

# FONDO DE TITULIZACIÓN DE ACTIVOS RMBS SANTANDER 3

## ASSET- AND MORTGAGE-BACKED SECURITIES 7,475,000,000 €

|          |                 |  | DBRS    | Moody's |
|----------|-----------------|--|---------|---------|
| Series A | 5,395,000,000 € | EURIBOR 3M + Margin of 0.58%                 | AA (sf) | A3(sf)  |
| Series B | 1,105,000,000 € | EURIBOR 3M + Margin of 0.63%                 | BB(sf)  | B2 (sf) |
| Series C | 975,000,000 €   | EURIBOR 3M + Margin of 0.65% + Variable part | C (sf)  | Ca (sf) |

BACKED BY ASSETS ASSIGNED BY



LEAD MANAGER OF THE ISSUE



SUBSCRIBER



PAYMENT AGENT



PROMOTED AND SERVICED BY:



**SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A.**

Prospectus filed with the CNMV on November 11, 2014

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This document is a Prospectus registered with the CNMV, prepared in accordance with the provisions of Regulation (EC) No. 809/2004 and comprising, in turn, the following documents:

1. Document describing the principal risk factors of the Fund, of the Assets backing the issue and of the securities issued by the Fund ("**Risk Factors**").
2. Registration Document prepared in accordance with Annex VII of Regulation (EC) No. 809/2004.
3. Securities Note prepared in accordance with Annex XIII of Regulation (EC) No. 809/2004.
- 4.-Additional Building Block to (the) Securities Note prepared in accordance with Annex VIII of Regulation (EC) No. 809/2004.
5. - Document containing all of the terms defined in the Prospectus ("**Definitions**").

## RISK FACTORS

### I. Specific risk factors of the Fund:

#### (i) Risk of insolvency of the Fund:

In the event that the Fund is unable to meet its payment obligations on a generalized basis, the provisions of article 11 of Royal Decree 926/1998 (*Real Decreto 926/1998*) will apply, meaning the Manager, after reporting to the CNMV, will proceed with the orderly settlement of the Fund, in accordance with the rules established for such purpose in this Prospectus.

The Fund will only be liable for performance of its obligations up to the amount of its assets.

#### (ii) Absence of legal status of the Fund:

The Fund has no separate legal status. Consequently, the Manager must carry out its administration and representation and comply with all applicable legal obligations in relation to the Fund. In the event of breach, the Fund's liability with Bondholders and the remaining general creditors of the Fund will be limited to its total assets.

The fund has closed-end assets and liabilities.

#### (iii) Compulsory replacement of the Manager:

In accordance with article 19 of Royal Decree 926/1998, the Management Company shall be replaced in the event it is held to be insolvent vis-à-vis its creditors or its administrative authorization is revoked in the terms and requirements provided for in section 3.7.2 of the Additional Building Block.

The replacement must be made effective within the term of four (4) months from the date of the event originating the replacement. If four (4) months should have elapsed since the occurrence of the cause for the substitution, and the Management Company has not appointed a new management company, the Early Liquidation of the Fund and the Early Redemption of the Bonds shall take place, so that the actions provided for in section 4.4.3 (3) of the Registration Document must be carried out.

#### (iv) Restrictions on actions against the Manager:

The Bondholders and the other ordinary creditors of the Fund will only be able to bring an action against the Management Company of the Fund in the case of non-compliance with its functions or failure to observe the provisions in the Articles of Incorporation, in this Prospectus or in the applicable legislation in force. Such actions shall be resolved by the corresponding declaratory judgment.

#### (v) Validity of assignment in case of insolvency of Assignor:

Insolvency of the Assignor, the Management Company or any other counterpart of the Fund could affect their contractual relations with the Fund, in accordance with the provisions of Law 22/2003, of July 9 ("**Insolvency Proceedings Act**").

In this connection, in the event of an insolvency proceeding of the Management Company, the latter shall be replaced by another management company according to the provisions of point (iii) above and 3.7.2 of the Additional Building Block. In the event the Management Company is declared insolvent, the assets that belong to the Fund that are controlled by the Management Company, and over which the latter has

no right of use, guarantee or retention -except for money, given its fungible nature- that exist in the bankruptcy estate shall be considered property of the Fund, and must be delivered by the insolvency administration to the Fund. The structure of the asset securitization transaction envisaged here does not allow, unless there is breach by the parties, the existence of cash sums eligible for inclusion in the bankruptcy estate of the Management Company because the sums corresponding to the revenues of the Fund must be deposited, on the terms provided in the Articles of Incorporation and in the Prospectus, in the accounts opened in the name of the Fund by the Management Company (who acts in the opening of those accounts, not as simple agent of the Fund, but as its legal representative, such that the Fund would in this respect be entitled to total separation, in the terms provided in articles 80 and 81 of the Insolvency Proceedings Act).

In the event the Assignor is declared insolvent, the assignment of Loans to the Fund may be subject to repayment pursuant to the Insolvency Proceedings Act and to the specific regulations applicable to Securitization Funds.

In accordance with Additional Provision Five of Law 3/1994, of April 14, by virtue of which the Spanish legislation governing Credit Entities is adapted to the Second Banking Directive, the assignment of Loans to the Fund may only be rescinded or contested by the receivers pursuant to article 71 of the Insolvency Proceedings Act, which will have to prove the existence of fraud.

There is no jurisprudence which enables one to ascertain the interpretation by the courts of the regulations contained in the Insolvency Proceedings Act. Notwithstanding the above, the most widespread doctrinal interpretation is that, in accordance with Additional Provision Two of the Insolvency Proceedings Act, the insolvency specialties of Additional Provision Five of Law 3/1994 remain in force. Consequently, if no fraud exists in the assignment, the Assets assigned to the Fund should not form part of the bankruptcy estate in the event of an insolvency proceeding involving the Assignor. Even if the less accepted interpretation of the Insolvency Proceedings Act should prevail, and bearing in mind that the securitization of loans forms part of the ordinary business activity of credit entities, the assignment of Assets to the Fund would only be rescinded in the event the Assignor is declared insolvent if the assignment took place within the two (2) years prior to such declaration and the receivers could prove that such assignment had not been carried out under normal conditions.

In the event that the Assignor is declared insolvent, the money received by the Assignor, in its capacity as Administrator, and held by the Assignor on account of the Fund prior to the date of declaration of insolvency, given its fungible nature, could become attached to the results of the insolvency proceeding according to majority interpretation of article 80 of Insolvency Proceedings Act.

There are, however, mechanisms that mitigate that risk and which are described in sections 3.4.4 (Cash Account), 3.4.5 (How payments are collected in respect of the Assets) and 3.7.1 (5) (Collection Management) of the Additional Building Block.

**(vi) Breach of contract by third parties**

The Fund, represented by the Management Company, has entered into agreements with third parties for the provision of some services and financial transactions in connection with the Assets and the Bonds.

These include the Subordinated Loan Agreement, the Guaranteed Rate Reinvestment Agreement and the Lead Manager, Subscription and Paying Agency Agreement.

Bondholders could suffer loss in the event that any of the counterparts of the Fund under the aforementioned agreements breach their obligations under any of such agreements.

## **II. Specific risk factors affecting the Assets backing the issue:**

### **(i) Risk of non-payment of the Assets:**

The holders of the Bonds issued against the Fund will run the risk of non-payment of the Assets pooled therein.

Santander assumes no liability for non-payment of the Debtors, whether for principal, interest, or any other amount they may owe by virtue of the Assets. According to Section 348 of the Commercial Code, the Assignor shall only be liable for the existence and legitimacy of the Assets at the time of the assignment and on the terms and conditions stated in the Prospectus and in the Articles of Incorporation, as well as for the legal status pursuant to which the assignment is made. The Assignor does not guarantee the successful outcome of the transaction.

### **(ii) Risk of early repayment of the Assets:**

The Assets pooled into the Fund are susceptible to being prepaid when the Debtors prepay the portion of principal pending redemption, according to the terms of each loan agreement from which the Assets derive.

### **(iii) Liability:**

The Bonds issued by the Fund impose no obligation on the Manager or the Assignor. The flow of funds used to meet the obligations that the Bonds generate is insured or guaranteed solely under the specific circumstances and up to the limits described under section 3.4.2 of the Additional Building Block. With the exception of these, no other guarantees have been granted by any public or private entity, including the Assignor, the Manager and any subsidiary or investee company of any of the above. The Assets pooled into the Fund and the rights attaching thereto constitute the sole source of income of the Fund and, therefore, of payments to the holders of its liabilities, without prejudice to the existence of the credit enhancements described in section 3.4.2. of the Additional Building Block.

### **(iv) Limited protection:**

Investments in Bonds may be affected, among other things, by deteriorating general economic conditions that negatively impact the payments of the Assets backing the issue of the Fund. In the event that non-payments reach an elevated level, they could reduce, or even eliminate, the protection against losses in the Loan portfolio enjoyed by the Bonds resulting from the existence of the credit enhancements described under section 3.4.2 of the Additional Building Block. Notwithstanding the foregoing considerations, Bondholders have their risk mitigated by the Order of Priority of Payments described under section 3.4.6 (b) of the Additional Building Block and by the Order of Priority of Payments for Settlement described in section 3.4.6 (d) of the Additional Building Block.



**(v) Seniority and period of initial concession of the Loans:**

Of the Loans selected on October 8, 2014 for assignment to the Fund on the Date of Incorporation, 8,979% of the Outstanding Balance of the Loans have a date of execution between 2012 and 2014. The weighted average age of the portfolio is 6.51 years.

The weighted average maturity of the loans granted amounts to 25.15 years.

**(vi) Loan to Value (LTV) Risk of the Portfolio:**

21.11% of the Outstanding Balance of the Loans has a current LTV above eighty percent (80%), with the weighted average appraisal value of the loans being 69.59%. 1.40% of the Outstanding Balance of the loans has a current LTV above 100%.

**(vii) Risk of Geographic Concentration:**

Of the Loans selected on October 8, 2014 for assignment to the Fund, as detailed in section 2.2.2. g), the Autonomous Communities with highest concentrations of Loan borrowers are Andalusia with 23.76% of the Outstanding Balance and Madrid with 21.46% of the Outstanding Balance.

Given these levels of concentration, any kind of situation having a negative impact on the Autonomous Regions might affect the payments on the Loans backing the issue of the Bonds.

In Andalusia, Law 1/2010, of March 8, has been passed regulating the right to housing in Andalusia, which together with the First Additional Provision of Law 4/2013, of October 1, from the Autonomous Community of Andalusia on measures to ensure fulfillment of the social function of housing have introduced a series of mechanisms intended to restrict situations leading to eviction that could have a negative impact on the possibility of Loan recovery in that Community. At present, a partial stay has been placed on this legislation as a result of an appeal against its constitutionality filed by the Government of Spain. By means of an Order, the Constitutional Court allowed the appeal and suspended the application of part of the regulation until it has ruled on the challenge on constitutional grounds.

**(viii) Principal payment grace period risk:**

Of the Loans selected at October 8, 2014 for assignment to the Fund, 8.48% have a grace period on the principal, although this situation comes to an end between 2014 and 2019. There are no Loans with grace periods in terms of the interest payments.

**(ix) Impact of Law 1/2013:**

Law 1/2013, of May 14, on measures to strengthen the protections for mortgage debtors, debt restructuring and social rent ("**Law 1/2013**") consists of four chapters that introduce a set of measures that may affect the Mortgage Loans.

As a result of the foregoing, the Fund, as the holders of credit rights derived from the Mortgage Loans, may be affected by among other things, (i) a delay in delivery of possession of the adjudicated common property by the interruption, for two years, of the relocation of its occupants in situations of special vulnerability, (ii) the delay in collection of the credit rights transferred, with a possible prolonged term of the foreclosure proceedings, in court or out of court, and (iii) obtaining amounts resulting from such foreclosure processes lower than could be reached until now due, among other things, to the limit on the maximum default interest rate applicable.

In connection with the mentioned Chapter IV, note that Banco Santander has adhered to the amendments to the Code of Good Practice endorsed by the aforementioned Law 1/2013. As a result, the Fund, to the extent that the Management Company acknowledges and accepts that Banco Santander has adhered to the amendments to the Code of Good Practice, it may be affected by the measures set out therein (being applicable to the entire portfolio of loans, including the Mortgage Loans), which may involve a prolonged term in foreclosure proceedings, and loss of value on Mortgage Loans.

**(x) Risk relating to the Loan extension policy:**

91.02% of the Outstanding Balance of the Assets corresponds to Loans that have been granted prior to 2012 under credit extension policies that in the case of the Loans granted by Banesto coincide with the policy described in section 2.2.7 of this Additional Building Block, and in the case of the Loans granted by Santander, does not differ significantly from the loan granting policy described in the same section 2.2.7. of the Additional Building Block.

**III. Risk factors specific to the securities:**

**(i) Limited liquidity:**

There is no guarantee that trading in the Bonds with a minimum frequency or volume will occur in the market.

There is no commitment for intervention in secondary trading on the part of any entity, which would have added liquidity to the Bonds by providing a counterpart.

Furthermore, in no case may the Fund repurchase the Bonds from the Bondholders, although they may indeed be redeemed early in their entirety, in the case of Early Liquidation of the Fund, on the terms established under section 4.4.3 of the Registration Document.

**(ii) Return and Term:**

The calculation of the average life, return and duration of the Bonds is subject, among others, to hypotheses on prepayment rates and rates of default in payment of the Assets which may not materialize, as well as future market interest rates, given the variable nature of the nominal interest rates. The rate for early redemption can be influenced by diverse geographical, economic and social factors, such as the season, interest rates in the market, distribution by sectors of the portfolio, and in general, the level to economic life.

**(iii) Rating of the Bonds:**

The credit risk of the Bonds issued against the Fund has been provisionally evaluated by the ratings agencies DBRS Ratings Limited and Moody's Investors Service España, S.A.

The final ratings assigned can be reviewed, suspended or retired at any moment by these rating entities in light of any new information that comes to their knowledge.

Their ratings do not constitute and under no circumstances may be construed as an invitation, recommendation or encouragement directed at investors for them to carry out any transaction with respect to the Bonds, and in particular, to acquire, keep, encumber or transfer such Bonds.

**(iv) Price:**

The Bond issue is carried out to be subscribed by the Assignor who is committed to subscribe it in full and irrevocably by virtue of the Lead Manager, Subscription and Paying Agency Agreement. The Assignor, upon subscribing the Bonds, intends to use them as collateral in Eurosystem credit transactions, without this imposing any limitation on any other use or eventual disposal thereof. Since the issue shall be fully subscribed by the Assignor and, therefore, its price shall not be subject to contrast by means of market transaction, it cannot be reliably claimed that the price and economic conditions of the Bonds correspond to those applicable on the secondary market at the Incorporation Date of the Fund. These comments regarding the valuation of the Bonds are intended for third parties, particularly investors or those parties holding the Bonds as security.

## REGISTRATION DOCUMENT

This Registration Document has been prepared in accordance with Annex VII of Regulation (EC) No 809/2004 and approved by the Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission) on November 11, 2014.

## **PERSONS RESPONSIBLE.**

### **Persons responsible for the information appearing in the Registration Document.**

MRS. MARÍA JOSÉ OLMEDILLA GONZÁLEZ, acting in her capacity as Non-Director Secretary of the Board of Directors of SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., having its registered offices at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660, Boadilla del Monte (Madrid), assumes responsibility for the information contained in this Registration Document.

MRS. MARÍA JOSÉ OLMEDILLA GONZÁLEZ acts in furtherance of the powers conferred upon her expressly for the purpose of incorporating the Fund by the Board of Directors of the Manager at its meeting of September 15, 2014.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is the promoter of the securitization fund FONDO DE TITULIZACIÓN DE ACTIVOS, RMBS SANTANDER 3 and shall be responsible for the administration and legal representation thereof.

### **Statement by those responsible for the Registration Document.**

MRS. MARÍA JOSÉ OLMEDILLA GONZÁLEZ, acting in her capacity as Non-Director Secretary of the Board of Directors, states that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of her knowledge, in accordance with the facts and contains no omission likely to affect its import.

#### **1. STATUTORY AUDITORS OF THE FUND.**

##### **Name and address of the Fund's auditors (together with membership of any relevant professional body).**

As set forth in section 4.4 of this Registration Document, the Fund has no historical financial information.

However, during the life of the Fund, the annual financial statements shall be audited annually by the financial auditors.

The Board of Directors of the Manager, at its meeting on September 15, 2014, at which the establishment of this Fund was resolved, appointed the following auditing firm as the Fund's statutory auditor: Deloitte, S.L., the details of which are provided in section 5.2 f) of this Registration Document.

##### **Fiscal years, accounting principles and statutory filing of annual financial statements.**

The Fund's fiscal year shall coincide with the calendar year. However, and as an exception, the first fiscal year will start on the Incorporation Date of the Fund, and the last fiscal year will finish on the date on the expiration date of the Fund.

The Manager shall file the Fund's annual financial statements with the CNMV, together with the auditors' report in respect thereof, within four (4) months following the closing date of the Fund's fiscal year (i.e. prior to April 30 of each year).

The Fund's annual financial statements and corresponding auditors' report shall be filed with the Mercantile Registry (*Registro Mercantil*) on an annual basis.

The accounting method to be used in preparation of the Fund's accounting information is the accrual method. That is, the imputation of income and expenses will be made as a function

of the actual flow of goods and services they represent and irrespective of the time that the monetary or financial flow deriving therefrom shall take place.

## **2. RISK FACTORS.**

The risk factors specific to the Fund are those described under section I of the document included at the beginning of this Prospectus entitled "RISK FACTORS".

## **3. INFORMATION ON THE ISSUER.**

### **Statement that the Issuer has been established as a securitization fund.**

The Issuer is an asset securitization fund established according to Royal Decree 926/1998 for the purpose of acquiring the Assets assigned to the Fund by Santander and issuing the Bonds.

### **Legal and professional name of the Fund.**

Legal and professional name of the Fund. The Fund will be established under the name "FONDO DE TITULIZACIÓN DE ACTIVOS, RMBS SANTANDER 3," under Spanish law.

### **Registration of the Issuer.**

The establishment of the Fund and issuance of the Bonds have as a prior requisite the registration thereof in the official registries of the CNMV in Spain. This Prospectus was duly registered with the CNMV on November 11, 2014.

It is hereby stated that neither the incorporation of the Fund nor the issue of the Bonds charged against its assets will be filed with the Mercantile Registry by virtue of the power set forth in article 5.4 of Royal Decree 926/1998.

### **Date of incorporation and period of activity of the Fund, if not indefinite.**

#### **Incorporation Date.**

It is envisaged that the date of execution of the Articles of Incorporation and, consequently, the Fund's Incorporation Date, will be November 17, 2014.

In accordance with the provisions of Article 7 of Law 19/1992, under its current wording, the Articles of Incorporation may be amended at the request of the Management Company provided that the amendment: (i) does not alter the nature of the assets transferred to the Fund, (ii) does not result in the Fund becoming a mortgage securitization fund, and (iii) does not, de facto, create of a new fund, for which it must comply with the procedure set out in that Article 7 of Law 19/1992 for this purpose.

