties mortgaged as security for the relevant Mortgage Loan. In both cases, that appraisal of the mortgaged properties is the appraisal carried out in order for the mortgage loan to be granted or, as the case may be, the new subsequent appraisal in order for the capital arranged for to be extended.
- (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 in the case of Mortgage Loans secured with officially protected homes, the appraisal value considered and reported for all calculation purposes was the highest legal value of 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 most equivalent to EUR one billion six hundred million (1,600,000,000.00).
- (24) That the latest final maturity date of the Mortgage Loans after the change, if any, to the maturity date in terms of section 2.2.4.1 of the Prospectus Building Block, is at no event after January 31, 2058.
- (25) That, after being granted, the Mortgage Loans have been serviced and are still 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 been collected 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 consist of transactions for refinancing previous transactions in arrears or transactions restructured due to arrears in the same transaction.

## **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 learning of 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) or (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 Originator guaranteeing that the transaction will be successfully completed, but only the requisite redress of the effects resulting from the breach of its duties, in accordance with article 1124 of the Civil Code.

The expenses originated by the actions to remedy the Originator's breach shall be borne 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 from appraisals made by appraisers for the purpose of granting and arranging the same, in 92.17% of the selected loans, in terms of outstanding principal). In the remaining 7.83%, of the selected loans, in terms of outstanding principal, the appraisals are new due to capital extensions arranged for, and carried out observing all statutory requirements in a public deed recording novation and a capital increase, and subject to the same credit risk analysis and valuation procedure summarised in section 2.2.7 of this Building Block. In this regard, it is to be noted that the new mortgaged property appraisal observes Order ECO/805/2003 on real estate property valuation rules, including visiting the property appraised.

Nevertheless, in considering ineligible loans, in order to be assigned to the Fund by issuing Pass-Through Certificates, BBVA has taken into account cases in which (i) the LTV is in excess of 80%; (ii) 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, exceeding the eligibility limits set in article 5 of the aforementioned Royal Decree, or (iii) the repayment term for mortgage loans taken out after May 14, 2013 is in excess of thirty (30) years from the mortgage loan selection date, in accordance with the amendment made to article 4 of Act 2/1981 by article 4.6 of Act 1/2013.

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

Not applicable.

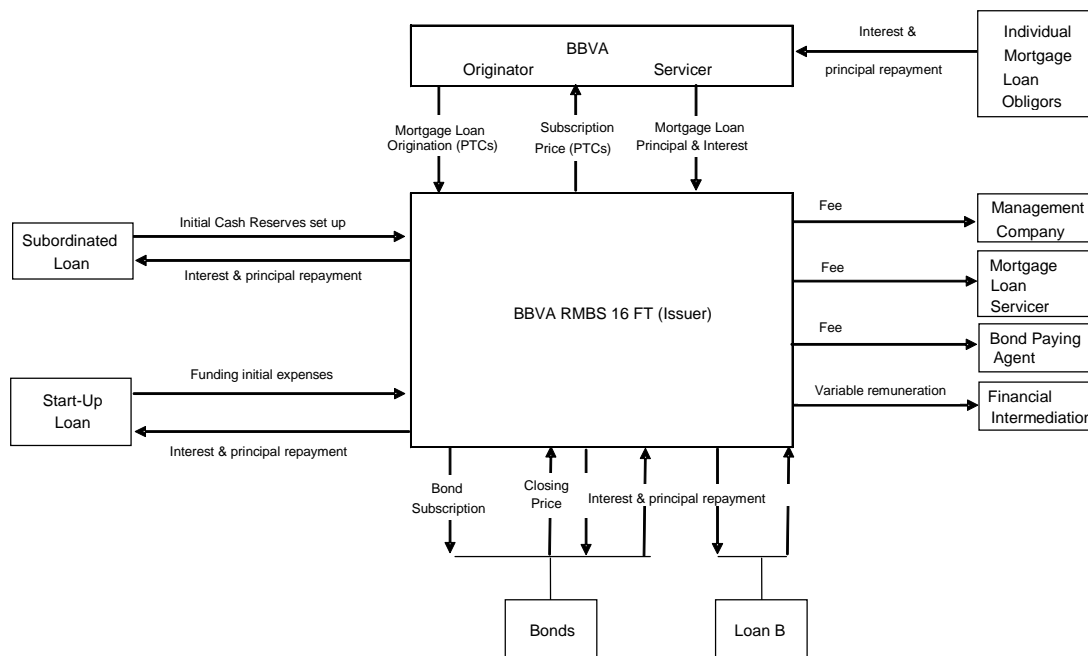
**2.4 Where the Issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.**

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>1,600,000,000.00</b>	<b>Obligations and securities</b>	<b>1,344,000,000.00</b>
Mortgage Loans (PTCs)	1,600,000,000.00	Bonds	1,344,000,000.00
<b>Liquid assets</b>	<b>65,715,000.00</b>	<b>Credit institution liabilities</b>	<b>321,715,000.00</b>
Treasury Account		Loan B	256,000,000.00
• Cash Reserve and interest timing difference on the 1 <sup>st</sup> Payment Date*	65,100,000.00	Start-Up Loan	1,715,000.00
• Funds for paying Fund expenses	615,000.00	Subordinated Loan	64,000,000.00
		<b>Short-term creditors</b>	<b>to be determined</b>
		Mortgage Loan interest accrued	to be determined
<b>TOTALS</b>	<b>1,665,715,000.00</b>		<b>1,665,715,000.00</b>

(Amounts in EUR)

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

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

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

- (ii) 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, shall be the Lead Manager and one of the Subscribers 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), Loan B, Subordinated Loan, Start-Up Loan, Bond Paying Agent and Financial Intermediation Agreements. Additionally, BBVA shall be the Mortgage Loan Servicer, as issuer of the Pass-Through Certificates, pursuant to article 26.3 and additional provision one of Royal Decree 716/2009, and in accordance with the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.

- (iii) The EUROPEAN INVESTMENT BANK is involved as one of the Bond Issue Subscribers.
- (iv) Deloitte has audited the most significant 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.
- (v) GARRIGUES, an independent adviser, has provided legal advice for establishing the Fund and the Bond Issue and has been involved in reviewing this Prospectus (including its legal, tax and contractual aspects), the transaction and financial service agreements referred to herein and the Deed of Constitution.
- (vi) Axesor, DBRS and Moody's are the Rating Agencies that have rated the Bond Issue.

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 assignment of the Mortgage Loan receivables shall be perfected upon BBVA issuing and the Fund subscribing for pass-through certificates (the "**Pass-Through Certificates**") as established by additional provision four of Act 5/2015, Royal Decree 716/2009 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 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 2.a) 7 of article 205 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 termination process in terms of Act 11/2015, or because the Management Company deems it reasonably justified, the Management Company may demand the Servicer to notify Obligors (and, 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 with article 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 provide a direct or indirect assurance of a successful outcome of the transaction, 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.
  - b) To receive all Mortgage Loan capital ordinary interest amounts accrued. 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 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 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 upon issuing the Pass-Through Certificates perfect the ensuing assignment of the rights it has as the beneficiary of those mortgaged property damage insurance policies taken out by the Obligors and the global secondary damage insurance policy (or any other insurance policy granting equivalent cover). As the holder of the 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 the Bond Issue and Loan B 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, as described in section 3.4.1 below, 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. The Originator shall agree in the Deed of Constitution to include at its website a reference to the location where all the updated details concerning retention of a net economic interest may be found.

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

- That, pursuant to article 405d), BBVA, as originator of the securitisation, shall agree in the Deed of Constitution to retain on an ongoing basis Loan B principal and Subordinated Loan principal (first loss tranche), in order for the retention to initially equal 20% 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 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. Potential investors may in this regard obtain that information at EDW.

### **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 this connection, business days shall be taken to be all those that are business days in the banking sector in the city of Madrid.

The weighted average interest rate of the mortgage loans selected at April 14, 2016, as detailed in section 2.2.2.1) of this Building Block, bearing in mind whether the maximum possible reduction will apply to the mortgage loans as referred to in section 2.2.(v) of the Building Block, is 1.262%, which is above the 0.249% 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 on the terms set for each of them and in the Priority of Payments given in section 3.4.6.2 of this Building Block or, when the Fund is liquidated, in the Liquidation Priority of Payments given in section 3.4.6.3 of this Building Block, as appropriate.

#### **3.4.2 Information on any credit enhancement.**

##### **3.4.2.1 Description of the credit enhancement.**

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

(i) Loan B.

Subordination and deferment in interest payment and principal repayment of Loan B, derived from its place in the application of the Available Funds 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 Bonds.

(ii) 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, and the risk deriving from potential Mortgage Loan interest rate renegotiations which may even result in their novation to a fixed rate.

(iii) 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 and Loan B occurs on the next succeeding Payment Date.

### **3.4.2.2 Loan B.**

The Management Company shall on the date of establishment of the Fund, for and on behalf of the Fund, enter with BBVA (lender) into an agreement whereby it shall grant to the Fund a commercial loan ("**Loan B**") totalling EUR two hundred and fifty-six million (256,000,000.00) (the "**Loan B Agreement**").

The Loan B amount shall be used by the Management Company exclusively to pay the price of the face value of the Mortgage Loans along with the amount received upon the subscription for the Bonds being paid up.

The Loan B amount shall be delivered on the Closing Date by payment into the Treasury Account.

Outstanding Loan B principal shall earn floating annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the higher of (i) zero percent (0.00%); and (ii) the result of adding (a) the Reference Rate determined for the Bonds plus (b) a 0.15% margin. This interest will only be paid if the Fund has 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 each Interest Accrual Period ending date 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 the first Payment Date, August 17, 2016.

Section 3.4.6.2.1.2 of this Building Block includes the rules for repayment of Loan B principal.

All earned interest and Loan B principal repayment amounts due to the lender shall only be paid if the Fund should have sufficient liquidity and shall be subject to the Priority of Payments or to the Liquidation Priority of Payments, as appropriate.

All amounts provided for in the above paragraphs not delivered to the lender on a Payment Date shall be settled on the following Payment Dates on which the Available Funds allow such payment in the Priority of Payments.

Amounts not delivered on preceding Payment Dates shall be paid with priority over Loan B on that Payment Date, in accordance with the Priority of Payments or, in the event of liquidation of the Fund, in accordance with the Liquidation Priority of Payments.

Amounts due by the Fund and not delivered as provided for in the above paragraphs shall not earn late-payment interest.

Interest accrued and not paid on a Payment Date shall not be accumulated to Loan B principal.

The Loan B Agreement shall be fully terminated in the event that DBRS or Moody's should not confirm the provisional ratings assigned to the Bonds as final ratings by 2pm (CET) on May 10, 2016.

### **3.4.2.3 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 sixty-four million (64,000,000.00) (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 sixty-four million (64,000,000.00).
- (ii) The higher of:
  - a) 8.00% of the sum of (i) the Outstanding Principal Balance of the Bond Issue and (ii) the Outstanding Principal Balance of Loan B.
  - b) EUR thirty-two million (32,000,000.00).

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 3, both inclusive, while the Bond Issue has not been fully repaid, and 1 to 6 otherwise) 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 sixty-four million (64,000,000.00) (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 3.4.2.3 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.

If 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.

Outstanding Subordinated Loan principal shall earn floating annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the higher of (i) zero percent (0.00%); and (ii) the result of adding (a) the Bond Reference Rate determined for each Interest Accrual Period, and (b) a 0.10% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Priority of Payments or, in the event of liquidation of the Fund, in the Liquidation Priority of Payments. Interest shall be settled and be payable on the expiry date of each Interest Accrual Period on each Payment Date and upon liquidation of the Fund, 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 August 17, 2016.

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

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

The Subordinated Loan Agreement shall be fully terminated in the event that DBRS or Moody's should not confirm the provisional ratings assigned to the Bonds as final ratings by 2pm (CET) on May 10, 2016.

#### **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 seven hundred and fifteen thousand (1,715,000.00) (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, and to covering the timing difference existing between Mortgage Loan interest collection and Bond and Loan B interest payment on the first Payment Date (the "**interest timing difference**").

Outstanding Start-Up Loan principal will earn annual nominal floating interest, determined quarterly for each Interest Accrual Period, which shall be the higher of (i) zero percent (0.00%); and (ii) the result of adding (a) the Bond Reference Rate determined for each Interest Accrual Period, and (b) a 0.10% margin. This interest will be payable only if the Fund should have sufficient liquidity on each Payment Date in the Priority of Payments or, in the event of liquidation of the Fund, in the Liquidation Priority of Payments. Interest shall be settled and be payable on the expiry date of each Interest Accrual Period on each Payment Date and, in the event, upon liquidation of the Fund, 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 August 17, 2016.

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

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

- (i) The portion of Start-Up Loan principal actually used to finance the Fund set-up and Bond issue and admission expenses and the portion used to cover the interest timing difference 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, August 17, 2016, and the following until the Payment Date falling on August 17, 2019, inclusive.
- (ii) The portion of Start-Up Loan principal not used, as the case may be, shall be repaid on the first Payment Date, August 17, 2016.

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

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

### **3.4.4 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 and Loan B being drawn down;
- (ii) Mortgage Loan principal repaid and interest collected;
- (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 (i) zero percent (0.00%); and (ii) the interest rate resulting from decreasing (a) the Reference Rate determined for each Bond Interest Accrual Period substantially matching each Treasury Account interest accrual period (b) by a 0.10% margin, translated to an interest rate based on calendar years (i.e. multiplied by 365, or 366 in leap years, and divided by 360). Interest shall be settled on the expiry date of each interest accrual period on each of the Fund Determination Dates (the seventh (7<sup>th</sup>) Business Day preceding each Payment Date), and shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty-five (365-) day year or a three-hundred-and-sixty-six (366-) day year if it is a leap year. The first interest accrual period shall comprise the days elapsed between the date of establishment of the Fund and the first Determination Date, August 5, 2016.

In the event that the rating of BBVA or of the substitute institution in which the Treasury Account is opened (either of them, the “**Treasury Account Provider**”) should, at any time during the life of the Bond Issue, be downgraded below:

- a long-term deposit rating of Baa3 by Moody’s, or
  - below BBB, in accordance with DBRS’ minimum rating to act as a Treasury Account Provider (“**DBRS’ Minimum Rating for the Treasury Account Provider**”), which shall be the higher of:
    - (i) if the institution has a long-term Critical Obligation Rating (“**COR**”) by DBRS, one notch below that COR; and
    - (ii) the public rating assigned by DBRS to the Treasury Account Provider or, where there is no such rating, the private ratings or the internal assessments made by DBRS (the “**DBRS Rating**”);
- or
- below BBB-, according to the public credit rating assigned by Axesor or, where there is no such rating, the private ratings or the internal assessments made by Axesor (the “**Axesor Rating**”);

or in the event that Moody’s rating or DBRS’ Minimum Rating for the Treasury Account Provider or the Axesor Rating should be removed, the Management Company shall, within not more than thirty (30) calendar days from the day of Moody’s downgrade below Baa3 or the downgrade of DBRS’ Minimum Rating for the Treasury Account Provider below BBB, or within not more than thirty (30) Business Days from the day on which the Axesor Rating is downgraded below BBB-, after first notifying the Rating Agencies, do one of the following in order to allow a suitable level of collateral to be maintained with respect to the commitments derived from the Guaranteed Interest Rate Account (Treasury Account) Agreement in order for the ratings given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtain from an institution with long-term deposits rated at least as high as Baa3 by Moody’s, and/or with DBRS’ Minimum Rating for the Treasury Account Provider at least as high as BBB and/or with a long-term Axesor Rating at least as high as BBB-, an unconditional, irrevocable and first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by the Treasury Account Provider of its obligation to repay the amounts credited to the Treasury Account, for such time as the Treasury Account Provider remains downgraded below Baa3 by Moody’s and/or BBB by DBRS and/or BBB- by Axesor.
- b) Transfer the Treasury Account to an institution with long-term deposits rated at least as high as Baa3 by Moody’s, and with DBRS’ Minimum Rating for the Treasury Account Provider at least as high as BBB and with a long-term Axesor Rating at least as high as BBB-, arranging a yield for its balances, which may differ from that arranged with the Treasury Account Provider under the Guaranteed Interest Rate Account (Treasury Account) Agreement.