The Articles of Incorporation may also be amended at the request of the CNMV.

The Manager guarantees that the contents of the Deed of Incorporation will coincide with that of the Prospectus and that the Deed of Incorporation will coincide with the draft deed which has been submitted to the CNMV as a consequence of the registration of this Prospectus, and in no event do the terms of the Deed of Incorporation contradict, modify, amend or nullify the content of this Prospectus.

#### **Period of activity of the Fund.**

It is envisaged that the Fund will conduct its activity from the Incorporation Date until the Legal Maturity Date, that is, until November 18, 2064 or, if this is not a Business Day, the following Business Day, subject to the stipulations in sections 4.4.3. (1) and 4.4.3.(2) below.

**Early settlement of the Fund: Situations. Cancellation of the Fund. Actions for settlement and cancellation of the Fund.**

**(1) Early Settlement: Cases.**

Notwithstanding the provisions of section 4.4.2 above, the Management Company is empowered to proceed with the Early Liquidation of the Fund and, consequently, the Early Redemption of the full issue of Bonds, on the terms established in this section, under the following circumstances:

- (i) When the Outstanding Balance of the Assets, and the amounts due and not paid to the Fund on the Assets (the "**Outstanding Balance on the Assets**") (excluding NPL's) is less than ten per cent (10%) of the Outstanding Balance thereof on the Incorporation Date, provided that the amount of the sale of the Assets pending amortization, together with the balance existing at that time in the Cash Account, allows for total cancellation of all outstanding obligations with the Bondholders, and respecting the prior payments thereto, whose order of priority takes preference as provided in the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block.
- (ii) Where, by reason of any event or circumstance of any nature, whether or not related to the operation of the Fund, there were to occur, in the opinion of the Management Company, a material alteration or permanent impairment of the financial balance of the Fund required by Article 11 b) of Royal Decree 926/1998. Included in this case circumstances such as the existence of a change in the law or supplemental legislative developments, the establishment of withholding obligations or other situations that could permanently affect the financial balance of the Fund.
- (iii) Mandatorily, in the case contemplated in Article 19 of Royal Decree 926/1998, which establishes the obligation to liquidate the Fund in advance in the case where four (4) months have elapsed since the occurrence of an event determining the forced replacement of the Management Company, by it being declared bankrupt, or in the event its authorization is revoked, without a new management company having been found that is prepared to take charge of the management of the Fund appointed according to section 3.7.2 of the Additional Building Block.
- (iv) When a non-payment occurs or is expected to occur which is indicative of a serious and permanent imbalance in relation to any of the Bonds Series.
- (v) On the Payment Date that precedes the Legal Maturity of the Fund by at least six (6) months, or if such date is not a Business Day, the Business Day immediately thereafter; and
- (vi) In the event that the Management Company has the consent and express acceptance of all the Bondholders and all those who have existing contracts with the Fund, both in relation to payment of the amounts that such Early Settlement of the Fund implies and in relation to the procedure that must be followed for such payment.

Settlement of the Fund shall be reported beforehand to the CNMV and, afterwards, to the bondholders, in the manner envisaged in Section 4 of the Additional Building Block, at least fifteen (15) Business Days ahead of the date on which the Early Redemption is to take place.

## **(2) Cancellation of the Fund**

Cancellation of the Fund shall take place:

- (i) Upon full repayment of the Assets pooled therein;
- (ii) Upon total redemption of the Bonds;
- (iii) As a consequence of the finalization of the Early Liquidation process provided in section 4.4.3(1) above;
- (iv) Due to the arrival of the Legal Maturity Date; and
- (v) When the provisional ratings of the Bonds are not confirmed as being definitive prior to the Subscription Period.

In the event that any of the situations described in the foregoing sections should occur, the Management Company shall inform the CNMV as established in Section 4 of the Additional Building Block, and shall initiate the pertinent steps for cancellation of the Fund.

## **(3) Actions for the settlement and cancellation of the Fund.**

In order that the Fund, through its Management Company, may carry out the liquidation and cancellation of the Fund and, as the case may be, the Early Liquidation of the Fund and Early Redemption of the Bonds in those cases determined by section 4.4.3.(1), above, and specifically, in order that the Fund shall have sufficient funds to meet its payment obligations, the Management Company, on behalf of the Fund, shall proceed to carry out any or all of the following actions:

- (i) sell the Assets for a price which may not be less than the sum of the value of the Outstanding Balance of the Assets plus interest accrued and not paid on the outstanding Assets. For such purpose, the Manager shall request an offer from at least five (5) entities of those most active in the sale and purchase of similar assets, and may not sell them at a price less than the best offer received. The Assignor will have a pre-emptive right to acquire said Assets under the conditions established by the Manager at the time of the settlement, effectively meaning it will enjoy preference over third parties in acquiring the Assets. In order to exercise the pre-emptive right, the Assignor shall have the term of five (5) Business Days from the date on which the Management Company notifies it of the relevant conditions (price, form of payment, etc.) under which the disposal of the Assets must be carried out. The offer of the Assignor must at least equal the best of the offers received from the third parties.

In the event that no offer covers the value of the principal plus accrued and unpaid interest of the Assets pending amortization, the Management Company shall accept the best offer received for the Assets which, in its judgment, covers the market value thereof. For the purpose of defining the market value, the Manager may obtain any appraisal reports it deems necessary from third-party entities different from the above. If so, the Assignor will also enjoy the aforementioned pre-emptive right, provided that its offer at least equals the best of those made by third parties.

Under no circumstances does this pre-emptive right imply an agreement or impose an obligation to repurchase the Assets on the part of the Assignor; and/or



- (ii) sell any other assets of the Fund other than the Assets and other than the cash for a price not less than market value. For the purpose of defining the market value, the Manager will request from at least one entity specializing in the appraisal or marketing of assets similar to those to be sold any appraisal reports it deems necessary, before then selling the assets in question through the procedure that yields the highest market price; and/or
- (iii) canceling those contracts not necessary for the process of liquidating the Fund.

The Manager shall immediately apply all amounts it has obtained from the disposal of the Assets and any other Fund assets towards payment of the various concepts, in the applicable manner and for the applicable amount and order of priority, as set forth in the Order of Priority of Payments for Settlement described in section 3.4.6. (d) of the Additional Building Block. The Early Redemption of all the Bonds in any of the situations envisaged in section 4.4.3. (1) above shall be carried out for the total outstanding balances of the Bonds from all Series, i.e. the amount of principal pending repayment (the “**Outstanding Principal Balance**”) up to the date in question, plus interest accrued and not paid from the last Payment Date through to the Early Redemption date, less, where applicable, any tax withholdings and free of expenses for the holder. All such amounts will, for all legal purposes, be deemed due and payable on the Early Redemption Date.

In the event that, once the Fund has been liquidated and all scheduled payments have been made pursuant to the Order of Priority of Liquidation Payments contemplated under section 3.4.6.(d) of the Additional Building Block, any remainder should exist or any judicial or notary proceedings brought as a consequence of the non-payment by any Debtor of the Assets should remain pending settlement (all in accordance with the provisions of section 3.4.5.b) of the Additional Building Block), both the said remainder as well as the continuation and/or proceeds of the settlement of the proceedings above shall inure to Santander’s favor.

In any case, the Manager, acting on behalf of the Fund, shall not cancel the Fund until it has liquidated the Assets and any other remaining Fund assets and distributed the Fund’s liquid funds, following the Order of Priority of Payments for Settlement envisaged in section 3.4.6. (d) of the Additional Building Block.

Once a period of six (6) months since the liquidation of the Assets and any other remaining assets of the Fund and the distribution of the available funds, and always prior to the Legal Maturity Date, the Management Company shall execute an official attestation before a notary public declaring (a) the Fund to be canceled, as well as the causes contemplated in this Registration Document which motivated its cancellation, (b) the procedure carried out for notifying the Bondholders and the CNMV, and (c) the distribution of the available amounts from the Fund following the Order of Priority of Liquidation Payments contemplated under section 3.4.6.(d) of the Additional Building Block and shall comply with such further administrative steps as may be applicable. The Management Company shall send this notarized attestation to the CNMV.

In the event that the cause of termination stated under section 4.4.3.(2)(v), above occurs (that is, when the provisional ratings of the Bonds on the Subscription Date have not been confirmed as being final), the incorporation of the Fund as well as the Bond issue and the contracts executed by the Management Company, acting on behalf of the Fund, shall be terminated, except for the Subordinated Loan

Agreement, against which the incorporation and issue expenses incurred by the Fund shall be paid. Said termination shall be reported forthwith to the CNMV and, once one (1) month from the cause for termination of the incorporation of the Fund has transpired, the Manager shall execute before a notary public the attestation, which it shall send to the CNMV, Iberclear, AIAF and the Rating Agencies, declaring the cancellation of the Fund and the cause thereof.

#### **Domicile and legal status of the Issuer.**

**a) Domicile of the Fund.**

The Fund has no registered office because it lacks legal status. For all purposes, the Fund's registered office is deemed to be that of the Manager:

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A.  
Ciudad Grupo Santander  
Avda. de Cantabria s/n  
28660 Boadilla del Monte (Madrid)  
Telephone: 91.289.32.97

**b) Legal status of the Fund.**

The Fund shall be comprised of a separate closed end patrimony, lacking legal status, in accordance with the provisions of article 3 of Royal Decree 926/1998. The Management Company is entrusted with the incorporation, administration and legal representation of the Fund, as well as in doing business with third parties, the representation and defense of the interest of the bondholders and the other ordinary creditors of the Fund.

**c) Applicable legislation and country of incorporation.**

The incorporation of the Fund and the issue of the Bonds charged against, has taken place in accordance with the laws of Spain, and, specifically, in accordance with the legal system set forth in (i) Royal Decree 926/1998 and implementing provisions; (ii) Law 19/1992, with regards to any matters not envisaged in Royal Decree 926/1998 and insofar as applicable; (iii) Additional Provision Five of Law 3/1994; (iv) Law 24/1988 of July 28 on the Securities Market; (v) Royal Decree 116/1992 of February 14 on the representation of book-entry securities and the clearing and settlement of stock market operations, (vi) Royal Decree 1310/2005, (vii) Order of the Ministry of Economy and Finance 3537/2005 and; (viii) other legal and regulatory provisions in force and applicable from time to time.

This Prospectus has been prepared pursuant to the standard forms envisaged in Commission Regulation (EC) No 809/2004 of April 29, 2004, relating to the application of Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in the prospectus, as well as the format, inclusion by reference, the publication of such prospectus and the dissemination of advertisements, as amended under Delegated Regulation (EC) No. 486/2012, of March 30, of the Commission and Delegated Regulation (EC) No. 862/2012 of June 4, 2012, of the Commission.

**d) Tax scheme of the Fund.**

The tax scheme applicable to the Asset Securitization Funds is the general scheme detailed under Royal Legislative Decree 4/2004, of March 5, by which the amended text on Corporate Income Tax is approved; and detailed under its enactment

regulations, with its specific characteristics that result from the terms of Law 19/1992, of July 7, concerning the system of Companies and Fixed Asset Investment Funds and concerning Mortgage Securitization Funds, of Royal Legislative Decree 1/1993, of September 24, by which the Consolidated Text of the Transfer Tax Law is approved, of Law 37/1992, of Law 3/1994 and of Royal Decree 926/1998 which, in summary, detail the following fundamental principles:

The Fund shall be exempt of all transactions subject to the "corporate transactions" category of the Transfer Tax/Stamp Duty (article 45.I.B.20.4).

The Fund, in accordance with article 7.1.h of the Corporate Income Tax Act, is subject to Corporate Income Tax, calculating the taxable base in accordance with the provisions of Section IV of said Law and taxed at the general rate in force at any given time, which at present is thirty per cent (30%).

In particular, regulation 13 of Circular 2/2009, in the wording given in Circular 4/2010, of October 14, both by the Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission), defines the criteria in accordance with those that the securitization funds must provide provisions for the decrease in value of the financial assets. The amendment made by Law 2/2010, of March 1, in article 12.2 of the Consolidated Text of the Corporate Income Tax applicable to the tax periods that begin on January 1, 2009, states that the rules relating to the circumstances determining the deductibility of the valuation amendments due to a decrease in value of the appraised debt instruments in their amortized cost that the mortgage securitization funds and the asset securitization funds possess shall be established by regulation.

Insofar as said regulatory development does not arise, the aforementioned Law 2/2010 has added Transitory Provision Thirty-One to the Corporate Income Tax Act that details a transitory tax scheme according to which the criteria established for credit entities relating to the deductibility of coverage specific to the risk of client insolvency shall apply.

The returns on the movable capital of the Fund are subject to the general tax withholding scheme on account of the Corporate Income Tax, with the characteristic that article 59.K) of the Corporate Income Tax Regulation, approved by Royal Decree 1777/2004 of July 30, declares that the returns on mortgage securities, loans or other credit rights which constitute income of the Securitization Funds are not subject to withholding.

The management services rendered by the Management Company to the Fund shall be subject to and exempt from Value Added Tax (article 20.One.18.n. of Law 37/1992).

The incorporation and assignment of guarantees is subject to the general tax scheme.

The issue, subscription, transmission, redemption and repayment of the Bonds shall be either "not subject" or "exempt," case by case, to the value added tax (article 20, One, 18 of the V.A.T. Law) and from Transfer Tax/Stamp Duty (article 45.I.B. no. 15 of Royal Legislative Decree 1/1993).

The transmission of the Mortgage Transfer Certificates to the Fund is a transaction subject to and exempt from Value Added Tax (article 20, One, 18, of the VAT Law).

The transmission of the Mortgage Transfer Certificates to the Fund will not be subject to the "Onerous Inheritance Tax" modality in concept of payment of the Asset Transfer and Documented Legal Acts Tax in accordance with the provisions of article 7.5 of the Consolidated Text on Asset Transfer and Documented Legal Acts Tax.

The transmission of the Mortgage Transfer Certificates to the Fund will be exempt from "Documented Legal Acts", Notarial Documents, of the Asset Transfer and Documented Legal Acts Tax pursuant to the provisions of Law 2/1981, of March 25, and its implementing regulations and the Consolidated Text on Asset Transfer and Documented Legal Acts Tax and its implementing regulations.

Amongst others, the obligations of information contained in the First Additional Provision of Law 10/2014 of June 26, on organization, supervision and solvency of credit institutions. shall apply to the Fund. The procedure and obligations of information are regulated under articles 42, 43 and 44 of Royal Decree 1065/2007, of July 27, which approves the General Regulation of tax inspection and management actions and procedures, as well as those relating to the development of common rules for the procedures of application of taxes.

#### **Description of the amount of the Fund's authorized and issued capital.**

Not applicable.

#### **4. BUSINESS OVERVIEW.**

##### **Brief description of the Issuer's principal activities.**

The Issuer is an asset securitization fund and, as such, its principal business consists of acquiring the Assets from Santander and issuing the Bonds. Thus, this operation advances to Santander payment of future flows pertaining to the Loans, i.e. Assets become liquid to Santander, even though they were not liquid at the time of assignment to the Fund.

The revenues deriving from interest and payment on loans acquired by the Fund will be allocated quarterly, at each Payment Date, to the payment of interest and redemption of principal for the Bonds issued according to the specific conditions of each Series into which the Bonds issue is divided, and according to the order of priority established for payments of the Fund.

Additionally, the Management Company, for and on behalf of the Fund, will arrange different financial transactions and provide services in order to consolidate the financial structure of the Fund, to increase the security or the regularity of the payment of the Bonds, to cover temporary lags in the schedule of flows of principal and interest from the Loans and Bonds, or, in general, enable the financial transformation which takes place in the Fund between the financial characteristics of the Loans and the financial characteristics of each Series of Bonds.

## General overview of the parties to the securitization program.

- a) **SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A.** is intervening as the Fund's Manager; as the coordinating entity of the Rating Agencies, of relations with the supervisory authorities and market operators and as legal and financial adviser in relation to the structure of the operation.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is a Securitization Fund Management Company having its registered offices at Ciudad Grupo Santander, Avenida de Cantabria sin número, 28660 Boadilla del Monte (Madrid), with Tax Identification Code number A-80481419. A brief description of it is included under section 3.7.2. of the Additional Building Block.

SANTANDER DE TITULIZACIÓN S.G.F.T., S.A. is registered in the Commercial Registry of Madrid, in Volume 4.789, Folio 75, Page M-78658, Entry 1. Furthermore, it is registered with the special registry of the CNMV, under number 1.

No rating agency has awarded the Manager a rating.

- b) **BANCO SANTANDER, S.A. ("Santander")** is intervening as the Assignor of the Assets, Subscriber of the Bonds, Lead Manager of the Bond issue, Paying Agent and counterpart of the Fund under the Subordinated Loan Agreement and the Guaranteed Rate Reinvestment Agreements.

As Lead Manager, it performs the following task as provided for in article 35.1 of Royal Decree 1310/2005:

- To receive the mandate of the Management Company in order to direct the operations concerning the design of the temporary and commercial financial conditions of the issue, as well as the co-ordination of relations with the supervising authorities.

BANCO SANTANDER, S.A. is a Spanish credit institution having its registered offices in Santander, at Paseo de Pereda 9-12, 39004, with its operational headquarters located at Ciudad Grupo Santander, Avenida de Cantabria sin número, 28660 Boadilla del Monte (Madrid), with Tax Identification Code number A-39000013 and C.N.A.E. 651. A brief description of it is included under section 3.5 of the Additional Building Block.

The ratings of Santander unsubordinated and unsecured short and long-term debt, as assigned by the rating agencies, are:

- Fitch Ratings España, S.A.U.: A- (long-term) (confirmed in May 2014) and F2 (short-term) (confirmed in May 2014).
- Standard & Poor's Credit Markets Services Europe Limited, Sucursal en España: BBB+ (long-term) (confirmed in June 2014) and A-2 (short-term) (confirmed in June 2014) with a stable outlook.
- Moody's Investors Service España, S.A.: Baa1 (long-term) (confirmed in March 2014) and P-2 (short-term) (confirmed in March 2014) with a stable outlook.
- DBRS Ratings Limited: A (high) (long-term) (confirmed in August 2013) and R-1 (low) (short-term) (confirmed in August 2013), with a negative outlook.

- c) **DBRS RATINGS LIMITED ("DBRS")** intervenes as credit rating agency of the Bonds.

DBRS is a credit rating agency with registered address at 1 Minster Court 10th Floor, Mincing Lane, London, EC3R 7AA, United Kingdom.

- d) **MOODY'S INVESTORS SERVICE ESPAÑA, S.A. ("Moody's")** intervenes as credit rating agency of the Bonds.

Moody's is a Spanish stock company and subsidiary of the credit rating agency Moody's Investors Service, having its registered offices in Madrid, at calle Príncipe de Vergara 131, 6ª planta, 28002 and holds Company Tax number A-80448475.