In this regard, the Treasury Account Provider shall irrevocably agree to notify the Management Company of any change or removal of the Bond ratings given by 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 long-term deposit rating should subsequently be upgraded back to Baa3 by Moody’s, and DBRS’ Minimum Rating for the Treasury Account Provider should be upgraded back to BBB and the long-term Axesor Rating should be upgraded back to BBB-, the Management Company shall subsequently transfer the balances back to BBVA under the Guaranteed Interest Rate Account (Treasury Account) Agreement.

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

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

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

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

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

#### 3.4.6.1 Source and application of funds on the Bond Closing Date and until the first Payment Date, exclusive.

The source of the amounts available for the Fund on the Closing Date and their application until the first Payment Date, exclusive, shall be as follows:

1. **Source:** the Fund shall have the following funds:

- a) Bond subscription payment.
- b) Drawdown of Loan B principal
- c) Drawdown of Start-Up Loan principal.
- d) 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 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 during the Determination Period preceding the relevant Payment Date.
- b) Mortgage Loan ordinary and late-payment interest income during the Determination Period preceding the relevant Payment Date.
- c) The returns received on amounts credited to the Treasury Account.
- d) The Cash Reserve amount on the Determination Date preceding the relevant Payment Date.
- e) Any other amounts received by the Fund during the Determination Period preceding the relevant Payment Date, including those resulting from the sale or utilisation of real estate, assets, securities or rights awarded or given in a deed-in-lieu-of-foreclosure transaction to the Fund or under administration or interim possession in enforcement proceedings.
- f) Additionally, on the first Payment Date, the remainder upon the Start-Up Loan being drawn down to the extent not used.

Income under a), b) and e) above received by the Fund and credited to the Treasury Account between the Determination Date, exclusive, preceding the relevant Payment Date, inclusive, shall not be included in the Available Funds on the relevant Payment Date, and that amount shall remain credited to the Treasury Account, to be included in the Available Funds on the following Payment Date.

## **2. Application.**

The Available Funds shall be applied on each Payment Date to meeting payment or withholding obligations falling due on each Payment Date in the following order of priority, irrespective of the time of accrual, other than the application established in the 1<sup>st</sup> place, which may be made at any time as and when due:

1. Payment of the Fund's properly supported taxes and ordinary<sup>(1)</sup> and extraordinary<sup>(2)</sup> expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those arising under the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and Mortgage Loan amounts reimbursable to it, provided they are all properly supported and the Servicing Agreement fee if BBVA should be replaced as Servicer will be paid to the Servicer and in relation to the Servicing Agreement in this priority.
2. Payment of interest due on the Bonds.
3. Bond repayment at the lower of the following amounts on the Determination Date preceding the relevant Payment Date:
  - a) The Outstanding Principal Balance of the Bond Issue.
  - b) The difference, if positive, between:
    - (i) The sum of the Outstanding Principal Balance of the Bond Issue and the Outstanding Principal Balance of Loan B; and
    - (ii) The Outstanding Balance of the Non-Doubtful Mortgage Loans.
4. Withholding of an amount sufficient for the Required Cash Reserve amount to be maintained unless this payment is deferred to 7<sup>th</sup> place in the order of priority.

This withholding shall be deferred to 7<sup>th</sup> place on the Payment Date and thereafter on which the Bond Issue is fully repaid.
5. Payment of interest due on Loan B.
6. Repayment of Loan B at the lower of the following amounts on the Determination Date preceding the relevant Payment Date:
  - a) The Outstanding Principal Balance of Loan B.
  - b) The difference, if positive, between:
    - (i) The sum of the Outstanding Principal Balance of the Bond Issue and the Outstanding Principal Balance of Loan B; and
    - (ii) The sum of the Outstanding Balance of the Non-Doubtful Mortgage Loans and the Bond Issue amount to be repaid in 3<sup>rd</sup> place above on that Payment Date.
7. Withholding of an amount sufficient for the Required Cash Reserve amount to be maintained when this withholding is deferred from 4<sup>th</sup> place in the order of priority as established therein.
8. Payment of Subordinated Loan interest due.
9. Repayment of Subordinated Loan principal to the extent amortised.
10. Payment of Start-Up Loan interest due.

11. Repayment of Start-Up Loan principal to the extent amortised.
12. Payment to the Servicer of the fee established in the Servicing Agreement.

In the event that 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 in the order of priority, along with the other payments included therein.

13. 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) Management Company Fund management fee.
  - c) Rating Agency fees for monitoring and maintaining the rating of the Bonds.
  - d) Expenses relating to keeping the Bond accounting record representing the Bonds by means of book entries, admission to trading in organised secondary markets and maintaining all of the foregoing.
  - e) Expenses of auditing the annual accounts.
  - f) Bond amortisation expenses.
  - g) Expenses deriving from announcements and notices relating to the Fund and/or the Bonds.

The Fund's ordinary expenses in its first year, including the management fee due to the Management Company and those derived from the Paying Agent Agreement, are estimated at EUR three hundred thousand (300,000.00). Because most of those expenses are directly related to the Outstanding Principal Balance of the Bond Issue and Loan B and those balances shall fall throughout the life of the Fund, the Fund's ordinary expenses will also fall as time goes by.

- (2) The following shall be considered extraordinary expenses of the Fund:
- a) Expenses and costs, if any, incurred in connection with preparing and perfecting an amendment of the Deed of Constitution and of the agreements, and from entering into additional agreements.
  - b) Expenses required to enforce the 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.

### 3.4.6.3 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 Bonds, in the following order of priority of payments (the "**Liquidation Priority of Payments**"):

1. Reserve to meet the final tax, administrative or advertising termination and liquidation expenses.
2. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those 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 the Bonds.
4. Repayment of Bond principal.
5. Payment of interest due on Loan B.
6. 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.
7. Repayment of Loan B principal.
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 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 ratings assigned to the Bonds.

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 January, April, July and October, 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 July 31, 2016, inclusive, this being the last day in the calendar month preceding the first Payment Date, and (ii) the last Financial Intermediation Margin accrual period shall comprise a) until the Final Maturity Date or the date on which Early Liquidation of the Fund concludes, b) from the last day in the calendar month preceding the Payment Date before the date referred to in a), including a) but not including b). The first Financial Intermediation Margin settlement date shall be the first Payment Date, August 17, 2016.

If the Fund should not have sufficient liquidity on a Payment Date in the Priority of Payments to pay the full Financial Intermediation Margin, the unpaid amount due shall accumulate without any penalty whatsoever on the Financial Intermediation Margin accrued, as the case may be, in the following quarterly period and shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments or, upon liquidation of the Fund, in the Liquidation Priority of Payments. Financial Intermediation Margin amounts not paid on preceding Payment Dates shall be paid with priority over the amount payable on the relevant Payment Date.

Notwithstanding the above, the Financial Intermediation Margin will only be settled as established in section 5 of Rule 19 of Circular 2/2016, or in any replacement rule.

The Financial Intermediation Agreement shall be fully terminated in the event that DBRS or Moody's should not confirm the provisional ratings assigned to the Bonds as final ratings by 2pm (CET) on May 10, 2016.

### **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 or the replacement institution under this Paying Agent Agreement (either of them, the "**Paying Agent**") 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 the Bonds.

In the event that the Paying Agent's rating should be downgraded, at any time during the life of the Bond Issue, below a long-term deposit rating of Baa3 by Moody's, or below BBB according to the DBRS Rating, or below BBB- according to the Axesor Rating, the Management Company shall, within not more than thirty (30) calendar days from the day of Moody's downgrade below Baa3 or the DBRS Rating downgrade below BBB, or within not more than thirty (30) Business Days from the day on which the Axesor Rating is downgraded below BBB-, after first notifying the Rating Agencies, do one of the following in order to allow a suitable level of collateral to be maintained with respect to the commitments derived from the Bond Paying Agent Agreement and in order for the ratings given to the Bonds by the Rating Agencies not to be adversely affected:

- (i) obtain from an institution with long-term deposits rated at least as high as Baa3 by Moody's, and/or with a long-term DBRS Rating at least as high as BBB (such rating not to be "Under Review (Negative)"), and/or with a long-term Axesor Rating at least as high as BBB-, a first demand guarantee securing to the Fund, merely upon the Management Company so requesting, the commitments made by the Paying Agent, for such time as the Paying Agent's debt obligations remain downgraded below Baa3 by Moody's and/or BBB by DBRS, and/or BBB- by Axesor; or

- (ii) revoke the Paying Agent's designation and thereupon designate another institution with long-term deposits rated at least as high as Baa3 by Moody's, and with a long-term DBRS Rating at least as high as BBB (such rating not to be "Under Review (Negative)"), and with a long-term Axesor Rating at least as high as BBB-, to take its place before terminating the Paying Agent Agreement. Should BBVA be replaced as Paying Agent, the Management Company shall be entitled to change the fee payable to the substitute institution, which may be higher than that established with BBVA under the Paying Agent Agreement.

In this regard, the Paying Agent shall irrevocably agree to notify the Management Company of any change or removal of the Bond rating given by 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 the above shall be borne by BBVA.

The Paying Agent shall agree, forthwith upon the occurrence of any of its credit rating downgrade events, to use commercially reasonable efforts in order that the Management Company may do either of (i) or (ii) above.

In consideration of the services to be provided by the Paying Agent, the Fund shall pay it on each Payment Date or upon liquidation of the Fund during the term of the agreement, a fee of EUR twelve thousand (12,000.00), inclusive of taxes as the case may be. This fee shall be paid provided that the Fund has sufficient liquidity and in the Priority of Payments or, as the case may be, the Liquidation Priority of Payments.

In the event that, in the Priority of Payments, the Fund should not have sufficient liquidity to pay the full fee on a Payment Date, then the amounts accrued and not paid shall be accumulated without any penalty whatsoever to the fee falling due on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until fully paid on the Payment Date on which they are settled, in the Priority of Payments or, as the case may be, upon liquidation of the Fund in the Liquidation Priority of Payments.

The Paying Agent Agreement shall be fully terminated in the event that DBRS or Moody's should not confirm the provisional ratings assigned to the Bonds as final ratings by 2pm (CET) on May 10, 2016.

### **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 de San Nicolás number 4, 48005 Bilbao (Spain).

Principal places of business: Calle Azul number 4, 28050 Madrid.

Gran Vía number 1, 48001 Bilbao.

Paseo de Recoletos number 10, 28001 Madrid.

#### **Significant economic activities of BBVA.**

BBVA Group, is mainly in the banking business though it has interests in the field of insurance, unit trust and pension fund management, stock broking, real estate development, global custody, asset management and broking in major cash, capital and currency markets.

The following is the relevant consolidated information for BBVA Group at December 31, 2015 and 2014 and how the information at these dates compares. The financial information in relation to the relevant consolidated details at December 31, 2014 and 2015 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, as currently worded.

BBVA	31.03.2016 (B)	Δ% (B-C)/C	31.03.2015	31.12.2015 (C)
<b>BALANCE SHEET (MEUR)</b>				
Total assets	740.947	10,2	672.598	750.078
Customer credit	428.515	14,3	374.873	432.855
Customer deposits	408.971	20,4	339.675	403.069
Other customer resources	131.076	-1,3	132.844	131.822
Total customer resources	540.047	14,3	472.519	534.891
Net assets	54.516	4,1	52.366	55.439
<b>PROFIT &amp; LOSS ACCOUNT (MEUR)</b>				
Interest margin	4.152	13,3	3.663	16.426
Gross margin	5.788	2,8	5.632	23.680
Net margin	2.614	-8,5	2.857	11.363
Pre-tax profit	1.338	-7,2	1.442	5.879
Profit attributed to the Group	709	-53,8	1.536	2.642
<b>DATA PER SHARE AND STOCK MARKET RATIOS</b>				
Number of shares (million)	6.367	2,3	6.225	6.367
Price (euros)	6	-37,9	9	7
Market capitalisation (MEUR)	37.194	-36,5	58.564	42.905
Earnings per share (EUR)	0	-56	0	0
Book value per share (EUR)	7,29**	-10	8,15**	7
Tangible book value per share	5,76**	-12,7	6,65**	6
Dividend yield (Dividend/price)	6	46,0	4	6
<b>RELEVANT RATIOS (%)</b>				
ROE	5,6**		8,8**	5,2
ROTE	7,0**		10,8**	6,4
ROA	0,5		0,7	0,5
RORWA	1,0		1,3	0,9
Efficiency ratio	54,8		49,3	52,0
Cost risk	0,9		1,2	1,1
Delinquency rate	5,3		5,6	5,4
Mortgage delinquency rate	5.39		5.20	5.3
Coverage rate	74		65	74
<b>CAPITAL RATIOS (%)</b>				
CET 1	11,6		12,7	12,1
Tier 1	12,1		12,7	12,1
Ratio total	15,0		15,8	15,0
<b>ADDITIONAL INFORMATION</b>				
Number of shareholders	942.343	-0,2	944.631	934.244
Number of employees	137.445	26,3	108.844	137.968
Number of branches	9.173	24,6	7.360	9.145
Number of cash dispensers	30.794	34,6	22.882	30.616

### 3.6 Return on and/or repayment of the securities linked to others which are not assets of the Issuer.

Not applicable.

### 3.7 Administrator, calculation agent or equivalent.

#### 3.7.1 Management, administration and representation of the Fund and of the holders of the securities.

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

The Management Company shall discharge for the Fund the functions attributed to it in Act 5/2015.

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

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

### **3.7.1.2 Administration and representation of the Fund.**

The Management Company's obligations and actions in fulfilment of its duty to manage and be the authorised representative of the Fund are the following, for illustrative purposes only and without prejudice to any other actions provided in this Prospectus:

- (i) Keeping the Fund's accounts duly separate from the Management Company's own, rendering accounts and satisfying tax and any other statutory obligations of the Fund.
- (ii) Making such decisions as may be appropriate in connection with liquidation of the Fund, including the decision to proceed to Early Liquidation of the Fund and Early Amortisation of the Bond Issue, in accordance with the provisions of the Deed of Constitution and this Prospectus. Moreover, making all appropriate decisions in the event of the establishment of the Fund terminating.
- (iii) Complying with its formal, documentary and reporting duties to the CNMV, any other supervisory body and the Rating Agencies.
- (iv) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.
- (v) Providing Bondholders, the CNMV and the Rating Agencies with all such information and notices as may be prescribed by the laws in force for the time being and specifically as established in the Deed of Constitution and in this Prospectus.
- (vi) Complying with the calculation duties provided for and taking the actions laid down in the Deed of Constitution and this Prospectus and in the various Fund transaction agreements or in such others as the Management Company may enter into in due course for and on behalf of the Fund.
- (vii) The Management Company may extend or amend the agreements entered into on behalf of the Fund, or substitute, as the case may be, each of the Fund service providers on the terms provided for in each agreement, and indeed, if necessary, amend the same and enter into additional agreements, including a loan agreement in the event of Early Liquidation of the Fund. In any event, those actions shall require that the Management Company notify or first secure the authorisation, if necessary, of the CNMV and notify the Rating Agency, and provided that such actions are not detrimental to the ratings assigned to the Bonds by the Rating Agencies. In addition, those actions shall not require the Deed of Incorporation to be amended if they do not result in a change of the Priority of Payments or the Liquidation Priority of Payments. In addition, the Management Company may amend the Deed of Constitution, on the terms laid down in article 7 of Act 5/2015. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.
- (viii) Exercising the rights attaching to the ownership of the 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 the Bonds and calculating and settling the accrued interest amounts payable on each Payment Date or upon liquidation of the Fund.
- (xi) Calculating and determining on each Determination Date the principal to be amortised and repaid on the Bonds 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 Liquidation Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.
- (xvi) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the Bonds.

#### **3.7.1.3 Resignation and substitution of the Management Company.**

The Management Company shall be substituted in managing and representing the Fund, in accordance with articles 32 and 33 of Act 5/2015 set forth hereinafter and with rules which may be established by way of subsequent implementing regulations.

##### *Resignation.*

- (i) The Management Company may resign its management and authorised representative duties with respect to all or part of the funds managed whenever it deems this fit, applying to be substituted, which shall be authorised by the CNMV, in accordance with the procedure and on the terms which may be established by way of subsequent implementing regulations.
- (ii) The Management Company may in no event resign its duties until and unless all requirements and formalities have been complied with in order for the replacement entity to take over its duties.
- (iii) The substitution expenses originated shall be borne by the resigning management company and may in no event be passed on to the Fund.

##### *Forced substitution.*

- (i) In the event that the Management Company should be adjudged insolvent 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 Bonds by the Rating Agencies being downgraded, and (iv) shall be notified to, and, where statutorily required, will first be authorised by, the CNMV. Notwithstanding any subcontracting or subdelegation, the Management Company shall not be exonerated or released, under that subcontract or subdelegation, from any of the liabilities undertaken in this Prospectus which may be legally attributed or ascribed to it.