The ratings agencies mentioned previously were registered and authorized by European Securities & Markets Authority ("**ESMA**"), on October 31, 2011, as credit rating agencies in the European Union pursuant to the terms of European Community Regulation no. 1060/2009 of the European Parliament and of the Council of September 16, 2009, regarding Credit Rating Agencies.

- e) **CUATRECASAS GONÇALVES PEREIRA, S.L.P.** is intervening as the legal adviser on the structure of the operation and has reviewed the tax regime applicable to the Fund as contained in section 4.5 d) of the Registration Document.

CUATRECASAS GONÇALVES PEREIRA, S.L.P. is a limited liability company incorporated in Spain, with Tax Identification Code: B-59942110, registered office at Paseo de Gracia, 111, 08008 Barcelona, registered in the Commercial Register of Barcelona, Volume 37673, Folio 30, Section 8, Page 23850.

- f) **DELOITTE, S.L.** is intervening as auditor of the Fund and of the assignable portfolio.

Deloitte, S.L. is an audit firm having registered offices in Madrid, at Torre Picasso, Plaza Pablo Ruiz Picasso, s/n, holder of Tax Identification Number B-79104469, and registered with the Official Registry of Certified Public Accountants (Registro Oficial de Auditores de Cuentas; R.O.A.C.) under number S0692.

For the purpose of article 4 of the Spanish Securities Market Law, SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is part of the SANTANDER GROUP.

There is no knowledge of the existence of any other relationship involving direct or indirect ownership or control between the aforesaid legal entities participating in the securitization process.

## **5. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE MANAGER.**

### **Corporate bodies of the Manager**

In accordance with Royal Decree 926/1998, Asset Securitization Funds lack separate legal status. Securitization Fund Managers are entrusted with the incorporation, administration and legal representation thereof, as well as the representation and defense of the interests of the holders of the securities issued against the funds they administer and of the remaining ordinary creditors thereof.

By virtue of the foregoing, this section outlines the information relating to SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., in its capacity as the Management Company which is incorporating, administering and representing the securitization fund FONDO DE TITULIZACIÓN DE ACTIVOS, RMBS SANTANDER 3.

**a) Name and business address.**

- Company Name: SANTANDER DE TITULIZACIÓN, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A.
- Business address: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte (Madrid).
- Tax Identification Number: A-80481419
- C.N.A.E. (Spanish economic activity code): 8199

**b) Incorporation and registration with Mercantile Registry and information relating to administrative authorizations and registration with the Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission).**

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. was incorporated by a public deed executed on December 21, 1992 before Madrid Notary Public Francisco Mata Pallarés, under number 1310 of his official record, with the prior authorization of the Ministry of Economy and Finance granted on December 1, 1992. It is registered with the Mercantile Registry of Madrid, under Volume 4789, Folio 75, Page M-78658, 1st registration entry. Furthermore, it is registered with the special registry of the CNMV, under number 1.

In addition, the Manager amended its Bylaws by resolution of its Board of Directors adopted on June 15, 1998, formalized in a public deed authorized by Madrid Notary Public Roberto Parejo Gamir on July 20, 1998, under number 3070 of his protocol, in order to bring the company in line with the requirements established for Asset Securitization Fund Managers by Royal Decree 926/1998. Such amendment was authorized by the Ministry of Economy and Finance on July 16, 1998, in accordance with the terms of the Sole Transitory Provision of the aforesaid Royal Decree 926/1998.

The duration of the Manager is indefinite, except in the event of any of the causes where legal and statutory provisions may call for dissolution.

**Audit of accounts.**

The annual accounts of the Manager for the fiscal years closed on December 31, 2011, 2012 and 2013 were audited by the firm Deloitte, S.L. and deposited with the Mercantile Registry of Madrid. Unqualified audit reports were issued for each of aforementioned fiscal years.

**Principal activities.**

As required by law, article two of the Manager's Bylaws states that: *"the company shall have as its exclusive purpose the incorporation, administration and legal representation of (i) Mortgage Securitization Funds in the terms of Article 6 of Law 19/1992, of July 7, on the Real Estate Investment Companies and Funds Scheme and on Mortgage Securitization Funds; (ii) Asset Securitization Funds, in accordance with the provisions of Article 12, point 1, of Royal Decree 926/1998, of May 14, regulating Asset Securitization Funds and Securitization Fund Management Companies; and (iii) Banking Assets Funds (FAB) in accordance with the terms of Chapter IV of Royal Decree 1559/2012 of November 15 setting the legal framework for Asset Management Companies. As a manager of third party businesses, it is responsible for the representation and defense of the interest of the holders of the securities issued against the Funds it administers and its other ordinary creditors, as well as the performance of further*

duties as attributed to Securitization Fund management companies by the current law in force on the matter of securitization funds and banking assets funds.”

On March 27, 2014, the Executive Committee of the CNMV authorized the amendment of article 2 of the bylaws of Santander de Titulización S.G.F.T. S.A. for the purpose of ratifying its authorization to undertake the management and representation of Banking Assets Funds, as currently established by the mentioned article. This amendment to the bylaws was approved by the shareholders' meeting of the Manager on December 13, 2013. The shareholders' meeting agreement was filed with the corresponding Mercantile Registry, and registration was carried out by the corresponding Registrar on June 2, 2014 at Volume 4,789, Page 116, Section 8, Sheet M-78658, Entry 58..

The total assets managed by the Management Company at September 30, 2014 are as follows:

| MORTGAGE-BACKED FUNDS (Fondo de Titulización Hipotecaria, or FTH) |              |                        |                         |                                |                    |                          |  |
|---|--------------|------------------------|-------------------------|--------------------------------|--------------------|--------------------------|--|
| FUND  | SERIES       | OUTSTANDING BALANCE    | INTEREST RATE BY SERIES | RATING AGENCY                  | INCORPORATION DATE | INITIAL ASSET BALANCE    |  |
| FTH UCI 5   | Series A     | 15,005,025.20          | Euribor 3M + 0.23%      | Moody's España                 | 06/03/1999         | €265,000,000.00          |  |
|   | Series B     | 2,649,999.60           | Euribor 3M + 0.625%     |                                |                    |                          |  |
|   | <b>Total</b> | <b>€17,655,024.80</b>  |                         |                                |                    |                          |  |
| FTH HIPOTEBANSA XI  | Series A     | 173,505,315.04         | Euribor 3M + 0.24%      | S&P España /<br>Moody's España | 11/26/2002         | €1,062,000,000.00        |  |
|   | Series B     | 10,410,315.12          | Euribor 3M + 0.45%      |                                |                    |                          |  |
|   | <b>Total</b> | <b>€183,915,630.16</b> |                         |                                |                    |                          |  |
| FTH UCI 10  | Series A     | 142,216,278.40         | Euribor 3M + 0.16%      | S&P España                     | 05/14/2004         | €700,000,000.00          |  |
|   | Series B     | 9,269,681.40           | Euribor 3M + 0.50%      |                                |                    |                          |  |
|   | <b>Total</b> | <b>€151,485,959.80</b> |                         |                                |                    |                          |  |
| FTH UCI 12  | Series A     | 277,621,072.00         | Euribor 3M + 0.15%      | S&P España                     | 05/30/2005         | €900,000,000.00          |  |
|   | Series B     | 9,000,000.00           | Euribor 3M + 0.27%      |                                |                    |                          |  |
|   | Series C     | 23,800,000.00          | Euribor 3M + 0.60%      |                                |                    |                          |  |
|   | <b>Total</b> | <b>€310,421,072.00</b> |                         |                                |                    |                          |  |
| <b>TOTAL FTH</b>  |              | <b>€663,477,686.76</b> |                         |                                |                    | <b>€2,927,000,000.00</b> |  |
| ASSET-BACKED FUNDS (Fondo de Titulización de Activos, or FTA)     |              |                        |                         |                                |                    |                          |  |
| FUND  | SERIES       | OUTSTANDING BALANCE    | INTEREST RATE BY SERIES | RATING AGENCY                  | INCORPORATION DATE | INITIAL ASSET BALANCE    |  |
| FTA UCI 6   | Series A     | 36,486,793.04          | Euribor 3M + 0.295%     | Moody's España                 | 06/19/2000         | €457,000,000.00          |  |
|   | Series B     | 4,569,992.58           | Euribor 3M + 0.775%     |                                |                    |                          |  |
|   | <b>Total</b> | <b>€41,056,785.62</b>  |                         |                                |                    |                          |  |
| FTA UCI 7   | Series A     | 46,907,655.96          | Euribor 3M + 0.250%     | S&P España /<br>Moody's España | 10/25/2001         | €455,000,000.00          |  |
|   | Series B     | 3,412,500.52           | Euribor 3M + 0.700%     |                                |                    |                          |  |
|   | <b>Total</b> | <b>€50,320,156.48</b>  |                         |                                |                    |                          |  |
| FTA HIPOTEBANSA X   | Series A     | 94,576,312.16          | Euribor 3M + 0.21%      | S&P España /<br>Moody's España | 03/04/2002         | €917,000,000.00          |  |
|   | Series B     | 6,877,500.51           | Euribor 3M + 0.55%      |                                |                    |                          |  |
|   | <b>Total</b> | <b>€101,453,812.67</b> |                         |                                |                    |                          |  |
| FTA UCI 8   | Series A     | 67,579,491.24          | Euribor 3M + 0.220%     | S&P España /<br>Moody's España | 06/24/2002         | €600,000,000.00          |  |
|   | Series B     | 4,499,999.46           | Euribor 3M + 0.600%     |                                |                    |                          |  |
|   | <b>Total</b> | <b>€72,079,490.70</b>  |                         |                                |                    |                          |  |
| FTA UCI 9   | Series A     | 183,843,293.17         | Euribor 3M + 0.265%     | S&P España /<br>Moody's España | 06/16/2003         | €1,250,000,000.00        |  |
|   | Series B     | 13,632,869.50          | Euribor 3M + 0.65%      |                                |                    |                          |  |
|   | Series C     | 3,007,250.82           | Euribor 3M + 1.20%      |                                |                    |                          |  |
|   | <b>Total</b> | <b>€200,483,413.49</b> |                         |                                |                    |                          |  |
| FTA FTPYME SANTANDER 1  | Series A     | 0.00                   | Euribor 3M + 0.25%      | Fitch / Moody's España         | 09/24/2003         | €1,800,000,000.00        |  |
|   | Series B1(G) | 36,908,652.63          | Euribor 3M + 0.00%      |                                |                    |                          |  |
|   | Series B2    | 9,228,881.12           | Euribor 3M + 0.40%      |                                |                    |                          |  |
|   | Series C     | 27,000,000.00          | Euribor 3M + 0.90%      |                                |                    |                          |  |



|  | Series D               | 87,300,000.00          | Euribor 3M + 1.80%      |                               |                    |                       |
|--|------------------------|------------------------|-------------------------|-------------------------------|--------------------|-----------------------|
|  | <b>Total</b>           | <b>€160,437,533.75</b> |                         |                               |                    |                       |
| FTA SANTANDER HIPOTECARIO 1  | Series A               | 347,691,261.12         | Euribor 3M + 0.18%      | S&P España / Moody's España   | 06/11/2004         | €1,875,000,000.00     |
|  | Series B               | 53,400,000.00          | Euribor 3M + 0.30%      |                               |                    |                       |
|  | Series C               | 46,900,000.00          | Euribor 3M + 0.50%      |                               |                    |                       |
|  | Series D               | 56,300,000.00          | Euribor 3M + 0.95%      |                               |                    |                       |
|  | <b>Total</b>           | <b>€504,291,261.12</b> |                         |                               |                    |                       |
| FTA FTPYME SANTANDER 2   | Series A               | 29,368,643.85          | Euribor 3M + 0.20%      | S&P España                    | 10/21/2004         | €1,850,000,000.00     |
|  | Series B               | 8,928,928.35           | Euribor 3M + 0.00%      |                               |                    |                       |
|  | Series C               | 81,000,000.00          | Euribor 3M + 0.30%      |                               |                    |                       |
|  | Series D               | 58,500,000.00          | Euribor 3M + 0.70%      |                               |                    |                       |
|  | Series E               | 58,500,000.00          | Euribor 3M + 1.50%      |                               |                    |                       |
| <b>Total</b>   | <b>€236,297,572.20</b> |                        |                         |                               |                    |                       |
| FTA UCI 11   | Series A               | 196,292,822.88         | Euribor 3M + 0.14%      | S&P España                    | 11/17/2004         | €850,000,000.00       |
|  | Series B               | 6,000,000.00           | Euribor 3M + 0.33%      |                               |                    |                       |
|  | Series C               | 22,900,000.00          | Euribor 3M + 0.75%      |                               |                    |                       |
|  | <b>Total</b>           | <b>€225,192,822.88</b> |                         |                               |                    |                       |
| FTA SANTANDER PUBLICO 1  | Series A               | 150,876,953.50         | Euribor 3M+ 0.039%      | Fitch / Moody's España        | 12/17/2004         | €1,850,000,000.00     |
|  | Series B               | 12,185,805.70          | Euribor 3M+ 0.30%       |                               |                    |                       |
|  | <b>Total</b>           | <b>€163,062,759.20</b> |                         |                               |                    |                       |
| <b>ASSET-BACKED FUNDS (Fondo de Titulización de Activos, or FTA)</b> |                        |                        |                         |                               |                    |                       |
| FUND   | SERIES                 | OUTSTANDING BALANCE    | INTEREST RATE BY SERIES | RATING AGENCY                 | INCORPORATION DATE | INITIAL ASSET BALANCE |
| FTA SANTANDER EMPRESAS 1   | Series A1              | 0.00                   | Euribor 3M + 0.02%      | S&P España / Fitch España     | 10/27/2005         | €3,100,000,000.00     |
|  | Series A2              | 0.00                   | Euribor 3M + 0.12%      |                               |                    |                       |
|  | Series B               | 0.00                   | Euribor 3M + 0.21%      |                               |                    |                       |
|  | Series C               | 48,059,561.95          | Euribor 3M + 0.29%      |                               |                    |                       |
|  | Series D               | 170,500,000.00         | Euribor 3M + 0.59%      |                               |                    |                       |
| <b>Total</b>   | <b>€18,559,561.95</b>  |                        |                         |                               |                    |                       |
| FTA UCI 14   | Series A               | 473,725,969.25         | Euribor 3M + 0.15%      | S&P España / Fitch España     | 11/30/2005         | €1,350,000,000.00     |
|  | Series B               | 34,100,000.00          | Euribor 3M + 0.29%      |                               |                    |                       |
|  | Series C               | 38,400,000.00          | Euribor 3M + 0.58%      |                               |                    |                       |
| <b>Total</b>   | <b>€46,225,969.25</b>  |                        |                         |                               |                    |                       |
| FTA UCI 15   | Series A               | 551,931,857.06         | Euribor 3M + 0.14%      | S&P España / Fitch España     | 04/28/2006         | €1,430,000,010.22     |
|  | Series B               | 32,900,000.00          | Euribor 3M + 0.27%      |                               |                    |                       |
|  | Series C               | 56,500,000.00          | Euribor 3M + 0.53%      |                               |                    |                       |
|  | Series D               | 21,600,000.00          | Euribor 3M + 0.58%      |                               |                    |                       |
|  | <b>Total</b>           | <b>€662,931,857.06</b> |                         |                               |                    |                       |
| FTA SANTANDER HIPOTECARIO 2  | Series A               | 637,093,088.85         | Euribor 3M + 0.15%      | S&P España / Moody's España   | 06/30/2006         | €1,955,000,000.00     |
|  | Series B               | 51,800,000.00          | Euribor 3M + 0.20%      |                               |                    |                       |
|  | Series C               | 32,300,000.00          | Euribor 3M + 0.30%      |                               |                    |                       |
|  | Series D               | 49,800,000.00          | Euribor 3M + 0.55%      |                               |                    |                       |
|  | Series E               | 19,600,000.00          | Euribor 3M + 2.10%      |                               |                    |                       |
|  | Series F               | 17,600,000.00          | Euribor 3M + 1.00%      |                               |                    |                       |
| <b>Total</b>   | <b>€808,193,088.85</b> |                        |                         |                               |                    |                       |
| FTA UCI 16   | Series A1              | 0.00                   | Euribor 3M + 0.06%      | S&P España / Fitch España     | 10/18/2006         | €1,800,000,000.00     |
|  | Series A2              | 798,355,583.56         | Euribor 3M + 0.15%      |                               |                    |                       |
|  | Series B               | 72,000,000.00          | Euribor 3M + 0.30%      |                               |                    |                       |
|  | Series C               | 41,400,000.00          | Euribor 3M + 0.55%      |                               |                    |                       |
|  | Series D               | 9,000,000.00           | Euribor 3M + 2.25%      |                               |                    |                       |
|  | Series E               | 19,800,000.00          | Euribor 3M + 2.30%      |                               |                    |                       |
| <b>Total</b>   | <b>€40,555,583.56</b>  |                        |                         |                               |                    |                       |
| FTA PYMES BANESTO 2  | Series A1              | 0.00                   | Euribor 3M + 0.13%      | S&P España / Moody's España   | 11/17/2006         | €1,000,000,000.00     |
|  | Series A2              | 86,656,994.91          | Euribor 3M + 0.16%      | Fitch España                  |                    |                       |
|  | Series B               | 24,300,000.00          | Euribor 3M + 0.27%      |                               |                    |                       |
|  | Series C               | 34,000,000.00          | Euribor 3M + 0.54%      |                               |                    |                       |
| <b>Total</b>   | <b>€144,956,994.91</b> |                        |                         |                               |                    |                       |
| FTA SANTANDER FINANCIACION 1   | Series A               | 0.00                   | Euribor 3M + 0.15%      | S&P España / Moody's España   | 12/14/2006         | €1,900,000,000.00     |
|  | Series B               | 0.00                   | Euribor 3M + 0.20%      |                               |                    |                       |
|  | Series C               | 29,461,620.43          | Euribor 3M + 0.30%      |                               |                    |                       |
|  | Series D               | 47,500,000.00          | Euribor 3M + 0.55%      |                               |                    |                       |
|  | Series E               | 26,600,000.00          | Euribor 3M + 2.10%      |                               |                    |                       |
|  | Series F               | 14,300,000.00          | Euribor 3M + 1.00%      |                               |                    |                       |
| <b>Total</b>   | <b>€117,861,620.43</b> |                        |                         |                               |                    |                       |
| FTA SANTANDER EMPRESAS 2   | Series A1              | 0.00                   | Euribor 3M + 0.05%      | Fitch España / Moody's España | 12/14/2006         | €2,900,000,000.00     |

|  | Series A2        | 0.00                     | Euribor 3M + 0.16%      |                                 |                    |                       |
|--|------------------|--------------------------|-------------------------|---------------------------------|--------------------|-----------------------|
|  | Series B         | 43,100,030.55            | Euribor 3M + 0.22%      |                                 |                    |                       |
|  | Series C         | 62,300,000.00            | Euribor 3M + 0.32%      |                                 |                    |                       |
|  | Series D         | 59,500,000.00            | Euribor 3M + 0.55%      |                                 |                    |                       |
|  | Series E         | 29,000,000.00            | Euribor 3M + 2.10%      |                                 |                    |                       |
|  | Series F         | 53,700,000.00            | Euribor 3M + 0.50%      |                                 |                    |                       |
|  | <b>Total</b>     | <b>€247,600,030.55</b>   |                         |                                 |                    |                       |
| <b>FTA SANTANDER HIPOTECARIO 3</b>                                   | Series A1        | 228,283,384.62           | Euribor 3M + 0.06%      | Fitch España/<br>Moody's España | 04/04/2007         | €2,800,000,000.00     |
|  | Series A2        | 814,576,686.00           | Euribor 3M + 0.14%      |                                 |                    |                       |
|  | Series A3        | 222,157,278.00           | Euribor 3M + 0.20%      |                                 |                    |                       |
|  | Series B         | 79,200,000.00            | Euribor 3M + 0.22%      |                                 |                    |                       |
|  | Series C         | 47,500,000.00            | Euribor 3M + 0.30%      |                                 |                    |                       |
|  | Series D         | 72,000,000.00            | Euribor 3M + 0.55%      |                                 |                    |                       |
|  | Series E         | 28,000,000.00            | Euribor 3M + 2.10%      |                                 |                    |                       |
|  | Series F         | 22,400,000.00            | Euribor 3M + 0.50%      |                                 |                    |                       |
|  | <b>Total</b>     | <b>€1,514,117,348.62</b> |                         |                                 |                    |                       |
| <b>FTA UCI 17</b>  | Series A1        | 0.00                     | Euribor 3M + 0.10%      | S&P España /<br>Fitch España    | 05/07/2007         | €1,415,400,000.00     |
|  | Series A2        | 721,008,050.34           | Euribor 3M + 0.18%      |                                 |                    |                       |
|  | Series B         | 72,800,000.00            | Euribor 3M + 0.35%      |                                 |                    |                       |
|  | Series C         | 28,000,000.00            | Euribor 3M + 0.60%      |                                 |                    |                       |
|  | Series D         | 15,400,000.00            | Euribor 3M + 2.25%      |                                 |                    |                       |
|  | <b>Total</b>     | <b>€37,208,050.34</b>    |                         |                                 |                    |                       |
| <b>ASSET-BACKED FUNDS (Fondo de Titulización de Activos, or FTA)</b> |                  |                          |                         |                                 |                    |                       |
| FUND   | SERIES           | OUTSTANDING BALANCE      | INTEREST RATE BY SERIES | RATING AGENCY                   | INCORPORATION DATE | INITIAL ASSET BALANCE |
| <b>FTA SANTANDER EMPRESAS 3</b>                                      | Series A1        | 0.00                     | Euribor 3M + 0.08%      | S&P España /<br>Moody's España  | 05/28/2007         | €3,500,000,000.00     |
|  | Series A2        | 134,662,140.00           | Euribor 3M + 0.17%      | Fitch España                    |                    |                       |
|  | Series A3        | 57,429,490.25            | Euribor 3M + 0.25%      |                                 |                    |                       |
|  | Series B         | 39,700,000.00            | Euribor 3M + 0.28%      |                                 |                    |                       |
|  | Series C         | 117,300,000.00           | Euribor 3M + 0.32%      |                                 |                    |                       |
|  | Series D         | 70,000,000.00            | Euribor 3M + 0.65%      |                                 |                    |                       |
|  | Series E         | 45,500,000.00            | Euribor 3M + 2.30%      |                                 |                    |                       |
|  | Series F         | 45,500,000.00            | Euribor 3M + 0.50%      |                                 |                    |                       |
|  | <b>Total</b>     | <b>€10,091,630.25</b>    |                         |                                 |                    |                       |
| <b>FTA PITCH</b>   | Series 1         | 1,200,000,000.00         | 5.1353%                 | S&P España /<br>Moody's España  | 07/17/2007         | €1,200,000,000.00     |
|  | <b>Total</b>     | <b>€1,200,000,000.00</b> |                         |                                 |                    |                       |
| <b>FTA UCI 18</b>  | Series A         | 850,797,750.50           | Euribor 3M + 0.32%      | S&P España                      | 02/27/2008         | €1,700,000,000.00     |
|  | Series B         | 38,300,000.00            | Euribor 3M + 0.60%      |                                 |                    |                       |
|  | Series C         | 21,200,000.00            | Euribor 3M + 1.20%      |                                 |                    |                       |
|  | Series D         | 23,000,000.00            | Euribor 3M + 2.20%      |                                 |                    |                       |
|  | <b>Total</b>     | <b>€33,297,750.50</b>    |                         |                                 |                    |                       |
| <b>ASSET-BACKED FUNDS (Fondo de Titulización de Activos, or FTA)</b> |                  |                          |                         |                                 |                    |                       |
| FUND   | SERIES           | OUTSTANDING BALANCE      | INTEREST RATE BY SERIES | RATING AGENCY                   | INCORPORATION DATE | INITIAL ASSET BALANCE |
| <b>FTA SANTANDER 2</b>   | Promissory Notes | €340,000,000.00          |                         | S&P España /<br>Fitch España    | 11/27/2008         | €500,000,000.00       |
| <b>FTA SANTANDER CONSUMER SPAIN 09-1</b>                             | Series A         | 0.00                     | Euribor 3M + 0.30%      | Moody's España /<br>DBRS        | 02/16/2009         | €700,000,000.00       |
|  | Series B         | 23,852,849.02            | Euribor 3M + 0.50%      |                                 |                    |                       |
|  | Series C         | 37,800,000.00            | Euribor 3M + 1.50%      |                                 |                    |                       |
|  | Series D         | 35,700,000.00            | Euribor 3M + 3.50%      |                                 |                    |                       |
|  | <b>Total</b>     | <b>€7,352,849.02</b>     |                         |                                 |                    |                       |
| <b>FTA EMPRESAS BANESTO 5</b>  | Series A         | 117,113,606.40           | Euribor 3M + 0.70%      | Moody's España                  | 09/13/2010         | €1,600,000,000.00     |
|  | Series B         | 96,000,000.00            | Euribor 3M + 1.20%      | DBRS                            |                    |                       |
|  | Series C         | 160,000,000.00           | Euribor 3M + 2.00%      |                                 |                    |                       |
|  | <b>Total</b>     | <b>€373,113,606.40</b>   |                         |                                 |                    |                       |
| <b>ASSET-BACKED FUNDS (Fondo de Titulización de Activos, or FTA)</b> |                  |                          |                         |                                 |                    |                       |
| FUND   | SERIES           | OUTSTANDING BALANCE      | INTEREST RATE BY SERIES | RATING AGENCY                   | INCORPORATION DATE | INITIAL ASSET BALANCE |
| <b>FTA SANTANDER CONSUMER SPAIN AUTO 2010</b>                        | Series A         | 0.00                     | Euribor 3M + 0.70%      |                                 | 07/01/2010         | €600,000,000.00       |
|  | Series B         | 43,124,376.00            | Euribor 3M + 1.20%      | Moody's España                  |                    |                       |
|  | Series C         | 49,500,000.00            | Euribor 3M + 1.50%      |                                 |                    |                       |
|  | Series D         | 88,500,000.00            | Euribor 3M + 0.65%      |                                 |                    |                       |
|  | <b>Total</b>     | <b>€181,124,376.00</b>   |                         |                                 |                    |                       |

|  |          |                          |                                    |                           |            |                   |
|--|----------|--------------------------|------------------------------------|---------------------------|------------|-------------------|
| FTA SANTANDER<br>HIPOTECARIO 7               | Series A | 991,247,184.00           | Euribor 3M + 0.65%                 | Moody's España<br>DBRS    | 07/22/2011 | €1,800,000,000.00 |
|  | Series B | 360,000,000.00           | Euribor 3M + 1.30%                 |                           |            |                   |
|  | Series C | 359,700,000.00           | Euribor 3M + 0.65%                 |                           |            |                   |
|  |          | <b>€1,710,947,184.00</b> |                                    |                           |            |                   |
| FTA EMPRESAS<br>BANESTO 6                    | Series A | 26,999,527.50            | Euribor 3M + 0.70%                 | Moody's España /<br>DBRS  | 09/28/2011 | €1,100,000,000.00 |
|  | Series B | 165,000,000.00           | Euribor 3M + 1.20%                 |                           |            |                   |
|  | Series C | 264,000,000.00           | Euribor 3M + 2.00%                 |                           |            |                   |
|  |          | <b>€455,999,527.50</b>   |                                    |                           |            |                   |
| FTA SANTANDER<br>EMPRESAS 10                 | Series A | 0.00                     | Euribor 3M + 0.75%                 | Moody's España /<br>DBRS  | 11/24/2011 | €4,700,000,000.00 |
|  | Series B | 724,869,720.00           | Euribor 3M + 1.00%                 |                           |            |                   |
|  | Series C | 940,000,000.00           | Euribor 3M + 0.65%                 |                           |            |                   |
|  |          | <b>€1,664,869,720.00</b> |                                    |                           |            |                   |
| FTA SANTANDER<br>CONSUMER SPAIN AUTO<br>11-1 | Series A | 131,069,731.86           | Euribor 3M + 1.40%                 | Moody's España /<br>FITCH | 12/07/2011 | €795,000,000.00   |
|  | Series B | 71,600,000.00            | Euribor 3M + 1.70%                 |                           |            |                   |
|  | Series C | 63,600,000.00            | Euribor 3M + 2.00%                 |                           |            |                   |
|  | Series D | 117,300,000.00           | Euribor 3M + 0.65%<br>+ extra part |                           |            |                   |
|  |          | <b>€383,569,731.86</b>   |                                    |                           |            |                   |
| FTA SANTANDER<br>HIPOTECARIO 8               | Series A | 439,110,976.00           | Euribor 3M + 0.65%                 | Moody's España /<br>DBRS  | 12/15/2011 | €800,000,000.00   |
|  | Series B | 160,000,000.00           | Euribor 3M + 1.00%                 |                           |            |                   |
|  | Series C | 160,000,000.00           | Euribor 3M + 0.65%<br>+ extra part |                           |            |                   |
|  |          | <b>€59,110,976.00</b>    |                                    |                           |            |                   |
| FTA<br>PYMES SANTANDER 3                     | Series A | 304,971,269.12.52        | Euribor 3M + 0.30%                 | S&P<br>DBRS               | 07/17/2012 | €1,570,000,000.00 |
|  | Series B | 266,900,000.00           | Euribor 3M + 0.50%                 |                           |            |                   |
|  | Series C | 314,000,000.00           | Euribor 3M + 0.50%<br>+ extra part |                           |            |                   |
|  |          | <b>€85,871,269.12</b>    |                                    |                           |            |                   |
| FTA<br>PYMES SANTANDER 4                     | Series A | 432,041,888.75           | Euribor 3M + 0.30%                 | Moody's España<br>DBRS    | 11/13/2012 | €2,650,000,000.00 |
|  | Series B | 397,500,000.00           | Euribor 3M + 0.50%                 |                           |            |                   |
|  | Series C | 530,000,000.00           | Euribor 3M + 0.50%<br>+ extra part |                           |            |                   |
|  |          | <b>€1,359,541,888.75</b> |                                    |                           |            |                   |
| SANTANDER CONSUMER<br>SPAIN AUTO 12-1        | Series A | 252,530,890.01           | Fixed Rate 3.00%                   | Moody's España<br>Fitch   | 11/20/2012 | €500,000,000.00   |
|  |          | <b>€252,530,890.01</b>   |                                    |                           |            |                   |
| F.T.A. PYMES<br>SANTANDER 5                  | Series A | 533,489,630.40           | Euribor 3M + 1.00%                 | Moody's España<br>DBRS    | 05/14/2013 | €1,710,000,000.00 |
|  | Series B | 342,000,000.00           | Euribor 3M + 1.10%                 |                           |            |                   |
|  | Series C | 342,000,000.00           | Euribor 3M + 0.50%                 |                           |            |                   |
|  |          | <b>€1,217,489,630.40</b> |                                    |                           |            |                   |
| F.T.A. SANTANDER<br>HIPOTECARIO 9            | Series A | 456,215,906.25           | Euribor 3M + 0.30%                 | Moody's España<br>DBRS    | 06/25/2013 | €650,000,000.00   |
|  | Series B | 162,500,000.00           | Euribor 3M + 0.40%                 |                           |            |                   |
|  | Series C | 117,000,000.00           | Euribor 3M + 0.50%                 |                           |            |                   |
|  |          | <b>€735,715,906.25</b>   |                                    |                           |            |                   |
| FTA PYMES<br>BANESTO 3                       | Series A | 172,292,853.81           | Euribor 3M + 0.30%                 | S&P<br>DBRS               | 01/21/2013 | 490,000,000.00    |
|  | Series B | 63,700,000.00            | Euribor 3M + 0.50%                 |                           |            |                   |
|  | Series C | 98,000,000.00            | Euribor 3M + 0.50%                 |                           |            |                   |
|  |          | <b>€333,992,853.81</b>   |                                    |                           |            |                   |
| SANTANDER CONSUMER<br>SPAIN AUTO 13-1        | Series A | 390,142,957.08           | Fixed Rate 3.00%                   | Moody's España<br>Fitch   | 10/16/2013 | €500,000,000.00   |
|  |          | <b>€390,142,957.08</b>   |                                    |                           |            |                   |
| F.T.A. PYMES<br>SANTANDER 6                  | Series A | 193,374,164.28           | Euribor 3M + 1.50%                 | S&P<br>DBRS               | 11/19/2013 | €340,000,000.00   |
|  | Series B | 105,400,000.00           | Euribor 3M + 1.60%                 |                           |            |                   |
|  | Series C | 68,000,000.00            | Euribor 3M + 0.50%                 |                           |            |                   |
|  |          | <b>€366,774,164.28</b>   |                                    |                           |            |                   |
| F.T.A. PYMES<br>SANTANDER 7                  | Series A | 553,284,720.00           | Euribor 3M + 1.00%                 | Moody's España<br>DBRS    | 11/25/2013 | €1,700,000,000.00 |
|  | Series B | 340,000,000.00           | Euribor 3M + 1.10%                 |                           |            |                   |
|  | Series C | 340,000,000.00           | Euribor 3M + 0.50%                 |                           |            |                   |
|  |          | <b>€1,233,284,720.00</b> |                                    |                           |            |                   |
| F.T.A. PYMES<br>SANTANDER 8                  | Series A | 1,317,500,000.00         | Euribor 3M + 0.40%                 | Moody's España<br>DBRS    | 05/20/2014 | €1,550,000,000.00 |
|  | Series B | 232,500,000.00           | Euribor 3M + 0.50%                 |                           |            |                   |
|  | Series C | 310,000,000.00           | Euribor 3M + 0.50%                 |                           |            |                   |
|  |          | <b>€1,860,000,000.00</b> |                                    |                           |            |                   |
| F.T.A. PYMES<br>SANTANDER 9                  | Series A | 318,548,493.04           | Euribor 3M + 0.75%                 | S&P<br>DBRS               | 05/20/2014 | €500,000,000.00   |
|  | Series B | 168,300,000.00           | Euribor 3M + 0.80%                 |                           |            |                   |
|  |          | <b>€486,848,493.04</b>   |                                    |                           |            |                   |
| F.T.A. RMBS<br>SANTANDER 1                   | Series A | 948,036,28.40            | Euribor 3M + 0.90%                 | Moody's<br>DBRS           | 23/06/2014 | €1,495,000,000.00 |
|  | Series B | 338,000,000.00           | Euribor 3M + 1.30%                 |                           |            |                   |
|  | Series C | 195,000,000.00           | Euribor 3M + 0.65%                 |                           |            |                   |
|  |          | <b>€1,481,036,281.40</b> |                                    |                           |            |                   |

|                                    |                 |                          |                    |                 |            |                          |
|------------------------------------|-----------------|--------------------------|--------------------|-----------------|------------|--------------------------|
| <b>F.T.A. RMBS<br/>SANTANDER 2</b> | <b>Series A</b> | 2,520,000,000.00         | Euribor 3M + 0.30% | Moody's<br>DBRS | 14/07/2014 | <b>€3,450,000,000.00</b> |
|                                    | <b>Series B</b> | 480,000,000.00           | Euribor 3M + 0.40% |                 |            |                          |
|                                    | <b>Series C</b> | 450,000,000.00           | Euribor 3M + 0.50% |                 |            |                          |
|                                    |                 | <b>3,450,000,000.00</b>  |                    |                 |            |                          |
| <b>TOTAL FTA</b>                   |                 | <b>€0,955,592,119.30</b> |                    |                 |            | <b>€1,176,200,010.22</b> |
| <b>TOTAL (FTH+FTA)</b>             |                 | <b>€1,619,069,806.06</b> |                    |                 |            | <b>€4,103,200,010.22</b> |

### **Share capital and shareholders' equity.**

**a) Par value subscribed and paid-in:**

The Manager's share capital amounts to nine hundred and one thousand six hundred and fifty (901,650) euros, represented by fifteen thousand (15,000) registered shares, each having a par value of sixty euros and eleven cents (60.11), consecutively numbered from one (1) through fifteen thousand (15,000), both inclusive, and all of them fully subscribed for and paid-in.

**b) Share classes:**

All the shares are of the same class and vest identical political and economic rights.

### **Holding of shares in other entities.**

The Manager has no shareholdings in any other entity.

### **Corporate bodies.**

The governance and administration of the Manager are entrusted by the Bylaws to the General Shareholders' Meeting and to the Board of Directors. Their competencies and powers are those vested in said bodies in accordance with the provisions of the Spanish Corporate Enterprise Act (Ley de Sociedades de Capital), Law 19/1992 and Royal Decree 926/1998, in relation to the corporate purpose.

**a) Directors**

The Board of Directors is made up of the following persons:

|                         |                                    |
|-------------------------|------------------------------------|
| Chairman:               | Mr. José Antonio Álvarez Álvarez   |
| Directors:              | Mr. Ignacio Ortega Gavara          |
|                         | Mr. José Antonio Soler Ramos       |
|                         | Ms. Ana Bolado Valle               |
|                         | Mr. Marcelo Alejandro Castro Zappa |
|                         | Mr. Enrique Silva Bravo            |
|                         | Mr. Jesús Cepeda Caro              |
|                         | Mr. Gabriel de Escalante Yangüela  |
|                         | Mr. Jesús Fuentes Colella          |
| Secretary/Non-Director: | Mrs. María José Olmedilla González |

**b) General Management**

The Management Company's General Manager is Ignacio Ortega Gavara.