#### 3.7.1.5 Management Company's remuneration.

In consideration of the functions to be discharged by the Management Company, the Fund will pay it a Fund management fee consisting of:

- (i) An initial fee which shall accrue upon the Fund being established and be payable on the Closing Date.
- (ii) A periodic fee on (i) the Outstanding Principal Balance of the Bond Issue (ii) the Outstanding Principal Balance of Loan B and, as the case may be, (iii) 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 respectively higher or lower than the maximum and minimum amounts determined. The minimum amount shall be cumulatively reset, from the year 2017, inclusive, and be effective from January 1 of each year.
- (iii) Fee for preparing the file for EDW and for each submission.

If on a Payment Date the Fund should not, in the Priority of Payments, have sufficient liquidity to settle the above-mentioned Fund management fee, the amount due shall accrue interest equal to the Bond Reference Rate (if positive) for the relevant Interest Accrual Period. The unpaid amount and interest due shall build up for payment on the fee payable on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until fully paid, in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

#### 3.7.2 Servicing, management and custody of the securitised assets.

BBVA shall, as issuer of the Pass-Through Certificates, as provided for in paragraph two of article 26.3 and additional provision one of Royal Decree 716/2009, continue as attorney for the Fund, represented by the Management Company, to be responsible for servicing and custody of the Mortgage Loans assigned to the Fund. Relations between BBVA, the Fund, represented by the Management Company, and the Management Company proper, insofar as concerns custody and servicing of the Mortgage Loans and custody of the Pass-Through Certificate supporting documents, shall be governed by the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement (the "**Servicing Agreement**").

The above shall all be construed without prejudice to the Management Company's liability in accordance with article 26.1 b) of Act 5/2015.

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

- (i) To be custodian, manager and servicer of the Mortgage Loans assigned to the Fund subject to the system terms and ordinary servicing, management and custody procedures established in the Servicing Agreement.

- (ii) To continue servicing the 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 or the Management Company damages and losses resulting from a breach of the obligations undertaken, although the Servicer shall not be liable for actions put in place on the Management Company's instructions.

In any event, the Servicer waives the privileges and authorities conferred on it by law as the manager of collections for the Fund and as 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. In addition, as provided for in section 3.7.1.4 above of the Building Block, the Servicer waives the bringing of any action holding the Fund liable.

The most relevant terms of the Servicing Agreement are given hereinafter in the following paragraphs of this section.

### **3.7.2.1 Ordinary system and procedures for servicing and managing the Mortgage Loans.**

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

The Servicer shall keep all Mortgage Loan deeds, agreements, contracts, documents and data files and copies of the mortgaged property damage insurance policies under safe custody and shall not give up their possession, custody or control other than with the Management Company's prior written consent for it to do so, unless a document should be required to institute proceedings to claim a 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, in accordance with the terms and conditions laid down in the Servicing Agreement. In this connection, business days shall be taken to be all those that are business days in the banking sector in the city of Madrid.

If the Servicer's DBRS Rating should be downgraded below BBB (low) in the long term, or its rating should be removed, the Servicer shall do one of the following: (i) find an institution with a sufficient rating to take over its duties as Servicer, (ii) find a back-up servicer, or (iii) post cash collateral to the Fund at an amount in line with the DBRS criteria.

The Management Company, for and on behalf of the Fund, may only draw on that cash collateral for 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.

All costs, expenses and taxes incurred in connection with doing and arranging the above shall be borne by the Servicer.

The Servicer may at no event pay any Mortgage Loan payment amount whatsoever to the Fund not previously received from the Obligors.

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

Notwithstanding a possible renegotiation of Mortgage Loans to a fixed 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 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 Mortgage Loan Subrogation and Amendment Act 2/1994, March 30 ("**Act 2/1994**"). Subrogation of a new creditor under the Mortgage Loan and the ensuing payment of the amount due shall, as the case may be, result in prepayment of the Mortgage Loan and early amortisation of the respective 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" (the "**Best Practice Code**"), as worded by Act 1/2013, May 14, implementing measures to boost the protection of mortgagors, debt restructuring and social rentals, as set out in a Decision dated October 23, 2015 of the Secretary of State of the Economy and Business Support, published in the Official State Gazette dated October 29, 2015.



Given the financial capacity of obligors on the exclusion threshold, the Management Company initially authorises the Servicer to apply the measures laid down in the Best Practice Code to any Mortgage Loans lying within the scope of application of that Best Practice Code, provided that the requirements laid down in Royal Decree-Act 6/2012, March 9, on urgent measures for the protection of insolvent mortgage obligors, as currently worded (“**Royal Decree-Act 6/2012**”) are met. In this connection, the Servicer shall first notify the Management Company of requests made by Obligor, enclosing all documents received from the Obligor to prove that the Obligor is on the exclusion threshold established in article 3 of Royal Decree-Act 6/2012, and the proposed measures to be adopted in accordance with the aforementioned Best Practice Code.

Subject to the above and the provisions hereinafter, any novation changing a 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 interest rate renegotiations and extended terms without requiring the Management Company’s prior consent, subject to the following generic enabling requirements.

**a) Renegotiating the interest rate.**

Mortgage Loan interest rate may be renegotiated subject to the following rules and limitations:

1. The Servicer may under no circumstance entertain on its own account and without being so requested by the Obligor, interest rate renegotiations which may result in a decrease in the interest rate applicable to a Mortgage Loan. Without encouraging interest rate renegotiation, the Servicer shall act in relation to such renegotiation bearing in mind the Fund’s interests at all times.
2. Subject to the provisions of paragraph 3 below, the Servicer may renegotiate the interest rate clause of the Mortgage Loans on terms that are deemed to be at arm’s length and that do not differ from those applied by the actual Servicer in renegotiating or granting its floating- and fixed-rate mortgage credits and loans. For these purposes, the arm’s length interest rate shall be deemed to be the rate offered by the Servicer in the Spanish market for mortgage loans or credits granted to individuals with real estate mortgage security on homes located in Spanish territory in an amount and on terms substantially similar to the renegotiated Mortgage Loan.

The Management Company may, on the Fund’s behalf, at any time during the term of the Servicing Agreement, cancel, suspend or modify the Servicer’s authorisation to renegotiate the interest rate.

3. Renegotiation of the interest rate applicable to a Mortgage Loan may at no event occur in the event that (i) the change is to a floating interest rate with a benchmark index for determination other than the Euribor rate or the All Institutions mortgage market reference benchmark index, and (ii) that the average margin or spread weighted by the outstanding principal of outstanding Mortgage Loans (including the margin if any resulting from a fixed-rate renegotiation as provided for in section 4.(ii) below) is not in excess of 65 basis points above the Euribor benchmark rate or index. For the purposes prescribed in this section, the provisions of section 4 below shall govern in the case of Mortgage Loans having benchmark indices other than the Euribor benchmark rate or index or which are fixed-rate loans in regard to consistency with reference to margin over a Euribor benchmark index.
4. For the purposes of paragraph 3 above:
  - (i) The margin or spread of a floating-rate Mortgage Loan with a benchmark index other than Euribor rate or index shall be considered to be the result of increasing or reducing the margin applicable to the Mortgage Loan by the difference between the simple averages of the values for the last three (3) months, published by the Bank of Spain, of (a) the Mortgage Loan benchmark index and (b) one-year EURIBOR index (one-year Interbank reference).

- (ii) The novated fixed-rate Mortgage Loan margin shall be deemed to be the difference between the fixed rate applicable to the Mortgage Loan and the EURIBOR BASIS fixed rate on Reuters' ISDAFIX2 screen, or any other replacement screen, at 11:00AM CET on the effective date of the new fixed rate for the term of the average life of the Mortgage Loan based on its new repayment schedule. In the absence of a EURIBOR BASIS, the latter shall be calculated by a straight-line interpolation between the EURIBOR BASIS fixed rates for the lower and higher terms closest to the average life of the Mortgage Loan.

**Calculation of the average life of a novated fixed-rate Mortgage Loan:** average of the time periods from the effective date of the novation until each Mortgage Loan settlement date, using for weighting purposes the weights the principal to be repaid on each settlement date has, in accordance with the applicable repayment system, on the outstanding principal amount, in accordance with the following expression:

$$V = \frac{\sum (P \times d)}{T} \times \frac{1}{365}$$

Where:

$V$  = Average life of the novated fixed-rate Mortgage Loan expressed in years.

$P$  = Principal to be repaid on each settlement date under the applicable repayment system.

$d$  = Number of days elapsed between the effective date of the novation and the relevant settlement date.

$T$  = Outstanding principal on the effective date of the novation.

#### b) 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 sum of (i) the face amount of the Bond Issue and (ii) Loan B Principal. In this connection, extension of the term of the Mortgage Loans shall not be considered on the terms laid down in the public deeds originating the Mortgage Loans to change the maturity date if the obligor or borrower is in good standing in respect of all instalments due and is not in breach of any of the obligations established in the public deed, a summary of which terms is given in section 2.2.4.1 of this Building Block.

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 January 31, 2058.
- 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 1 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 Prospectus and 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.

In this regard, the Fund may hold other amounts, real estate, assets, securities or rights received to pay for Mortgage Loan principal, interest or expenses, under a decision in any court or out-of-court proceedings instituted for collecting the Mortgage Loans or under a deed-in-lieu-of-foreclosure agreement. In accordance with article 16.3 of Act 5/2015, ownership and security interests, if any, in and to real properties belonging to the Fund may be entered in the Land Registry. Similarly, the ownership and other security interests in and to any other assets, if any, belonging to the Fund may be entered in the relevant registers.

### ***Legal and other actions.***

The Servicer, using its fiduciary title to the Mortgage Loans, under the Servicing Agreement, or using the power referred to in the following paragraph, shall take all relevant actions against Obligors failing to meet their 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.

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 or, as the case may be, other proceedings if, for a period of seven (7) 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 January 31, 2058. 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 provisions of this section, BBVA may, as issuer of the Pass-Through Certificates, also foreclose under the Mortgage Loans in the event of default by the Obligors as established in article 30 of Royal Decree 716/2009. Furthermore, the Management Company shall, acting for and on behalf of the Fund, as holder of the Pass-Through Certificates, have the following remedies provided for mortgage participation certificates in article 31 of Royal Decree 716/2009, which also apply to pass-through certificates:

- (i) To demand the Servicer to apply for foreclosure.
- (ii) To take part on an equal standing with the Servicer, as issuer of the 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 if the Servicer is involved in a termination process as defined in Act 11/2015, or because the Management Company deems this reasonably justified, the Management Company may demand the Servicer, 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 agree to provide as the Management Company's attorney under the Servicing Agreement and after being authorised in writing thereby, 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 the Bonds by the Rating Agencies being downgraded. Notwithstanding any subcontracting or subdelegation by the Servicer: (i) the Management Company shall not be excused or released under that subcontract or subdelegation from any of the liabilities taken on in relation to the Mortgage Loans under article 26.1 b) of Act 5/2015, and (ii) the Management Company shall not be excused or released under that subcontract or subdelegation from its obligation to indemnify the Fund or its Management Company for any damage, loss or expense incurred by the latter as a result of the Servicer's breach of its Loan custody, servicing, management and information obligations, laid down in the Servicing Agreement.

#### **11. Award of real properties.**

The Servicer agrees to notify the Management Company of the places, dates, terms and valuation of the real properties mortgaged as security for the Mortgage Loans and of all other assets attached as a result of the court or out-of-court proceedings commenced against the Obligors, auctions scheduled, and proposed action and bid, in suitable advance in order that the Management Company may do such things as it shall see fit and submit instructions on the subject to the Servicer in suitable time.

The Servicer agrees to attend auctions of real properties, but shall thereat abide at all times by the general or specific instructions it shall have received from the Management Company, and shall therefore only tender a bid or apply for the award of the real estate or the asset to the Fund, fulfilling the instructions received from the Management Company.

As for repossession of awarded homes, the current wording of Chapter I of Act 1/2013 provides for a stay of up to four years from the entry into force of that Act 1/2013 (i.e. until May 15, 2017) for eviction where in court or out-of-court foreclosure proceedings there is an award of the main residence of people who are in the specially vulnerable and financial circumstances provided for in the aforementioned Act 1/2013.

In addition, the Servicer may submit to the Management Company proposals Mortgage Loans to be paid with property deeds in lieu of foreclosure, which shall include all necessary documents and information to weigh the same up. The Management Company will authorise deed in lieu of foreclosure transactions on the terms proposed by the Servicer or issue instructions differing from the Servicer's proposals. No deed in lieu of foreclosure transaction may be perfected, under any circumstances, without the Management Company's authorisation.

In the event of real properties or other assets being awarded or given as payment to the Fund, the Servicer shall send to the Management Company the relevant title deeds, and shall do all things necessary for the same to be entered in the register, repossessed, kept safely, managed and appraised.

The Management Company shall proceed, through the Servicer (or, as the case may be, directly through third parties), to sell the properties within the shortest possible space of time and at arm's length and the Servicer shall actively assist in expediting their disposal, notwithstanding the provisions of Act 1/2013 and the Best Practice Code.

### **3.7.2.2 Term and substitution.**

The services shall be provided by the Servicer until all obligations undertaken by the Servicer as Originator of the 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 insolvency or 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, or (iv) terminate the Servicing Agreement, in which case the Management Company shall previously designate a new Servicer having a sufficient credit quality and accepting the obligations contained in the Servicing Agreement or, as the case may be, in a new servicing agreement. In the event of insolvency of the Servicer, only (iv) above shall be valid. Any additional expense or cost derived from the aforesaid actions shall be covered by the Servicer and at no event by the Fund or the Management Company.

If in any of the events described in the preceding paragraph the Agreement has to be terminated and a new back-up Servicer has to be nominated, the Management Company (in this regard, the "**Back-Up Servicer Facilitator**") shall use its best efforts to nominate, where that is legally possible, a new back-up servicer (the "**Back-up Servicer**") within not more than sixty (60) days.

In regard to the appointment of a back-up Servicer, the Parties shall agree as follows:

#### **a) Servicer Commitments.**

The Servicer shall agree as follows with the Management Company:

- To provide the Management Company with all documentary and computerised 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 termination process as defined in Act 11/2015 or because the Management Company deems this reasonably justified, the Management Company may demand the Servicer to notify Obligors (and third-party guarantors and mortgaged property insurers, if any) of the transfer to the Fund of the 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 DBRS or Moody's should not confirm the provisional ratings assigned to the Bonds as final ratings by 2pm (CET) on May 10, 2016.

### **3.7.2.3 Liability of the Servicer and indemnity.**

The Servicer shall at no time have any liability whatsoever in relation to the Management Company's obligations to service and manage the Mortgage Loans pooled in the Fund, in accordance with article 26.1 b) of Act 5/2015, without prejudice to the liabilities undertaken by BBVA in the Deed of Constitution of the Fund as Originator of the Mortgage Loan receivables assigned to the Fund by issuing and 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, custody the Pass-Through Certificate supporting documents and the other services, established under the Servicing Agreement, or in the event of breach of the provisions of paragraph 3 of section 2.2.9 of this Building Block. In addition, the Servicer waives the bringing of any action holding the Fund liable.

The Management Company may take 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 Mortgage Loan amounts paid by the Obligors owing to the Fund does not result from default by the Obligors and is attributable to the Servicer.

Upon the 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 on the terms described in this section. Notwithstanding the foregoing, under article 26.1 b) and 2 of Act 5/2015, the Management Company shall be liable to Bondholders and other creditors of the Fund for all and any losses caused to them by a breach of its obligation to service and manage the Mortgage Loans pooled in the Fund.

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

In consideration of the Mortgage Loan custody, servicing and management services, Pass-Through Certificate supporting document custody and all other services provided for in the Agreement, the Servicer shall be entitled to receive a fee in arrears on each Payment Date during the term of the Servicing Agreement, which shall accrue on the exact number of days elapsed in each Determination Period preceding the Payment Date and on the Outstanding Balance of the Mortgage Loans serviced and of the value of the properties on the preceding Payment Date.

If BBVA should be replaced in that servicing task, the Management Company will be entitled to change the fee for the new Servicer, which may be in excess of that agreed with BBVA. The servicing fee will be paid provided that the Fund has sufficient liquidity on the relevant Payment Date in the Priority of Payments or, upon liquidation of the fund, in the Liquidation Priority of Payments.