### **Principal activities unrelated to the Management Company and performed by the persons mentioned in section 6.6 above, if important to the Fund.**

The most relevant activities unrelated to the Manager and performed by the individuals mentioned in this section are described below:

| Name                          | Activity performed       | Relationship under which activity is performed | Company in which the activity is performed                          | Position or functions held or performed in relation to the Company in question |
|-------------------------------|--------------------------|--|---|--|
| José Antonio Álvarez Álvarez  | Banking                  | Employee                                       | Banco Santander Brazil  | Board member   |
|                               |                          |  | Santander Consumer Finance SA                                       |  |
|                               |                          |  | Supervision Committee of Santander Consumer AG Bank (Germany)       | Member   |
|                               |                          |  | Supervision Committee of Banco Zachodni WBK, SA (Poland)            |  |
|                               |                          |  | Supervision Committee of Santander Consumer Holdings GMBH (Germany) |  |
|                               |                          |  | Supervision Committee of Santander Holdings USA                     |  |
| Enrique Silva Bravo           | Banking                  | Employee                                       | Reintegra, SA   | Chairman   |
|                               |                          |  | Redsys, SL  | Board member   |
|                               |                          |  | Isban, SA   |  |
| Marcelo Alejandro Castro      | Banking                  | Employee                                       | Santander Benelux   | Board member   |
| José Antonio Soler Ramos      | Financial Intermediation | Employee                                       | Santander Commercial Paper  | Chairman   |
|                               |                          |  | Santander US Debt, SAU  |  |
|                               |                          |  | Santander Issuances, SAU  |  |
|                               |                          |  | Santander International Debt, SAU                                   | Board member   |
|                               |                          |  | Santander Benelux, SA   |  |
|                               |                          |  | Open Bank, SA   |  |
| Gabriel de Escalante Yangüela | Banking                  | Employee                                       | Geoban, S.A.  | Chairman   |
|                               |                          |  | Santander Operaciones Retail, S.A.                                  |  |
|                               |                          |  | Grupo Konecta, SL   | Board member   |
| Jesús Cepeda Caro             | Banking                  | Employee                                       | Salco S.A.  | Chairman   |
|                               |                          |  | Santander Brasil EFC, S.A   | Board member   |

The persons mentioned in this section 6.7 do not hold, directly or indirectly, any shares, convertible bonds or other securities which confer upon their holder a right to acquire shares in the Manager.

The business address for all persons mentioned in this section 6.7 is as follows:

Santander Titulización, S.G.F.T., S.A.

Ciudad Grupo Santander

Avda. de Cantabria s/n

28660 Boadilla del Monte (Madrid)

#### **Lenders of the Manager (more than ten percent (10%)).**

The Manager has not received any loan or credit facility from any person or entity. The long and short-term debts that appear in the balance sheet attached hereto, are tax debts owed to Santander in view of the tax consolidation system between the Management Company and Santander.

#### **Significant litigation and disputes.**

At the verification date of this Prospectus, the Manager is not subject to any insolvency-related situation and no significant litigation or disputes exist which may affect its economic-

financial position or, in the future, its capacity to discharge its duties of managing and administering the Fund, as envisaged herein.

#### Financial information concerning the Manager.

The Manager keeps its accounts in accordance with the Spanish General Accounting Plan (Plan General Contable) approved by Royal Decree 1514/2007 of November 16.

Details of the audited balance sheet and income statement for fiscal years 2012 and 2013, and the unaudited balance sheet as at September 30, 2014, are provided below:

#### Audited Balance Sheet as at December 31, 2012 and 2013 and unaudited Balance Sheet at September 30, 2014 (in thousands of euros):

| ASSETS                                | 12/31/2012    | 12/31/2013    | 09/30/2014    |
|---------------------------------------|---------------|---------------|---------------|
| <b>FIXED ASSETS:</b>                  |               |               |               |
| Intangible assets                     | -             | -             | -             |
| Tangible assets                       | -             | -             | -             |
| <b>Total fixed assets</b>             | -             | -             | -             |
| <b>CAPITAL ASSETS</b>                 |               |               |               |
| Long-term sureties                    | -             | 19            | 19            |
| <b>Total capital assets</b>           | -             | <b>19</b>     | <b>19</b>     |
| <b>CURRENT ASSETS:</b>                |               |               |               |
| Receivables                           | <b>310</b>    | <b>396</b>    | <b>268</b>    |
| Loans to employees                    | 38            | 36            | 28            |
| Other receivables                     | 272           | 360           | 240           |
| Short-term investments                | -             | -             | -             |
| <b>Public tax authorities</b>         | -             | -             | -             |
| <b>Cash in bank and at hand</b>       | <b>9,966</b>  | <b>9,987</b>  | <b>10,949</b> |
| <b>Prepayments and accrued income</b> | <b>964</b>    | <b>880</b>    | <b>888</b>    |
| <b>Total current assets</b>           | <b>11,240</b> | <b>11,263</b> | <b>12,105</b> |
| <b>TOTAL ASSETS</b>                   | <b>11,240</b> | <b>11,282</b> | <b>12,124</b> |

| LIABILITIES                                 | 12/31/2012    | 12/31/2013    | 09/30/2014    |
|---|---------------|---------------|---------------|
| <b>EQUITY:</b>                              |               |               |               |
| Share capital                               | 902           | 902           | 902           |
| Reserves                                    | 182           | 182           | 182           |
| Trading results - Profit                    | 1,905         | 1,553         | 604           |
| <b>Total equity</b>                         | <b>2,989</b>  | <b>2,637</b>  | <b>1,688</b>  |
| <b>LONG-TERM PAYABLES:</b>                  |               |               |               |
| Debts with Group companies                  | 6,879         | 7,679         | 7,678         |
|   | <b>6,879</b>  | <b>7,679</b>  | <b>7,678</b>  |
| <b>SHORT-TERM PAYABLES:</b>                 |               |               |               |
| Tax authorities ( <i>Hacienda Pública</i> ) | 71            | 710           | 710           |
| Other payables                              | -             | 30            | 23            |
| Debts with Group companies                  | 997           | 3             | 3             |
| Prepayments and accrued expenses            | 304           | 223           | 224           |
| Dividend payable                            | -             | -             | 1,552         |
| <b>Total short-term payables</b>            | <b>1,372</b>  | <b>966</b>    | <b>2,758</b>  |
| <b>TOTAL LIABILITIES</b>                    | <b>11,240</b> | <b>11,282</b> | <b>12,124</b> |

**Audited Income Statements at December 31, 2012 and 2013, and unaudited Income Statement at September 30, 2014 (in thousands of euros):**

|   | 12/31/2012   | 12/31/2013   | 09/30/2014 |
|---|--------------|--------------|------------|
| <b>CONTINUED OPERATIONS</b>   |              |              |            |
| Net income  | 8,948        | 7,544        | 5,086      |
| Other operating income  | 40           | 25           | 2          |
| Personnel costs   | -1,163       | -1,050       | -837       |
| Other operating expenses  | -5,161       | -4,299       | -3,388     |
| Depreciation of property, plant and equipment                         | -            | -            | -          |
| Impairment and income from disposals of property, plant and equipment | -            | -            | -          |
| <b>OPERATING PROFIT</b>   | <b>2,664</b> | <b>2,220</b> | <b>863</b> |
| Financial income  | -            | -            | -          |
| From tradable securities and other financial instruments              | -            | -            | -          |
| <b>FINANCIAL PROFIT</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>   |
| <b>PRE-TAX PROFIT</b>   | <b>2,664</b> | <b>2,220</b> | <b>863</b> |
| Income tax  | -803         | -667         | -259       |
| <b>PROFIT FOR THE YEAR FROM CONTINUED OPERATIONS</b>                  | <b>1,861</b> | <b>1,553</b> | <b>604</b> |
| <b>DISCONTINUED OPERATIONS</b>  | <b>-</b>     | <b>-</b>     | <b>-</b>   |
| Profit for the year from discontinued operations, net of tax          | -            | -            | -          |
| <b>PROFIT FOR THE YEAR</b>  | <b>1,861</b> | <b>1,553</b> | <b>604</b> |

**7. MAIN SHAREHOLDERS OF THE MANAGEMENT COMPANY**

**a) Shareholders of the Management Company**

Ownership of shares in the Manager is distributed between the companies listed below, including the stake in the Manager's share capital owned by each of them:

| SHAREHOLDER                | % SHARE CAPITAL |
|----------------------------|-----------------|
| Santander Investment, S.A. | 19%             |
| Banco Santander, S.A.      | 81%             |

**b) Description of the nature of the control and measures in place to ensure that the control is not abused.**

For the purposes of article 4 of the Spanish Securities Market Act, SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is part of the SANTANDER GROUP.

The Management Company adheres to the General Rule of Conduct and the Rule of Conduct of the Grupo Santander in the Securities Market.

So as to ensure the absence of abuses of control on the part of Banco Santander, S.A. over the Manager, the Manager approved its Internal Rules of Conduct in accordance with the provisions of Chapter II of Royal Decree 217/2008 of February 15, on the legal structure of investment services companies and other entities that render investment services and by which the Regulatory Framework of Law 35/2003 of November 4 was in part amended for Collective Investment Schemes, as approved by Royal Decree 1309/2005 of November 4. The Internal Rules of Conduct were duly reported to the CNMV.



**8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFIT AND LOSS**

**Statement on the start of operations and financial statements of the Issuer that predate the Registration Document.**

The Management Company declares that, as of the verification date of this Registration Document, the Fund has not yet been incorporated and, therefore, its operations have not begun and no financial statement in respect thereof has been prepared.

**Historical financial information.**

Not applicable.

**8.2. bis This paragraph is to be used solely for issues of asset-backed securities with a denomination per unit of at least €50,000.**

Not applicable.

**Legal and arbitration procedures.**

Not applicable.

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

Not applicable.

**9. THIRD-PARTY INFORMATION, EXPERT OPINIONS AND DECLARATIONS OF INTERESTS.**

**Expert statements or reports.**

No declaration or report of any expert person is included.

**Information from third parties.**

No information from third parties is included.

**10. DOCUMENTS AVAILABLE FOR CONSULTATION.**

- (i) **The Bylaws and articles of incorporation of the Management Company.**
- (ii) **This Prospectus.**
- (iii) **The Articles of Incorporation of the Fund.**
- (iv) **The Subordinated Loan Agreement, the Guaranteed Rate Reinvestment Agreement and the Lead Manager, Subscription and Paying Agency Agreement.**
- (v) **Auditors' Report on the portfolio of Loans granted by Santander**, from which the Assets subject to assignment to the Fund shall be taken, as prepared by the firm Deloitte, S.L.
- (vi) **Certification of the resolution of Santander's Executive Committee**, from its October 13, 2014 meeting, at which it was resolved to carry out the assignment of the Assets to the Fund, **the certification of the resolution of the Management Company's Board of Directors meeting** of September 15, 2014, at which the following matters, inter alia, were resolved: the incorporation of the Fund, the acquisition by the Fund of the Assets assigned by Santander, and the issue of the Bonds against the Fund.

(vii) **The letters disclosing the provisional ratings and the letters disclosing the definitive ratings** on the part of DBRS and Moody's.

(viii) **The Annual Financial Statements and audit reports of the Management Company.**

A copy of all of the above documents may be inspected at the registered offices of the Management Company.

In addition, a copy of all documents mentioned in the above sections except for those contained in section i), iv) and viii) may be inspected at the CNMV at Calle Edison 4, Madrid, and at Paseo de Gracia 19, 4º planta, Barcelona.

A copy of the Prospectus will be available to the public on the CNMV's webpage ([www.cnmv.es](http://www.cnmv.es)), AIAF's webpage ([www.aiaf.es](http://www.aiaf.es)) and on the Management Company's webpage ([www.santanderdetitulizacion.com](http://www.santanderdetitulizacion.com)).

The Articles of Incorporation will be available to the public in Iberclear.

## SECURITIES NOTE

This Securities Note was prepared in accordance with Annex XIII of Regulation (EC) No. 809/2004 and was approved by the Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission) on November 11, 2014.

## **1. PERSONS RESPONSIBLE.**

### **Persons responsible for the information in the Securities Note and the Additional Building Block.**

MS. MARÍA JOSÉ OLMEDILLA GONZÁLEZ, acting in her capacity as Non-Director Secretary of the Board of Directors of SANTANDER DE TITULIZACIÓN, SGFT, SA, with registered office at Ciudad Grupo Santander, Avenida de Cantabria s / n. 28660, Boadilla del Monte (Madrid), is responsible for the information contained in this Securities Note and in the Additional Building Block.

MS. MARÍA JOSÉ OLMEDILLA GONZÁLEZ acts in furtherance of the powers conferred upon her expressly for the purpose of incorporating the Fund by the Board of Directors of the Manager at its meeting of September 15, 2014.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is the promoter of the securitization fund FONDO DE TITULIZACIÓN DE ACTIVOS, RMBS SANTANDER 3 and shall be responsible for the administration and legal representation thereof.

### **Declaration by those responsible for the Securities Note and the Additional Building Block.**

MS. MARÍA JOSÉ OLMEDILLA GONZÁLEZ declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Securities Note and in the Additional Building Block is, to the best of her knowledge, in accordance with the facts and contains no omission likely to affect its import.

## **2. RISK FACTORS.**

The risk factors specific to the Assets backing the issue and to the securities are those respectively described under sections II and III of the document included at the beginning of this Prospectus entitled "RISK FACTORS".

## **3. KEY INFORMATION.**

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

The natural and legal persons involved in the issue are:

- a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is intervening as the Fund's Manager and as legal and financial adviser in relation to the structure of the operation.
- b) BANCO SANTANDER, S.A. intervenes as the Assignor of the Assets, Subscriber of the Bond issue, Lead Manager of the Bond issue, Paying Agent and counterpart of the Fund in the Subordinated Loan Agreement and the Guaranteed Rate Reinvestment Agreement.
- c) DBRS and Moody's intervene as Rating Agency of the Bonds.
- d) CUATRECASAS GONÇALVES PEREIRA, S.L.P. intervenes as legal adviser with respect to the operation and has reviewed the tax scheme of the Fund contained in point 4.5.d) of the Registration Document
- e) DELOITTE, S.L. intervenes as auditor of the Management Company and Santander. Furthermore, it has prepared an audit report on the portfolio of Loans and has been appointed as auditor of the Fund.

Said persons have no interests, including conflicting ones, that are material to the issue, save for those specifically described in section 5.2 of the Registration Document.

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

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

###### **a) Total amount of the issue.**

The total amount of the Bonds issued is SEVEN BILLION FOUR HUNDRED AND SEVENTY FIVE MILLION EUROS (€7,475,000,000.00), represented by SEVENTY FOUR THOUSAND SEVEN HUNDRED AND FIFTY (74,750) Bonds of a nominal value of ONE HUNDRED THOUSAND EUROS (€100,000.00) each, distributed among three (3) Series of Bonds (A, B and C), each having the total nominal amount reflected below:

- **Series A:** with a total nominal amount of FIVE BILLION THREE HUNDRED AND NINETY FIVE MILLION EUROS (€5,395,000,000.00), constituted by FIFTY THREE THOUSAND NINE HUNDRED AND FIFTY (53,950) Bonds of a nominal value of ONE HUNDRED THOUSAND EUROS (€100,000.00) each;
- **Series B:** with a total nominal amount of ONE THOUSAND ONE HUNDRED AND FIVE MILLION EUROS (€1,105,000,000.00), constituted by ELEVEN THOUSAND AND FIFTY (11,050) Bonds of a nominal value of ONE HUNDRED THOUSAND EUROS (€100,000.00) each; and
- **Series C:** with a total nominal amount of NINE HUNDRED AND SEVENTY FIVE MILLION EUROS (€975,000,000.00), is constituted by NINE THOUSAND SEVEN HUNDRED AND FIFTY (9,750) Bonds of a nominal value of ONE HUNDRED THOUSAND EUROS (€100,000.00) each, charged against which it will provide the Reserve Fund;

###### **b) Subscription of the Issue.**

The Manager will sign a Management, Subscription and Paying Agency Agreement whereby the Assignor undertakes to subscribe all the Bonds in every Series issued by the Fund. Santander will not charge any commission for this commitment.

The Bonds will in all cases be subscribed and paid up at a price equal to the issue price of one hundred per cent (100%) of the nominal unit value.

The Lead Manager, Subscription and Paying Agency Agreement shall be terminated in the event that the Rating Agencies do not confirm the provisional Bond ratings contained in this Prospectus as definitive prior to the beginning of the Period of Subscription.

Santander in its capacity as the Lead Manager, shall act as such in the terms as provided for in section 5.2 of the Registration Document and shall not charge any commission for acting as Lead Manager or as Paying Agent.

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

This Securities Note is drawn up for purposes of the issue of securitized bonds by the FONDO DE TITULIZACIÓN DE ACTIVOS, RMBS SANTANDER 3.

The Bonds are negotiable fixed-income securities, with an explicit return, which represent a debt owed by their issuer, they accrue interest and are reimbursable according to the terms of this Securities Note.

##### **Legislation applicable to the securities.**

The Bonds are issued in accordance with the laws of Spain and, in particular, according to legal system established in (i) Royal Decree 926/1998 and implementing provisions; (ii) Royal Decree 1310/2005; (iii) Law 19/1992, for any matters not envisaged in Royal Decree 926/1998 and insofar as applicable; (iv) the Spanish Securities Market Law; (v) Order 3537/2005 of the Spanish Ministry of the Economy and Finance of November 10, 2005, which implemented article 27.4 of Spanish Securities Market Law 24/1988 of July 28; and (vi) any such other legal and regulatory provisions as may be in force and applicable from time to time.

This Securities Note has been prepared in accordance with the standard forms envisaged in Annex XIII of Regulation (EC) No 809/2004.

Any issue, discrepancy or dispute relating to the Fund or the Bonds issued against the Fund and arising during the operation or settlement of the Fund, whether between the holders of the Bonds or between these and the Manager, will be heard before the Spanish courts, with the parties expressly waiving any other jurisdiction or venue to which they may be entitled.

**Indication as to whether the securities are registered or bearer securities and if they are represented by certificates or by book entries.**

The Bonds will be represented by book entries in accordance with the stipulations of Royal Decree 926/1998, and will be constituted as same by virtue of recording in the proper accounts registry. The Articles of Incorporation will give rise to the effects stipulated in article 6 of the Law on the Stock Market, according to section 9 article 5th of Law 19/1992.

In accordance with the provisions of article 6 of Royal Decree 116/1992, the denomination, number of units, nominal value and other characteristics and conditions of the Bond Issue represented in book entry form are those included in the Deed of Incorporation and this Prospectus.

The Bondholders will be identified as such (in their own names or by third parties) as they are recorded in the accounting register kept by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) (Manager of the Securities Registration, Compensation and Settlement Systems), whose registered office is in Madrid, at Plaza de la Lealtad, 1, which has been designated as the entity in charge of the accounting registry of the Bonds. As such, the compensation and settlement of the Bonds will be made in accordance with the rules on securities traded in the AIAF Fixed Income Market, and represented by book entries, that are established or approved in the future by Iberclear.

**Currency of the issue.**

The Bonds shall be denominated in EUROS.

**Priority of the Securities.**

The Management Company, on behalf of the Fund, shall apply, upon each payment date, the sum total of the amounts received by the Fund in respect of principal and interest on the Assets, returns on the Cash Account, the Reserve Fund and any other amount received by the Fund, as provided in paragraph 3.4.6.a) of the Additional Building Block (the "**Available Funds**") towards the proper payments and withholdings, according to the Priority of Payments described in paragraph 3.4.6. (b) of the Additional Building Block, and the Priority of Payments described in section 3.4.6. (d) of the Additional Building Block, and

as to the payment of interest and principal of the Bonds, this may be summarized as follows:

**a) Payment of interest:**

- a.1 Accrued interest payable on Series A Bonds ranks (i) second (2nd) in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, and (ii) second (2nd) in the Order of Priority of Payments for Settlement described in section 3.4.6.(d) of the Additional Building Block.
- a.2 Accrued interest payable on the Series B Bonds ranks (i) third (3rd) in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, unless the replacement envisaged in section 3.4.6.(c) of the Additional Building Block occurs, in which case it shall rank fifth (5th) in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block, and (ii) fourth (4th) in the Order of Priority of Payments for Settlement described in section 3.4.6.(d) of the Additional Building Block.
- a.3 The interest accrued on Series C Bonds is classified into two parts: the Ordinary Part and the Extraordinary Part.

Payment of the Ordinary Part of the interest accruing on the Series C Bonds ranks (i) seventh (7th) in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, and (ii) sixth (6th) in the Order of Priority of Payments for Settlement, as described in section 3.4.6.(d) of the Additional Building Block.

On each Payment Date on which the Fund has sufficient liquidity, the Manager will pay Series C Bondholders a variable amount as extraordinary interest (the "**Extraordinary Part**") for a sum equal to the excess liquidity of the Liquid Funds after paying all concepts that rank higher in the Order of Priority of Payments, and for a sum equal to the excess liquidity of the Liquid Funds for Settlement after paying all concepts that rank higher in the Order of Priority of Payments for Settlement.

Payment of the Extraordinary Part of the interest accruing on the Series C Bonds ranks (i) twelfth (12th) in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, and (ii) eleventh (11th) place in the Order of Priority of Payments for Settlement, as described in section 3.4.6.(d) of the Additional Building Block.

**b) Redemption of principal:**

**Under the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block.**

The withholding amount, for each Payment Date, being the difference (if positive) between (i) the sum of the Outstanding Principal Balance of Payment on Series A and B Bonds at the Determination Date for each Payment Date, and (ii) the Outstanding Balance of the Non-Failed Assets on this date (the "**Accrued Amortization Amount**") to be allocated to the amortization of Series A and B Bonds, goes fourth (4th) in the Priority of Payments established in section 3.4.6.(b) of the

Additional Building Block. Said redemption shall be carried out in accordance with the following rules of subordination between the two (2) Series:

- b.1 Available Funds for Redemption on each Payment Date shall be used to redeem principal of Series A Bonds, until redeemed in full.
- b.2 Once the Series A Bonds have been redeemed, all Available Funds for Redemption shall be used on each Payment Date to redeem principal of Series B Bonds, until redeemed in full.

The redemption of Series C Bonds ranks eighth (8th) in the Order of Priority of Payments envisaged in section 3.4.6.(b) of the Additional Building Block. Since the Series C Bonds will be redeemed through the partial release of the Reserve Fund, the redemption of Series C Bonds could commence prior to the redemption of the Series B Bonds.

**Under the Order of Priority of Payments for Settlement described in section 3.4.6.(d) of the Additional Building Block.**

Redemption of principal of Series A Bonds ranks third (3th) in the Order of Priority of Payments for Settlement established in section 3.4.6.(d) of the Additional Building Block.

Redemption of principal of Series B Bonds ranks fifth (5th) in the Order of Priority of Payments for Settlement established in section 3.4.6.(d) of the Additional Building Block.

Redemption of the Series C Bonds takes seventh (7th) place in the Order of Priority of Liquidation Payments established in section 3.4.6.(d) of the Additional Building Block.

**Description of rights attached to the securities and procedure for exercising said rights.**

In accordance with current law in force, the Bonds detailed in this Securities Note shall not counter upon the investor that acquires them any present and/or future political right in respect of the Fund.

The economic and financial rights for the investor associated with the acquisition and holding of the Bonds will be those deriving from the interest rate conditions, returns and form of redemption with which they are issued and which are reflected in sections 4.8 and 4.9 below.

The financial servicing of the Bonds issued against the Fund shall be handled by Santander, as Paying Agent, which, on each of the Payment Dates of the Bonds, shall pay the interest and repay the principal on the Bonds in accordance with the instructions received from the Manager.

Payments to be made by the Paying Agent shall be carried out through the relevant institutions participating in Iberclear, in whose records the Bonds are registered, as per the applicable procedures for said service.

Bondholders will have no action against the Manager unless the latter breaches its obligations described in this Prospectus, in the Deed of Incorporation, or those provided by law. The Manager is the only authorized representative of the Fund before third parties and in any kind of legal proceedings, pursuant to applicable legislation.



Any issue, discrepancy or dispute relating to the Fund or the Bonds issued against the Fund and arising during the operation or settlement of the Fund, whether between the holders of the Bonds or between these and the Manager, will be heard before the Spanish courts, with the parties expressly waiving any other forum or venue to which they may be entitled.

Bondholders shall not have any action against Debtors of the Assets that are in default of their payments obligations, with the Manager being the party entitled to proceed accordingly as the representative of the Fund.

**The nominal interest rate and provisions relating to interest payments.**

Subject to section 4.6.a) a.3 above, regarding the Extraordinary Part of the interest on Series C Bonds, the return on the Bonds shall be determined for each Series (including the ordinary Part of the interest accrued by Series C Bonds), through a variable interest rate, pursuant to the following provisions:

- a) All Bond Series shall accrue, from the Disbursement Date until their total redemption, a variable annual nominal interest quarterly. Such interest will be paid quarterly in arrears on each Payment Date provided that the Fund has sufficient Available Funds in the Cash Account, in accordance with the Priority of Payments established for each Series in paragraph 3.4.6.(b) of the Additional Building Block, or in accordance with the Priority of Payments for Settlement under paragraph 3.4.6.(d) of the Additional Building Block, and shall be calculated on the Outstanding Principal Balance of Payment for each Series of Bonds on the fifth (5th) Business Day prior to each Payment Date (the "**Determination Date**").

Any withholdings and taxes established or to be established in the future on principal, interest or returns on the Bonds shall be at the exclusive cost of the Bondholders and the amounts shall be deducted, as the case may be, by the Management Company, acting for and on behalf of the Fund, through the Paying Agent, in the manner legally established.

- b) For the purposes of the accrual of interest on Bonds from all Series, the duration of the issue shall be divided into successive Interest Accrual Periods comprising the days actually transpired between each Payment Date, including in each Interest Accrual Period the initial Payment Date and excluding the final Payment Date. The first Interest Accrual Period shall have a term equal to the quarter, equivalent to the period between the Disbursement Date and the First Payment Date (February 18, 2015).
- c) The Nominal Annual Interest Rate applicable to each Bonds Series for each Interest Accrual Period will be obtained by adding: (i) the Benchmark Interest Rate, determined in accordance with letter e) below, common to all Bond Series, plus (ii) the applicable margin for each Bond Series, determined in accordance with letter d) below, rounded out to the closest one-thousandth of a percent (if the proximity for rounding up or down is identical, then the figure will invariably be rounded up). The Nominal Interest Rate will be calculated in accordance with the rules described in this section. The Rate Setting Date for the Nominal Interest Rate will be the second Business Day prior to the Payment Date that marks the start of the corresponding Interest Accrual Period. Exceptionally, the Rate Setting Time for the first Interest Accrual Period will coincide with the Incorporation Date.

The Nominal Interest Rate on the Bonds for the first Interest Accrual Period shall be determined on the basis of the Reference Interest Rate existing at 11:00 a.m. (CET time) on the Incorporation Date.

The Nominal Interest Rate determined for all Bond Series for successive Interest Accrual Periods shall be notified to the Bondholders within the term and in the manner envisaged under section 4 of the Additional Building Block.

The Manager will report to the CNMV, as additional information, the Nominal Interest Rate of the Bonds for the first Interest Accrual Period.

- d) The Nominal Interest Rate determined for each Interest Accrual Period for each Series shall be that resulting from adding together: (i) the EURIBOR Benchmark Interest Rate at three (3) months or, otherwise, its substitute (as described under letter e) below) and (ii) the applicable spread, as described below for each Series:

- 0.58% for Series A Bonds;
- 0.63% for Series B Bonds, and
- 0.65% for the Ordinary Part of Series C Bonds plus the Extra Part.

The resulting figure will be rounded up/down to the nearest one thousandth of a percent, and rounded up in the event of equidistance.

- e) The Benchmark Interest Rate for determining the Nominal Interest Rate applicable to all the Bonds shall be the EURIBOR rate at three (3) months or, where necessary, its substitute rate, determined as follows.

- (i) The EURIBOR rate is the money market reference rate for deposits in euros at three (3) months maturity. The EURIBOR rate at three (3) months shall be that displayed on the REUTERS screen, page "EURIBOR01" (or any such other page as may come to take over this service) at 11.00 a.m. (CET time) on the corresponding Rate Setting Time.

Exceptionally, the Reference Interest Rate for the first Interests Accrual Period will be the lineal interpolation between the two (2) month EURIBOR rate and the three (3) month EURIBOR rate, fixed at 11.00 a.m. (CET time) of the Incorporation Date on the EURIBOR01 screen, provided by Reuters, taking into account the number of days of the first Interest Accrual Period.

The Reference Interest Rate for the First Accrual Period shall be calculated in accordance with the following formula.

$$R = E_2 + \left[ \frac{E_3 - E_2}{d_3 - d_2} \right] \times (d_t - d_2)$$

where:

R = Reference Interest Rate for the First Accrual Period

d<sub>t</sub> = Number of days of the First Accrual Period

d<sub>2</sub> = Number of days corresponding to the two (2) month Euribor

d<sub>3</sub> = Number of days corresponding to the three (3) month Euribor

E<sub>2</sub> = Two (2) month Euribor rate

$E_3$  = Three (3) month Euribor rate

(ii) In the event of an absence of rates as provided by section (i) above, the following shall apply as a substitute Reference Interest Rate: the interest rate that is the simple average of the interbank interest rates for deposit operations in euros at three months as soon as possible after 11.00 hours (CET time) on the Rate Setting Date, corresponding to the following institutions:

- Banco Santander, London Branch;
- Bank of America N.T.&S.A., London Branch; and
- J.P. Morgan Securities Limited;

all rounded to the nearest one-thousandth of one per cent (rounding up in case of equidistance).

If it proves impossible to apply the aforementioned substitute Benchmark Interest Rate as a consequence of one of the aforesaid institutions failing to report rate quotations on a continuous basis, the applicable interest rate will be the simple arithmetic mean of the interest rates reported by the remaining two (2) institutions.

If one of the two (2) remaining institutions mentioned above should cease to furnish quotations, the last Nominal Interest Rate applicable to the most recent Interest Accrual Period will apply, and so on for successive Interest Accrual Periods, as long as said situation persists.

If at least two (2) of the aforementioned institutions should once again provide quotations, the subsidiary substitute Benchmark Interest Rate shall once again apply, as per the above rules.

The Manager shall keep the lists detailing the contents of the REUTERS screens or, as the case may be, the reported quotations of the institutions mentioned above, as documents evidencing the relevant rate.

At each Rate Setting Time, the Paying Agent shall notify the Manager of the Benchmark Interest Rate to serve as the base for calculating the nominal interest rate applicable to each Bond Series.

- f) The Nominal Interest Rate shall accrue on the days effectively transpired during each Interest Accrual Period for which the rate has been determined, calculated on the basis of a year containing three hundred and sixty (360) days.
- g) The interest accrued on the Bonds of all Series shall be due quarterly, on each Payment Date, i.e. on February 18, May 18, August 18 and November 18 of each year, until redeemed in full, provided that the Fund has Available Funds in the Cash Account in accordance with the Order of Priority of Payments contemplated for each Series in section 3.4.6.(b) of the Additional Building Block.

If any date established in the above paragraph does not fall on a Business Day, the interest payment shall be made on the immediately following Business Day, with interest pertaining to the Interest Accrual Period in progress accruing up to but not including the first abovementioned Business Day.

- h) The first interest payment on the Bonds belonging to all Series will be effected on February 18, 2015, with interest accruing at the relevant Nominal Interest Rate from the Disbursement Date (inclusive) until the First Payment Date (non-inclusive).
- i) The calculation of the interest (excluding the Extraordinary Part of Series C) due on each Payment Date for each Bond Series at each Interest Accrual Period shall be performed in accordance with the following formula:

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

where:

I = Interest to be paid on a given Payment Date.

P = Outstanding Principal Balance of the Bonds on the Determination Date, i.e. the fifth (5th) Business Day ahead of each Payment Date, pertaining to said Payment Date.

R = Nominal interest rate.

d = Number of effective days pertaining to each Interest Accrual Period.

Both the interest resulting in favor of the Bondholders, calculated as provided above, and the amount of interest accrued and not paid, shall be notified to the Bondholders in the manner described under section 4 of the Additional Building Block at least one (1) calendar day ahead of each relevant Payment Date.

Interest on the Extraordinary Part of Series C Bonds will be the result of distributing, on a pro-rated basis, the amount described for such concept in section 4.6.a)a.3 above among the NINE THOUSAND SEVEN HUNDRED AND FIFTY (9,750) Series C Bonds.

- j) The payment of accrued interest shall take place on each Payment Date, provided that the Fund has Available Funds in the Cash Account, in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of the Additional Building Block or, as the case may be, on the Legal Maturity Date or when the Early Liquidation of the Fund occurs as provided in section 4.4.3 of the Registration Document, according to the Order of Priority of Liquidation Payments established in section 3.4.6.(d) of the Additional Building Block.
- k) The Nominal Interest Rate for each Bond Series will be calculated by the Manager.

#### **4.8.1 Valid period in which interest can be claimed.**

Interest on the Bonds shall be paid until the respective redemption thereof, on each Payment Date and provided the Fund has the Available Funds, in accordance with the Order of Priority of Payments stated in section 3.4.6.(b) of the Additional Building Block.

In the event that on any Payment Date, the Fund cannot make full or partial payment of the interest accrued on the Bonds of any Series, in accordance with the Order of Priority of Payments established in section 3.4.6.(b) of the Additional Building Block, the amounts which the bondholders do not receive shall be accumulated on the next Payment Date to the interest of the same Series which, as the case may be, is applicable to pay on that same Payment Date, and shall be

paid according to the Order of Priority of Payments at the next Payment Date that the Fund has sufficient liquidity, and in order of maturity if payment cannot be made in full due to insufficient Available Funds.

Unpaid amounts of due interest will not accrue additional or default interest and will not be added to the Outstanding Principal Balance of the Bonds.

The Fund, through its Management Company, may not defer the payment of interest on the Bonds beyond the Legal Maturity Date, or if such date is not a Business Day, the next Business Day.

**4.8.2 Description of any episode of market distortion of underlying rate.**

Not applicable.

**4.8.3 Rules for adjusting the underlying.**

Not applicable.

**4.8.4 Calculation agent.**

The Management Company will calculate the Nominal Interest Rate for each Bond Series.

**Redemption price and provisions concerning maturity of the securities.**

**Reimbursement price of the Bonds.**

The reimbursement price for the Bonds for each Series will be ONE HUNDRED THOUSAND EUROS (€100,000.00) per Bond, equivalent to their nominal value, free of expenses and taxes for the bondholder, due at each Payment Date, as established in the following sections.

Each and every Bond from the same Series will be redeemed in the same amount by reducing the nominal amount of each of them.

**Maturity of the Bonds.**

Maturity of the Bonds of all Series will take place at the Payment Date on which they are fully redeemed or at the Legal Maturity Date of the Fund.

**Date of redemption of the Bonds.**

The Bonds shall be redeemed by reduction of their face value at each Payment Date (that is, on February 18, May 18, August 18 and November 18 of each year, or if any of these days is not a Business Day, the next Business Day) until redeemed in full, in accordance with the redemption rules established below. However, redemption of Series C will take place at each of the Payment Dates, as from the Payment Date on which its repayment is to begin following the first partial release of the Reserve Fund through until full redemption, and thus redemption of the Series C Bonds may begin prior to the redemption of the Series B Bonds.

**Distribution of the Available Redemption Funds.**

The following are Available Redemption Funds: the amount to be applied towards redemption of Series A and B Bonds on each Payment Date and which shall be the lesser of the following amounts:(i) the Accrued Redemption Amount of Series A and B Bonds, and (ii) based on the Available Funds existing on each Payment

Date, the remainder of Available Funds (as defined under section 3.4.6.(a) of the Additional Building Block), after deducting the amounts applied to the concepts in points 1 through 3 of the Order of Priority of Payments contemplated under section 3.4.6.(b) of the Additional Building Block.

Accrued Redemption Amount shall be deemed, without distinction of Series A and B Bonds, the difference (if positive) between (i) the sum of the Balance of Principal Pending Payment on the Series A and B Bonds on the Determination Date prior to each Payment Date, and (ii) the Outstanding Balance of the Non Failed Assets on that date.

The Fund, through the Manager, may not postpone the redemption of the Bonds beyond the Legal Maturity Date or, if not a Business Day, beyond the immediately following Business Day.

#### **Ordinary and extraordinary rules of redemption.**

##### **a) Series A and B Bonds**

###### **• Redemption of Series A Bonds:**

Principal on the Series A Bonds will be redeemed through partial redemptions at each Payment Date until redeemed in full, based on the Liquid Funds for Redemption.

The first redemption payment on the Series A Bonds shall take place, at the Payment Date on February 18, 2015.

###### **• Redemption of Series B Bonds:**

Once the Series A Bonds have been redeemed, principal on the Series B Bonds will be redeemed at each Payment Date through partial redemptions until fully redeemed, based on the Liquid Funds for Redemption.

##### **b) Series C**

The Series C Bonds will be partially redeemed on each of the Payment Dates, running from the Payment Date on which their redemption commences through to the total redemption thereof, in an amount equal to the Amount Accrued for Redemption of Series C withheld in accordance with the Order of Priority of Payments, this being equivalent to the positive difference existing between the Outstanding Principal Balance for Series C at the Calculation Date corresponding to a Payment Date, and the Required Level of the Reserve Fund at the corresponding Payment Date.

For Series C to begin to be redeemed before those of Series B, none of the following circumstances must be present, as explained in Additional Building Block to the Securities Note under section 3.4.2.2.(i):

- If on the prior Payment Date the Reserve Fund has not been endowed with an amount equal to the Required Amount; or
- If, on the Determination Date before the relevant Payment Date, the Outstanding Balance on the Loans that are in default by more than ninety (90) days delayed payment of amounts due, excluding Failed

Loans (the "**Defaulted Loans**") on the Outstanding Balance of the Assets not classified as Non-Performing Assets ("**Performing Assets**"), is greater than one percent (1%).

- If three (3) years have not passed since the constitution of the Fund.