If the Fund should, through its Management Company, due to a liquidity shortfall in the Priority of Payments, fail to pay on a Payment Date the full fee due to the Servicer, overdue amounts shall build up without any penalty whatsoever on the fee payable on the following Payment Dates, until fully paid, as the case may be.

Furthermore, on each Payment Date, the Servicer shall be entitled to reimbursement of all Mortgage Loan servicing and management expenses of an exceptional nature incurred with third parties, such as in connection with legal and/or recovery actions, including procedural expenses and costs, or for holding, keeping, 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) Loan B:  
Loan B Agreement  
Description in section 3.4.2.2 of this Building Block.
- (iii) Subordinated Loan:  
Subordinated Loan Agreement  
Description in section 3.4.3.1 of this Building Block.
- (iv) Start-Up Loan:  
Start-Up Loan Agreement  
Description in section 3.4.3.2 of this Building Block.
- (v) 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 the Bonds, and for the Interest Accrual Period after that Payment Date.
2. Quarterly, at least one (1) calendar day in advance of each Payment Date, it shall proceed to notify Bondholders of the following information:
  - i) Interest amounts resulting from the Bonds, along with their amortisation.
  - ii) Furthermore, and if appropriate, interest and amortisation amounts accrued by the Bonds 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, after the amortisation to be settled on each Payment Date, and the ratios of such Outstanding Principal Balances to the initial face amount of the Bonds.
- iv) Obligors' Mortgage Loan principal prepayment rate during the three calendar months preceding the Payment Date.
- v) The average residual life of the Bonds 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 two (2) Business Days 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 in accordance with the Priority of Payments of the Fund.

The above information shall be posted at the Management Company's website.

**c) Annually, the annual report:**

The annual report referred to in article 35.1 of Act 5/2015 containing, inter alia, the annual accounts (balance sheet, profit & loss account, cash flow and recognised income and expense statements, annual report and management report) and audit report shall be submitted to the CNMV within four (4) months of the close of each financial year.

**d) Quarterly, the quarterly report:**

The quarterly reports referred to in article 35.3 of Act 5/2015 shall be submitted to the CNMV to be filed in the relevant register within two (2) months of the end of each calendar quarter.

**4.1.2 Extraordinary notices.**

The following shall be the subject of an extraordinary notice:

- 1. The Nominal Interest Rate determined for the Bonds for the first Interest Accrual Period.
- 2. Other:

Pursuant to article 36 of Act 5/2015, the Management Company shall forthwith notify any particularly material event affecting the status or development of the Fund to the CNMV and its creditors. Particularly material events for the Fund shall be deemed to be those likely to materially affect the Bonds issued or the Mortgage Loans.

In particular, a material event shall be considered to be any material change in the Deed of Constitution, as the case may be, termination of the establishment of the Fund or a decision in due course to proceed to Early Liquidation of the Fund and Early Amortisation of the Bond Issue in any of the events provided in this Prospectus. In the latter event, the Management Company shall also send to the CNMV the notarial certificate of termination of the Fund and the liquidation procedure followed will be as referred to in section 4.4.4 of the Registration Document.

The amendment of the Deed of Constitution shall be notified by the Management Company to the Rating Agencies and be disclosed by the Management Company through the Fund's periodic public information and be posted at the Management Company's website, as the case may be. Where required, a supplement to the Prospectus shall be prepared and disclosed as material information in accordance with the provisions of article 228 of the Securities Market Act.

#### **4.1.3 Procedure to notify Bondholders.**

Notices to Bondholders to be made by the Management Company in accordance with the above, in regard to the Fund, shall be given as follows:

##### **1. Ordinary notices.**

Ordinary notices to Bondholders shall be given by publication in the daily bulletin of AIAF Mercado de Renta Fija or any other replacement or similarly characterised bulletin, or by publication in an extensively circulated business and financial or general newspaper in Spain. The Management Company or the Paying Agent may additionally disseminate that information or other information of interest to Bondholders through dissemination channels and systems typical of financial markets, such as Reuters, Bloomberg or any other similarly characterised means.

##### **2. Extraordinary notices.**

Unless otherwise provided in the Deed of Constitution and in the Prospectus, extraordinary notices shall be given by publication in the daily bulletin of AIAF Mercado de Renta Fija or any other replacement or similarly characterised bulletin, or by publication in an extensively circulated business and financial or general newspaper in Spain, and those notices shall be deemed to be given on the date of that publication, any non-business or Business Day (as established in this Prospectus) being valid for such notices.

Exceptionally, the Nominal Interest Rate determined for the Bonds for the first Interest Accrual Period shall be notified in writing by the Management Company, by 2pm (CET) on May 10, 2016, to the Subscribers. In addition, the Management Company will also notify this to the Paying Agent, AIAF and Iberclear.

##### **3. Notices and other information.**

The Management Company may provide Bondholders with ordinary and extraordinary notices and other information of interest to them through its own Internet pages or other similarly characterised teletransmission means.

#### **4.1.4 Information to the CNMV.**

The information on the Fund shall be submitted to the CNMV using the forms currently contained in CNMV Circular 2/2016, 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 ratings of the Bonds and extraordinary notices. The Management Company shall also use its best efforts to provide that information when it is reasonably required to do so and, in any event, whenever there is a significant change in the conditions of the Fund, in the agreements entered into by the Fund through its Management Company or in the interested parties.

**Mario Masiá Vicente, as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, signs this Prospectus at Madrid, on May 4, 2016.**

*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 11/2015**” shall mean Credit Institution Restructuring and Termination and Investment Services Firms Act 11/2015, June 18.

“**Act 2/1981**” shall mean Mortgage Market Regulation Act 2/1981, March 25, as currently worded.

“**Act 2/1994**” shall mean Mortgage Loan Subrogation and Amendment Act 2/1994, March 30, as currently worded.

“**Act 27/2014**” shall mean Corporation Tax Act 27/2014, November 27.

“**Act 5/2015**” shall mean Encouragement of Business Financing Act 5/2015, April 27.

“**AIAF**” shall mean the organised market AIAF Mercado de Renta Fija.

“**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.

“**Axesor Rating**” shall mean the public rating assigned by Axesor, or, where there is no such rating, the private ratings or the internal assessments made by Axesor.

“**Axesor**” shall mean Axesor Conocer para Decidir, S.A.

“**Bankruptcy Act**” shall mean Bankruptcy Act 22/2003, July 9, as currently worded.

“**Failed Mortgage Loans**” shall mean Mortgage Loans, whether or not overdue, the recovery of which is considered unlikely after an individualised analysis and which are written off the Fund’s assets. Failed Mortgage Loans shall have previously been classified as Doubtful Mortgage Loans.

“**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 one billion three hundred and forty-four million (1,344,000,000.00), consisting of thirteen thousand four hundred and forty (13,440) Bonds.

“**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 the asset-backed 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 2/2016**” shall mean Circular 2/2016, April 20, of the National Securities Market Commission, on securitisation fund accounting rules, annual accounts, public financial statements and non-public statistical information statements.

“**Civil Procedure Act**” shall mean Civil Procedure Act 1/2000, January 7.

“**Closing Date**” shall mean May 11, 2016, the date on which the Bond subscription cash amount shall be paid up.

“**CNMV**” shall mean National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

“**Companies Act**” shall mean Legislative Royal Decree 1/2010, July 2, approving the consolidation of the Companies Act

“**CPR**” shall mean the effective constant annual early amortisation or prepayment rate at which average lives and durations of the Bonds are estimated in this Prospectus.

“**DBRS Rating**” shall mean the public rating assigned by DBRS to, or, where there is no such rating, the private ratings or the internal assessments made by DBRS of, an institution’s debt obligations.

“**DBRS’ Minimum Rating for the Treasury Account Provider**” shall mean shall be the highest rating of the Treasury Account Provider by DBRS between:

- (i) if the institution has a long-term Critical Obligation Rating (“**COR**”) by DBRS, one notch below that COR; and
- (ii) the DBRS Rating.

“**DBRS**” shall mean DBRS Ratings Limited.

“**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. The potential deferment of payment of instalments referred to in section 2.2 of the Building Block shall not be considered arrears in payment of Mortgage Loan amounts due.

“**Deloitte**” shall mean Deloitte, S.L.