Notwithstanding the foregoing, the Management Company is authorized to proceed with the Early Settlement of the Fund and, with it, the Early Redemption of the entire issue of Bonds, pursuant to the terms established under section 4.4.3 of the Registration Document.

The Fund, through the Manager, may not postpone the redemption of the Bonds beyond the Legal Maturity Date or, if not a Business Day, beyond the following Business Day.

#### **Early Redemption of the Bonds issue.**

Independently to the obligation of the Fund, through the Manager, to proceed with the final redemption of the Bonds at the Legal Maturity Date or with redemptions of each Series prior to the Legal Maturity Date, the Manager, after notifying the CNMV, is authorized to proceed, where appropriate, with the Early Settlement of the Fund and consequently the Early Redemption of the whole Bond issue, in accordance with the situations of Early Settlement and the requirements detailed in section 4.4.3 of the Registration Document, and subject to the Order of Priority of Payments for Settlement described in section 3.4.6.(d) of the Additional Building Block.

#### **Legal Maturity Date.**

The Legal Maturity Date, and consequently, the definitive redemption of the Bonds is November 18, 2064, or if that is not a Business Day, the following Business Day, subject to the Management Company, on behalf of the Fund, and according to the provisions in section 4.9., proceeding to redeem some or all the Bond Series prior to the Legal Maturity Date. The definitive redemption of the Bonds at the Legal Maturity Date will be carried out subject to the Order of Priority of Liquidation Payments described in section 3.4.6.(d) of the Additional Building Block.

#### **Indication of investor returns and calculation method**

The principal feature to the Bonds lies in the fact of their periodic redemption and, therefore, their average life and term depends mainly on the speed with which the Debtors decide to pay off their Loans.

In this regard, the prepayments which the Debtors decide to make are subject to continuous change, and are estimated in this Prospectus by the use of various future CAPRs. Consequently, they will directly affect the speed of repayment of the Assets and, therefore, the average life and term of the Bonds.

There are similarly other variables subject to continuous changes affecting the average life and duration of the Bonds. These variables and their hypothetical values reflected in all the tables appearing in this section are:

- (i) Interest rate on the Assets portfolio: 1.69% (average weighted rate at October 8, 2014 for the portfolio of selected loans that has been used for the calculation of the repayment and interest amounts on each of the loans);

- (ii) Arrears in the portfolio of Assets (over 90 days): 6.43% of the Outstanding Balance of the Assets, with sixty per cent (60%) recovery after 18 months.
- (iii) Non-performing loans in the portfolio of Assets: 5.36% of the Outstanding Balance of Assets, with 50% recovery after 12 months from having been flagged as non-performing;
- (iv) That the disbursement date of the Bonds is November 19, 2014;
- (v) That the CAPR holds constant throughout the life of the Bonds;
- (vi) That there is no Amortization Deficit;
- (vii) Non-performing Loans accumulated in the portfolio Loans of 5.50% with a CAPR of 4%, 5.36% with a CAPR of 6% and 5.16% with a CAPR of 8%, as at September 30, 2014;
- (viii) That the hypotheses for repayment of Series C foreseen in section 4.9.5 of the Securities Note do not exist, so that there is never any reduction in the amount of the Reserve Fund;
- (ix) There is no postponement in the payment of interest on the Series B Bonds.

Variables (ii) (iii), (v) and (vii) above and the CAPR used in the charts included herein below, originate from historical information provided by the Assignor of portfolios with characteristics similar to the financing granted to individuals (clients and employees) for the acquisition, construction or renovation of housing in Spain, or to subrogations by individuals of financing granted to developers for the construction of housing in Spain, to be sold and are reasonable for this portfolio of Loans.

Finally, the adjusted actual term of the Bonds will also depend on their variable interest rate, and in all of the tables where they appear in this section, the interest rates are assumed as constant for Series A at 0.661%; at 0.711% for Series B; and at 0.731% for Series C, taking as a reference 0.081% (three month EURIBOR on November 05, 2014), plus a margin of 0.58% for Series A, of 0.63% for Series B, and of 0.65% for Series C plus the Extra Part.

Taking into consideration the margins indicated above for each Series, the average weighted margin of the issue is zero point five nine seven per cent (0.597%) and the average weighted interest rate of the issue is zero point six seven eight per cent (0.678%).

Assuming that the Management Company, acting on behalf of the Fund, proceeds with the Early Liquidation of the Fund, as contemplated under section 4.4.3.(1) of the Registration Document when the Outstanding Balance of the Assets (excluding Non-Performing Loans) is less than ten per cent (10%) of the outstanding balance of the Assets on the incorporate date, the average life, term, maturity and IIR of the Bonds at different CAPRs would be as follows.



| <b>CAPR 4%</b>      |                   |                   |                   |
|---------------------|-------------------|-------------------|-------------------|
|                     | <b>SERIES A</b>   | <b>SERIES B</b>   | <b>SERIES C</b>   |
| <b>MATURITY</b>     | <b>11/18/2031</b> | <b>02/18/2035</b> | <b>02/18/2035</b> |
| <b>AVERAGE LIFE</b> | <b>7.68</b>       | <b>19.92</b>      | <b>20.68</b>      |
| <b>DURATION</b>     | <b>6.18</b>       | <b>18.09</b>      | <b>18.72</b>      |
| <b>IRR</b>          | <b>0.672%</b>     | <b>0.723%</b>     | <b>0.744%</b>     |
| <b>CAPR 6%</b>      |                   |                   |                   |
|                     | <b>SERIES A</b>   | <b>SERIES B</b>   | <b>SERIES C</b>   |
| <b>MATURITY</b>     | <b>11/18/2029</b> | <b>02/18/2033</b> | <b>02/18/2033</b> |
| <b>AVERAGE LIFE</b> | <b>6.49</b>       | <b>17.91</b>      | <b>18.68</b>      |
| <b>DURATION</b>     | <b>5.29</b>       | <b>16.34</b>      | <b>16.99</b>      |
| <b>IRR</b>          | <b>0.672%</b>     | <b>0.723%</b>     | <b>0.744%</b>     |
| <b>CAPR 8%</b>      |                   |                   |                   |
|                     | <b>SERIES A</b>   | <b>SERIES B</b>   | <b>SERIES C</b>   |
| <b>MATURITY</b>     | <b>11/18/2027</b> | <b>02/18/2031</b> | <b>02/18/2031</b> |
| <b>AVERAGE LIFE</b> | <b>5.58</b>       | <b>15.96</b>      | <b>16.68</b>      |
| <b>DURATION</b>     | <b>4.58</b>       | <b>14.62</b>      | <b>15.23</b>      |
| <b>IRR</b>          | <b>0.672%</b>     | <b>0.723%</b>     | <b>0.744%</b>     |

The Manager expressly warrants that the financial service chart for each of the Series described below are purely theoretical and are intended for illustrative purposes.

Below is the table for the financial service of each Series, for a 4%, 6% and 8% CAPR.

FLOWS FOR EACH BOND WITHOUT BONDHOLDER WITHHOLDING (IN EUROS)

C.A.P.R.=4%

|           | AMORT.<br>SERIES A | GROSS INT<br>SERIES A | TOTAL<br>SERIES | AMORT.<br>SERIES B | GROSS<br>SERIES | TOTAL<br>SERIES B | AMORT.<br>SERIES C | GROSS<br>SERIES | TOTAL<br>SERIES C |
|-----------|--------------------|-----------------------|-----------------|--------------------|-----------------|-------------------|--------------------|-----------------|-------------------|
| 19-nov-14 |                    |                       |                 |                    |                 |                   |                    |                 |                   |
| 18-feb-15 | 1,563.84           | 167.09                | 1,730.92        | 0.00               | 179.73          | 179.73            | 0.00               | 184.78          | 184.78            |
| 18-may-15 | 2,199.46           | 160.86                | 2,360.31        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-15 | 2,195.74           | 162.57                | 2,358.31        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-15 | 2,552.01           | 158.86                | 2,710.86        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-16 | 2,138.42           | 154.55                | 2,292.97        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-may-16 | 2,116.86           | 147.65                | 2,264.51        | 0.00               | 177.75          | 177.75            | 0.00               | 182.75          | 182.75            |
| 18-aug-16 | 2,094.41           | 147.36                | 2,241.76        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-16 | 2,069.80           | 143.82                | 2,213.62        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-17 | 2,041.02           | 140.32                | 2,181.34        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-may-17 | 2,013.54           | 132.41                | 2,145.95        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-17 | 1,987.99           | 133.47                | 2,121.46        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-17 | 1,961.74           | 130.12                | 2,091.85        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-18 | 1,935.57           | 126.80                | 2,062.38        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-may-18 | 1,909.28           | 119.50                | 2,028.78        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-18 | 1,884.77           | 120.31                | 2,005.08        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-18 | 1,859.67           | 117.12                | 1,976.79        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-19 | 1,835.25           | 113.98                | 1,949.23        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-may-19 | 1,810.44           | 107.27                | 1,917.70        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-19 | 1,786.98           | 107.82                | 1,894.80        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-19 | 1,763.18           | 104.80                | 1,867.99        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-20 | 1,739.51           | 101.83                | 1,841.33        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-20  | 1,714.97           | 96.74                 | 1,811.71        | 0.00               | 177.75          | 177.75            | 0.00               | 182.75          | 182.75            |
| 18-aug-20 | 1,692.69           | 95.99                 | 1,788.68        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-20 | 1,669.63           | 93.13                 | 1,762.76        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-21 | 1,647.21           | 90.31                 | 1,737.52        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-21  | 1,624.26           | 84.67                 | 1,708.93        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-21 | 1,602.99           | 84.79                 | 1,687.78        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-21 | 1,581.13           | 82.08                 | 1,663.21        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-22 | 1,559.62           | 79.41                 | 1,639.03        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-22  | 1,537.69           | 74.27                 | 1,611.96        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-22 | 1,517.22           | 74.17                 | 1,591.40        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-22 | 1,496.10           | 71.61                 | 1,567.71        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-23 | 1,475.41           | 69.08                 | 1,544.50        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-23  | 1,454.28           | 64.42                 | 1,518.70        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-23 | 1,434.73           | 64.14                 | 1,498.86        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-23 | 1,414.57           | 61.71                 | 1,476.28        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-24 | 1,394.73           | 59.32                 | 1,454.05        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-24  | 1,374.68           | 55.73                 | 1,430.41        | 0.00               | 177.75          | 177.75            | 0.00               | 182.75          | 182.75            |
| 18-aug-24 | 1,355.31           | 54.64                 | 1,409.96        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-24 | 1,335.89           | 52.35                 | 1,388.24        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-25 | 1,316.47           | 50.10                 | 1,366.57        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-25  | 1,296.27           | 46.31                 | 1,342.58        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-25 | 1,277.56           | 45.68                 | 1,323.25        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-25 | 1,258.23           | 43.53                 | 1,301.75        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-26 | 1,239.35           | 41.40                 | 1,280.75        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-26  | 1,220.28           | 38.03                 | 1,258.30        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-26 | 1,201.49           | 37.25                 | 1,238.74        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-26 | 1,182.95           | 35.22                 | 1,218.17        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-27 | 1,163.60           | 33.22                 | 1,196.81        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-may-27 | 1,144.68           | 30.23                 | 1,174.91        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-27 | 1,127.28           | 29.32                 | 1,156.60        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-27 | 1,108.78           | 27.41                 | 1,136.20        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-28 | 1,090.49           | 25.54                 | 1,116.03        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-28  | 1,072.14           | 23.18                 | 1,095.33        | 0.00               | 177.75          | 177.75            | 0.00               | 182.75          | 182.75            |
| 18-aug-28 | 1,054.89           | 21.89                 | 1,076.78        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-28 | 1,037.46           | 20.11                 | 1,057.56        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-29 | 1,020.28           | 18.35                 | 1,038.63        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-29  | 1,002.85           | 16.09                 | 1,018.94        | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-29 | 985.47             | 14.94                 | 1,000.41        | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-29 | 967.91             | 13.27                 | 981.19          | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-30 | 950.76             | 11.64                 | 962.39          | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-30  | 934.20             | 9.70                  | 943.91          | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-30 | 917.46             | 8.45                  | 925.91          | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-30 | 900.62             | 6.90                  | 907.53          | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-feb-31 | 883.86             | 5.38                  | 889.25          | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 8-may-31  | 867.19             | 3.76                  | 870.95          | 0.00               | 175.78          | 175.78            | 0.00               | 180.72          | 180.72            |
| 18-aug-31 | 851.86             | 2.42                  | 854.28          | 0.00               | 181.70          | 181.70            | 0.00               | 186.81          | 186.81            |
| 18-nov-31 | 833.04             | 0.98                  | 834.03          | 1,234.12           | 181.70          | 1,415.82          | 0.00               | 186.81          | 186.81            |
| 18-feb-32 | 0.00               | 0.00                  | 0.00            | 4,006.90           | 179.46          | 4,186.36          | 0.00               | 186.81          | 186.81            |
| 8-may-32  | 0.00               | 0.00                  | 0.00            | 3,928.80           | 168.43          | 4,097.24          | 0.00               | 182.75          | 182.75            |
| 18-aug-32 | 0.00               | 0.00                  | 0.00            | 3,851.42           | 165.04          | 4,016.46          | 0.00               | 186.81          | 186.81            |
| 18-nov-32 | 0.00               | 0.00                  | 0.00            | 3,770.82           | 158.04          | 3,928.86          | 0.00               | 186.81          | 186.81            |
| 18-feb-33 | 0.00               | 0.00                  | 0.00            | 3,694.95           | 151.19          | 3,846.14          | 0.00               | 186.81          | 186.81            |
| 8-may-33  | 0.00               | 0.00                  | 0.00            | 3,615.05           | 139.76          | 3,754.82          | 0.00               | 180.72          | 180.72            |
| 18-aug-33 | 0.00               | 0.00                  | 0.00            | 3,533.61           | 137.91          | 3,671.52          | 0.00               | 186.81          | 186.81            |
| 18-nov-33 | 0.00               | 0.00                  | 0.00            | 3,450.62           | 131.49          | 3,582.11          | 0.00               | 186.81          | 186.81            |
| 18-feb-34 | 0.00               | 0.00                  | 0.00            | 3,371.92           | 125.22          | 3,497.13          | 0.00               | 186.81          | 186.81            |
| 8-may-34  | 0.00               | 0.00                  | 0.00            | 3,281.24           | 115.21          | 3,396.45          | 0.00               | 180.72          | 180.72            |
| 18-aug-34 | 0.00               | 0.00                  | 0.00            | 3,179.40           | 113.13          | 3,292.53          | 0.00               | 186.81          | 186.81            |
| 18-nov-34 | 0.00               | 0.00                  | 0.00            | 3,081.92           | 107.35          | 3,189.27          | 0.00               | 186.81          | 186.81            |
| 18-feb-35 | 0.00               | 0.00                  | 0.00            | 55,999.22          | 101.75          | 56,100.97         | 100,000.00         | 186.81          | 100,186.81        |
|           | 100,000.00         | 4,867.39              | 104             | 100,000.00         | 14,054.7        | 114,054.77        | 100,000.00         | 15,017.99       | 115,017.99        |

FLows FOR EACH BOND WITHOUT BONDHOLDER WITHHOLDING (IN EUROS)