“**Determination Dates**” shall mean the dates falling on the seventh (7<sup>th</sup>) Business Day preceding each Payment Date. The first Determination Date shall be August 5, 2016.

“**Determination Period**” shall mean the exact number of days elapsed between every two consecutive Determination Dates, each Determination Period excluding the beginning Determination Date and including the ending Determination Date. Exceptionally: (i) the duration of the first Determination Period shall be equal to the days elapsed between the date of establishment of the Fund, inclusive, and the first Determination Date, August 5, 2016, inclusive, and (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which Early Liquidation of the Fund concludes, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), not including the first date but including the last date.

“**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 by the Management Company because there are reasonable doubts as to their full repayment based on indications or information obtained by the Servicer. The potential deferment of payment of instalments referred to in section 2.2 of the Building Block shall not be considered arrears in payment of Mortgage Loan amounts due.

“**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.

**“EIB”** shall mean EUROPEAN INVESTMENT BANK.

**“Euribor”** shall mean the Euro Interbank Offered Rate, currently calculated and distributed by Global Rate Set Systems Ltd (GRSS) appointed by the European Money Markets Institute (“EMMI”) and EURIBOR ACI, which is the term interbank deposit offered rate in Euros calculated as the daily average of the quotations supplied for fifteen maturity terms by a panel currently consisting of several Banks, from among the most active banks in the Euro zone. The rate is quoted based on a count of the actual days to maturity and a 360-day year, and is set at 11am (CET), accurate to three decimal places. Euribor definitions approved by EMMI and EURIBOR ACI supplementing or replacing the current definition of Euribor shall be considered included for the purpose of the Euribor Reference Rate without having to amend these Reference Rate terms or have the Management Company notify Bondholders.

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

**“Final Maturity Date”** shall mean the final Bond amortisation date, i.e. August 17, 2064 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 the Bonds, entered into between the Management Company, for and on behalf of the Fund, and BBVA.

**“Fund”** shall mean BBVA RMBS 16 FONDO DE TITULIZACIÓN.

**“Guaranteed Interest Rate Account (Treasury Account) Agreement”** shall mean the guaranteed interest rate account (Treasury Account) agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA.

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

**“Initial Cash Reserve”** shall mean the Cash Reserve set up on the Closing Date by drawing down the Subordinated Loan amount totalling EUR sixty-four million (64,000,000.00).

**“Interest Accrual Period”** shall mean the exact number of days elapsed between every two consecutive Payment Dates, including the beginning Payment Date, but not including the ending Payment Date. Exceptionally, (i) the duration of the first Interest Accrual Period shall be equivalent to the exact number of days elapsed between the Closing Date, May 11, 2016, inclusive, and the first Payment Date, August 17, 2016, exclusive, and (ii) the duration of the last Interest Accrual Period shall be equivalent to the exact number of days elapsed between the last Payment Date before liquidation of the Fund, inclusive, and the liquidation date, exclusive.



**“Interest Rate Fixing Date”** shall mean the second Business Day preceding each Payment Date.

**“IRR”** shall mean internal rate of return as defined in section 4.10.1 of the Securities Note.

**“Issuer”** shall mean the Fund.

**“Lead Manager”** shall mean BBVA, lead manager of the Bond Issue.

**“Liquidation Available Funds”** shall mean, in relation to the Liquidation Priority of Payments, on the Final Maturity Date or upon Early Liquidation, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, as follows: (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the 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.

**“Loan B Agreement”** shall mean the commercial subordinated loan agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA, totalling EUR two hundred and fifty-six million (256,000,000.00).

**“Loan B”** shall mean the loan granted by BBVA to the Fund amounting to two hundred and fifty-six million (256,000,000.00), in accordance with the provisions of the Loan B Agreement, the amount of which shall be used by the Management Company exclusively to pay the price of the face value of the Mortgage Loans along with the amount received upon the subscription for the Bonds being paid up.

**“LTV”** shall mean the ratio, expressed as a percentage, of the outstanding principal amount of a mortgage loan to the appraisal value of the mortgaged properties (original appraisal for the mortgage loans to be granted or, where the capital arranged for is extended, a new subsequent appraisal for the extension).

**“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 the EIB and BBVA as Subscribers of the Bond Issue.

**“Management Company”** shall mean EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

**“MLBI”** shall mean the benchmark index for determining the rate for mortgage loans with a term in excess of three years granted by credit institutions as a whole.

**“Moody’s”** shall mean Moody’s Investors Limited.

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

**“Mortgage Loans”** shall mean the mortgage loans owned by BBVA granted to Spanish or foreign individuals residing in Spain with senior ranked real estate mortgage security on finished homes (and their annexes - parking spaces and/or lumber rooms- if any) 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 the Bonds and determined for each Interest Accrual Period, which shall be the higher of: a) zero percent (0%); and b) the result of adding: (i) the Reference Rate, and (ii) a 0.50% margin, 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, as 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 Loan B”** shall mean the outstanding principal to be repaid (outstanding balance) of Loan B at a date.

**“Outstanding Principal Balance of the Bond Issue”** shall mean the sum of the outstanding principal balance to be repaid (outstanding balance) at a date on all the Bonds.

**“Pass-Through Certificates”** shall mean the ineligible Mortgage Loan Pass-Through Certificates issued by BBVA and subscribed for by the Fund.

**“Paying Agent”** shall mean the firm servicing the Bonds. The Paying Agent shall be BBVA (or any other institution taking its stead as Paying Agent).

**“Payment Date”** shall mean February 17, May 17, August 17 and November 17 in each year or the following Business Day if any of those is not a Business Day. The first Payment Date shall be August 17, 2016.

**“Priority of Payments”** shall mean the order in which the Available Funds shall be applied on each Payment Date to meet the Fund’s payment or withholding obligations.

**“Rating Agencies”** shall mean Axesor, DBRS and Moody’s.

**“Reference Rate”** shall mean, other than for the first Interest Accrual Period, three- (3-) month Euribor fixed at 11am (CET) on the Interest Rate Fixing Date, or, if this Euribor rate should not be available or be impossible to obtain, the substitute rates for which provision is made in section 4.8.1.3 of the Securities Note. The Reference Rate for the first Interest Accrual Period shall mean three- (3-) month Euribor fixed at 11am (CET) on the Business Day preceding the Closing Date, or, upon the failure or impossibility to obtain this Euribor rate, the substitute rate for which provision is made in section 4.8.1.3 of the Securities Note.

**“Regulation (EC) No. 809/2004”** shall mean Commission Regulation (EC) No. 809/2004, April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as currently worded.

**“Regulation 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.

**“Required Cash Reserve”** shall mean, on each Payment Date, the lower of: (i) EUR sixty-four million (64,000,000.00) and (ii) the higher of a) 8.00% of the sum of (i) the Outstanding Principal Balance of the Bond Issue and (ii) the Outstanding Principal Balance of Loan B and b) EUR thirty-two million (32,000,000.00). 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 1310/2005”** shall mean Royal Decree 1310/2005, November 4, partly implementing Securities Market Act 24/1988, July 28, in regard to admission to trading of securities in official secondary markets, public offerings for sale or subscription and the prospectus required for that purpose, as currently worded.

**“Royal Decree 716/2009”** shall mean Royal Decree 716/2009, April 24, implementing certain aspects of Mortgage Market Regulation Act 2/1981, March 25, and other mortgage and financial system rules, as currently worded.

**“Royal Decree-Act 1/2015”** shall mean Royal Decree-Act 1/2015, February 27, on a second chance mechanism, reduction of the financial burden and other social measures.

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

**“Securities Market Act”** shall mean Legislative Royal Decree 4/2015, October 23, approving the consolidation of the Securities Market Act.

**“Servicer”** shall mean BBVA, as Mortgage Loan servicer, as issuer of the Pass-Through Certificates, pursuant to article 26.3 and additional provision one of Royal Decree 716/2009, and in accordance with the Loan Servicing and Pass-Through Certificate Custody Agreement. All notwithstanding the Management Company’s liability under article 26.1 b) of Act 5/2015.

**“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 seven hundred and fifteen thousand (1,715,000.00).

**“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 sixty-four million (64,000,000.00).

**“Subordinated Loan”** shall mean the loan granted by BBVA to the Fund, in accordance with the provisions of the Subordinated Loan Agreement.

**“Subscribers”** shall mean BBVA and the EIB, the Bond Issue subscribers.

**“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.