C.A.P.R.= 6%

|           | AMORT.     | GROSS INT | TOTAL      | AMORT.     | GROSS INT | TOTAL     | AMORT.    | GROSS INT | TOTAL      |
|-----------|------------|-----------|------------|------------|-----------|-----------|-----------|-----------|------------|
| SERIES A  | SERIES A   | SERIES A  | SERIES B   | SERIES B   | SERIES B  | SERIES C  | SERIES C  | SERIES C  | SERIES C   |
| 19-nov-14 |            |           |            |            |           |           |           |           |            |
| 18-feb-15 | 2,188.10   | 167.09    | 2,355.19   | 0.00       | 179.73    | 179.73    | 0.00      | 184.78    | 184.78     |
| 18-may-15 | 2,797.41   | 159.84    | 2,957.25   | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-15 | 2,767.64   | 160.50    | 2,928.15   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-15 | 3,097.96   | 155.83    | 3,253.78   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-16 | 2,658.26   | 150.59    | 2,808.85   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-16 | 2,612.47   | 142.93    | 2,755.40   | 0.00       | 177.75    | 177.75    | 0.00      | 182.75    | 182.75     |
| 18-aug-16 | 2,566.35   | 141.69    | 2,708.04   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-16 | 2,518.70   | 137.35    | 2,656.05   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-17 | 2,467.61   | 133.10    | 2,600.71   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-17 | 2,418.37   | 124.73    | 2,543.09   | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-17 | 2,371.53   | 124.85    | 2,496.38   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-17 | 2,324.59   | 120.84    | 2,445.43   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-18 | 2,278.29   | 116.91    | 2,395.20   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-18 | 2,232.41   | 109.38    | 2,341.79   | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-18 | 2,188.74   | 109.29    | 2,298.03   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-18 | 2,145.04   | 105.60    | 2,250.63   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-19 | 2,102.48   | 101.97    | 2,204.45   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-19 | 2,060.06   | 95.21     | 2,155.27   | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-19 | 2,019.38   | 94.94     | 2,114.32   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-19 | 1,978.87   | 91.53     | 2,070.40   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-20 | 1,938.96   | 88.19     | 2,027.14   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-20 | 1,898.75   | 83.07     | 1,981.82   | 0.00       | 177.75    | 177.75    | 0.00      | 182.75    | 182.75     |
| 18-aug-20 | 1,861.02   | 81.70     | 1,942.73   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-20 | 1,823.06   | 78.56     | 1,901.62   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-21 | 1,786.11   | 75.48     | 1,861.59   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-21 | 1,749.14   | 70.10     | 1,819.24   | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-21 | 1,714.08   | 69.51     | 1,783.59   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-21 | 1,678.91   | 66.61     | 1,745.53   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-22 | 1,644.48   | 63.78     | 1,708.25   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-22 | 1,610.09   | 59.01     | 1,669.10   | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-22 | 1,577.36   | 58.28     | 1,635.64   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-22 | 1,544.47   | 55.62     | 1,600.08   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-23 | 1,512.33   | 53.01     | 1,565.34   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-23 | 1,480.21   | 48.81     | 1,529.02   | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-23 | 1,449.80   | 47.95     | 1,497.75   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-23 | 1,419.25   | 45.50     | 1,464.75   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-24 | 1,389.33   | 43.11     | 1,432.43   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-24 | 1,359.59   | 39.87     | 1,399.46   | 0.00       | 177.75    | 177.75    | 0.00      | 182.75    | 182.75     |
| 18-aug-24 | 1,330.78   | 38.46     | 1,369.24   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-24 | 1,302.26   | 36.21     | 1,338.47   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-25 | 1,274.10   | 34.01     | 1,308.11   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-25 | 1,245.64   | 30.82     | 1,276.47   | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-25 | 1,218.73   | 29.76     | 1,248.49   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-25 | 1,191.65   | 27.70     | 1,219.35   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-26 | 1,165.26   | 25.69     | 1,190.95   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-26 | 1,139.04   | 22.94     | 1,161.98   | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-26 | 1,113.36   | 21.79     | 1,135.16   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-26 | 1,088.20   | 19.91     | 1,108.11   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-27 | 1,062.70   | 18.07     | 1,080.78   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-27 | 1,037.87   | 15.75     | 1,053.61   | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-27 | 1,014.50   | 14.53     | 1,029.03   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-27 | 990.58     | 12.81     | 1,003.39   | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-28 | 967.12     | 11.14     | 978.26     | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-28 | 943.90     | 9.30      | 953.20     | 0.00       | 177.75    | 177.75    | 0.00      | 182.75    | 182.75     |
| 18-aug-28 | 921.79     | 7.91      | 929.70     | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-28 | 899.83     | 6.35      | 906.18     | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-feb-29 | 878.33     | 4.83      | 883.16     | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-may-29 | 856.90     | 3.24      | 860.15     | 0.00       | 175.78    | 175.78    | 0.00      | 180.72    | 180.72     |
| 18-aug-29 | 835.79     | 1.90      | 837.69     | 0.00       | 181.70    | 181.70    | 0.00      | 186.81    | 186.81     |
| 18-nov-29 | 290.47     | 0.49      | 290.96     | 2,560.01   | 181.70    | 2,741.71  | 0.00      | 186.81    | 186.81     |
| 18-feb-30 | 0.00       | 0.00      | 0.00       | 3,878.44   | 177.05    | 4,055.49  | 0.00      | 186.81    | 186.81     |
| 18-may-30 | 0.00       | 0.00      | 0.00       | 3,782.09   | 164.46    | 3,946.55  | 0.00      | 180.72    | 180.72     |
| 18-aug-30 | 0.00       | 0.00      | 0.00       | 3,686.28   | 163.13    | 3,849.41  | 0.00      | 186.81    | 186.81     |
| 18-nov-30 | 0.00       | 0.00      | 0.00       | 3,591.37   | 156.43    | 3,747.80  | 0.00      | 186.81    | 186.81     |
| 18-feb-31 | 0.00       | 0.00      | 0.00       | 3,497.92   | 149.91    | 3,647.82  | 0.00      | 186.81    | 186.81     |
| 18-may-31 | 0.00       | 0.00      | 0.00       | 3,405.95   | 138.87    | 3,544.82  | 0.00      | 180.72    | 180.72     |
| 18-aug-31 | 0.00       | 0.00      | 0.00       | 3,319.77   | 137.36    | 3,457.13  | 0.00      | 186.81    | 186.81     |
| 18-nov-31 | 0.00       | 0.00      | 0.00       | 3,232.23   | 131.33    | 3,363.56  | 0.00      | 186.81    | 186.81     |
| 18-feb-32 | 0.00       | 0.00      | 0.00       | 3,148.94   | 125.46    | 3,274.40  | 0.00      | 186.81    | 186.81     |
| 18-may-32 | 0.00       | 0.00      | 0.00       | 3,063.76   | 117.13    | 3,180.89  | 0.00      | 182.75    | 182.75     |
| 18-aug-32 | 0.00       | 0.00      | 0.00       | 2,980.16   | 114.17    | 3,094.32  | 0.00      | 186.81    | 186.81     |
| 18-nov-32 | 0.00       | 0.00      | 0.00       | 2,895.42   | 108.75    | 3,004.17  | 0.00      | 186.81    | 186.81     |
| 18-feb-33 | 0.00       | 0.00      | 0.00       | 56,957.66  | 103.49    | 57,061.16 | 57,061.16 | 186.81    | 100,186.81 |
|           | 100,000.00 | 4,065.94  | 104,065.94 | 100,000.00 | 12,606.5  | 112,606.5 | 100,000.0 | 13,535.68 | 113,535.68 |

FLows FOR EACH BOND WITHOUT BONDHOLDER WITHHOLDING (IN EUROS)

C.A.P.R.=8%

|           | AMORT.     | GROSS INT | TOTAL      | AMORT.     | GROSS INT  | TOTAL     | AMORT.     | GROSS INT | TOTAL      |
|-----------|------------|-----------|------------|------------|------------|-----------|------------|-----------|------------|
|           | SERIES A   | SERIES A  | SERIES A   | SERIES B   | SERIES B   | SERIES B  | SERIES C   | SERIES C  | SERIES C   |
| 19-nov-14 |            |           |            |            |            |           |            |           |            |
| 18-feb-15 | 2,822.41   | 167.09    | 2,989.49   | 0.00       | 179.73     | 179.73    | 0.00       | 184.78    | 184.78     |
| 18-may-15 | 3,398.40   | 158.80    | 3,557.20   | 0.00       | 175.78     | 175.78    | 0.00       | 180.72    | 180.72     |
| 18-aug-15 | 3,336.04   | 158.41    | 3,494.46   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-15 | 3,634.33   | 152.78    | 3,787.11   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-16 | 3,162.88   | 146.64    | 3,309.52   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-16 | 3,087.72   | 138.22    | 3,225.94   | 0.00       | 177.75     | 177.75    | 0.00       | 182.75    | 182.75     |
| 18-aug-16 | 3,013.18   | 136.08    | 3,149.26   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-16 | 2,938.13   | 130.99    | 3,069.12   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-17 | 2,860.76   | 126.03    | 2,986.79   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-17 | 2,786.16   | 117.24    | 2,903.40   | 0.00       | 175.78     | 175.78    | 0.00       | 180.72    | 180.72     |
| 18-aug-17 | 2,714.79   | 116.49    | 2,831.28   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-17 | 2,644.24   | 111.90    | 2,756.15   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-18 | 2,575.20   | 107.44    | 2,682.64   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-18 | 2,507.46   | 99.72     | 2,607.18   | 0.00       | 175.78     | 175.78    | 0.00       | 180.72    | 180.72     |
| 18-aug-18 | 2,442.62   | 98.85     | 2,541.47   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-18 | 2,378.60   | 94.72     | 2,473.33   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-19 | 2,316.45   | 90.71     | 2,407.16   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-19 | 2,255.24   | 83.96     | 2,339.21   | 0.00       | 175.78     | 175.78    | 0.00       | 180.72    | 180.72     |
| 18-aug-19 | 2,196.39   | 82.98     | 2,279.38   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-19 | 2,138.47   | 79.27     | 2,217.74   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-20 | 2,081.82   | 75.66     | 2,157.48   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-20 | 2,025.65   | 70.58     | 2,096.23   | 0.00       | 177.75     | 177.75    | 0.00       | 182.75    | 182.75     |
| 18-aug-20 | 1,972.41   | 68.72     | 2,041.13   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-20 | 1,919.65   | 65.39     | 1,985.04   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-21 | 1,868.47   | 62.15     | 1,930.62   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-21 | 1,817.93   | 57.07     | 1,875.00   | 0.00       | 175.78     | 175.78    | 0.00       | 180.72    | 180.72     |
| 18-aug-21 | 1,769.70   | 55.92     | 1,825.62   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-21 | 1,722.02   | 52.93     | 1,774.95   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-22 | 1,675.58   | 50.02     | 1,725.60   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-22 | 1,629.78   | 45.65     | 1,675.44   | 0.00       | 175.78     | 175.78    | 0.00       | 180.72    | 180.72     |
| 18-aug-22 | 1,586.00   | 44.44     | 1,630.43   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-22 | 1,542.64   | 41.76     | 1,584.40   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-23 | 1,500.49   | 39.15     | 1,539.64   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-23 | 1,458.90   | 35.43     | 1,494.33   | 0.00       | 175.78     | 175.78    | 0.00       | 180.72    | 180.72     |
| 18-aug-23 | 1,419.27   | 34.16     | 1,453.43   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-23 | 1,380.05   | 31.76     | 1,411.81   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-24 | 1,341.86   | 29.43     | 1,371.28   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-24 | 1,304.32   | 26.57     | 1,330.89   | 0.00       | 177.75     | 177.75    | 0.00       | 182.75    | 182.75     |
| 18-aug-24 | 1,268.02   | 24.96     | 1,292.97   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-24 | 1,232.44   | 22.81     | 1,255.25   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-25 | 1,197.61   | 20.73     | 1,218.34   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-25 | 1,163.00   | 18.10     | 1,181.10   | 0.00       | 175.78     | 175.78    | 0.00       | 180.72    | 180.72     |
| 18-aug-25 | 1,130.09   | 16.75     | 1,146.83   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-25 | 1,097.46   | 14.84     | 1,112.30   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-26 | 1,065.82   | 12.98     | 1,078.80   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-26 | 1,034.72   | 10.82     | 1,045.54   | 0.00       | 175.78     | 175.78    | 0.00       | 180.72    | 180.72     |
| 18-aug-26 | 1,004.46   | 9.43      | 1,013.90   | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-26 | 975.00     | 7.74      | 982.74     | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-feb-27 | 945.68     | 6.09      | 951.77     | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-may-27 | 917.25     | 4.35      | 921.59     | 0.00       | 175.78     | 175.78    | 0.00       | 180.72    | 180.72     |
| 18-aug-27 | 890.32     | 2.94      | 893.26     | 0.00       | 181.70     | 181.70    | 0.00       | 186.81    | 186.81     |
| 18-nov-27 | 852.13     | 1.44      | 853.57     | 54.66      | 181.70     | 236.36    | 0.00       | 186.81    | 186.81     |
| 18-feb-28 | 0.00       | 0.00      | 0.00       | 4,086.69   | 181.60     | 4,268.29  | 0.00       | 186.81    | 186.81     |
| 18-may-28 | 0.00       | 0.00      | 0.00       | 3,960.96   | 170.39     | 4,131.35  | 0.00       | 182.75    | 182.75     |
| 18-aug-28 | 0.00       | 0.00      | 0.00       | 3,840.94   | 166.98     | 4,007.91  | 0.00       | 186.81    | 186.81     |
| 18-nov-28 | 0.00       | 0.00      | 0.00       | 3,723.03   | 160.00     | 3,883.03  | 0.00       | 186.81    | 186.81     |
| 18-feb-29 | 0.00       | 0.00      | 0.00       | 3,608.37   | 153.23     | 3,761.60  | 0.00       | 186.81    | 186.81     |
| 18-may-29 | 0.00       | 0.00      | 0.00       | 3,495.54   | 141.90     | 3,637.43  | 0.00       | 180.72    | 180.72     |
| 18-aug-29 | 0.00       | 0.00      | 0.00       | 3,385.29   | 140.33     | 3,525.62  | 0.00       | 186.81    | 186.81     |
| 18-nov-29 | 0.00       | 0.00      | 0.00       | 3,277.02   | 134.18     | 3,411.20  | 0.00       | 186.81    | 186.81     |
| 18-feb-30 | 0.00       | 0.00      | 0.00       | 3,172.16   | 128.22     | 3,300.38  | 0.00       | 186.81    | 186.81     |
| 18-may-30 | 0.00       | 0.00      | 0.00       | 3,071.14   | 118.46     | 3,189.61  | 0.00       | 180.72    | 180.72     |
| 18-aug-30 | 0.00       | 0.00      | 0.00       | 2,971.87   | 116.88     | 3,088.75  | 0.00       | 186.81    | 186.81     |
| 18-nov-30 | 0.00       | 0.00      | 0.00       | 2,874.57   | 111.48     | 2,986.05  | 0.00       | 186.81    | 186.81     |
| 13-feb-31 | 0.00       | 0.00      | 0.00       | 58,477.76  | 106.25     | 58,584.01 | 100,000.00 | 186.81    | 100,186.81 |
|           | 100,000.00 | 3,459.10  | 103,459.10 | 100,000.00 | 111,205.22 | 12,051.35 | 12,051.35  |           |            |

### **Representation of the security holders.**

For the securitization Bonds, a Bondholder Syndicate will not be established.

As provided for in article 12 of Royal Decree 926/1998, the Manager, as manager of third-party business, shall represent and defend the interests of the holder of the Bonds issued against the Fund and the remaining ordinary creditors of the Fund. As a consequence, the Manager shall ensure that it acts in their defense and in accordance with the provisions provided for from time to time.

### **Resolutions, authorizations and approvals under which the securities are issued.**

The resolutions, approvals and authorizations under which this Bond issue is to be made are those set forth below:

- a) Corporate Resolutions:
  - a.1 Resolution of Santander's Executive Committee dated October 13, 2014 , by virtue of the Santander Board of Directors Resolution of March 6, 1999, delegating to Santander's Executive Committee the powers and authorities of the Board of Directors which allow the Executive Committee to resolve the assignment of the Assets.
  - a.2 Resolutions of the Board of Directors of the Management Company, dated September 15, 2014.
- b) The filing of this Prospectus with the CNMV, which took place on November 11, 2014.
- c) Execution of the Articles of Incorporation, which will take place on November 17, 2014, a copy of which shall be sent to the CNMV and Iberclear prior to the Subscription Date.

### **Issue date.**

The issue date of the Bonds, which will coincide with the Incorporation Date, will be November 17, 2014.

### **Subscription effects to the Bondholders.**

Subscription of the Bonds implies for each Bondholder acceptance of the terms of the Deed of Incorporation and this Prospectus.

### **Collective of potential investors and price.**

There will be no placement of the Bonds on the market since Santander undertakes to irrevocably subscribe it entirely pursuant to the Management, Subscription and Payment Agency Agreement, therefore, 100% of the issue of the Bonds is subscribed by Santander.

Once the Bonds are subscribed, Santander intends to use them as security assets in Eurosystem credit transactions, without this limiting any other possible use or the eventual disposal thereof. Since the issue shall be fully subscribed by Santander

and, consequently, its price will not be subject to contrast through market transactions, it cannot be claimed that the economic terms of the Bonds correspond to those that may be in force on the secondary market on the Incorporation Date of the Fund. These comments regarding the valuation of the Bonds are intended for third parties, particularly investors or those parties holding the Bonds as security, as is the case of the European Central Bank in Eurosystem credit operations.

Once the issue has been fully subscribed by Santander and the Bonds admitted to AIAF for trading, the Bonds can be purchased freely through this market following its own rules on trading.

Subscription of the Bonds implies for each Bondholder acceptance of the terms of the Deed of Incorporation and this Prospectus.

#### **Subscription Period.**

The Subscription Period for the Bonds by Santander will be on November 19, 2014, between ten o'clock (10:00) and twelve (12:00) noon.

#### **Where and before whom the subscription will be executed.**

Not applicable.

#### **Placement and adjudication of the Bonds.**

Not applicable.

#### **Disbursement Date and Method.**

The Disbursement Date will be November 19, 2014.

Purchase of the Bonds will be at the issue price of 100% of their nominal value, that is, ONE HUNDRED THOUSAND EUROS (€100,000.00).

Santander, in its capacity as Paying Agent, will proceed to credit the Fund before 2:00 p.m. (Madrid time) on the Disbursement Date, same day value, with the issue amount by means of a deposit in the Fund's Cash Account.

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

The Bonds may be freely transferred by any means admissible by Law and in accordance with AIAF standards. Ownership of each Bond will be transferred by transfer in the accounts. The act of recording the transfer in favor of the purchaser in the accounts will have the same effect as transfer of possession ("tradición de los títulos") of the securities and thereafter the transfer will be enforceable against third parties. On this point, no claim may be brought against a third party that acquires the Bonds represented in book-entry form for valuable consideration from a person who, according to the account entries, is entitled to transfer them, unless at the moment of the acquisition the third party acted in bad faith or with gross negligence.

The creation of limited real rights or other kinds of encumbrance over the Bonds must be registered in the relevant account. Pledges, when registered, will be tantamount to transfer of possession of the security.

Encumbrances will be effective against third parties from the time the relevant registration is made.

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

### **Indication of the market where the securities will be traded.**

In compliance with the provisions of article 3 of Royal Decree 926/1998, the Management Company, on behalf of and representing the Fund, will request admission to official trading of this Bond issue, once the Fund is set up and prior to carrying out its pay-in, on the AIAF Fixed Income Market in order to trade within a term no greater than one (1) month from the Disbursement Date.

The Manager will also, on behalf of the Fund, apply for inclusion of the issue with Iberclear, such that the clearing and settlement of the Bonds is carried out in accordance with the rules of operation established or to be approved in the future by Iberclear with respect to securities admitted to trading on the AIAF market.

In the event such deadline is not met, the Management Company shall disclose the causes of the breach to the CNMV and the public by means of the inclusion of a mandatory legal notice in the Daily Gazette of the AIAF Fixed Income Securities Market Transactions, and additionally, and voluntarily as the case may be, in a notice in a national newspaper or by any other means of general acceptance in the market that guarantee an adequate circulation of the information, in time and content, of the reasons of not meeting the deadline as well as the new date forecasted for admission to trade of the issued securities, subject to any liabilities incurred in consequence thereof.

The Manager hereby states that it is familiar with the requirements and conditions required for admission to trading, permanence and exclusion of the Bonds on/from the AIAF market pursuant to currently existing laws, as well as the requirements of its governing bodies and hereby undertakes to abide by them.

There is no plan to hire any entity that would undertake to provide for liquidity of the Bonds during the life of the issue.

### **Paying Agent and Custodian Entities.**

#### **a) Paying Agent:**

The Manager, acting on behalf of the Fund, appoints Santander, which accepts, as the Paying Agent to carry out the financial service of the Bond issue. Banco Santander will not charge any commissions in its capacity as Paying Agent. The obligations assumed by Santander, in its capacity as Paying Agent under the Management, Subscription and Paying Agent Agreement, are as follows:

- **Disbursement of the issue.**

The Paying Agent shall proceed to pay to the Fund prior to 2:00 p.m. (Madrid time) on the Disbursement Date, same day value, the amount of the issue, by means of a deposit in the Fund's Cash Account.

- **Notice of the EURIBOR Reference Rate.**

At each of the Rate Setting Times, the Paying Agent shall notify the Manager of the Benchmark Interest Rate to serve as the base for calculating the Nominal Interest Rate applicable to each Bond Series.

- **Payments against the Fund.**

On each of the Bond Payment Dates, the Paying Agent shall pay interest and redeem principal on the Bonds in accordance with the instructions received from the Manager.

Payments to be made by the Paying Agent shall be carried out through the relevant institutions participating in Iberclear, in whose records the Bonds are registered, as per the applicable procedures for said service.

**Obligations in case of rating downgrade**

**Provisions common to DBRS and Moody's in the event of a reduction in the credit rating of the Paying Agent**

The Paying Agent undertakes to inform the Manager of any downgrade or withdrawal of its credit rating issued by the Rating Agencies as soon as it becomes aware of any such downgrade or withdrawal. In the event that the Paying Agent is replaced, the costs derived from said replacement will be met by the replaced Paying Agent.

If Santander should be replaced as Paying Agent, the Managing Company is authorized to establish the fee for the replacement entity, and proceed to the top of the Order of Priority of Payments detailed under section 3.4.6.(1)(b) of the Additional Building Block.

The Paying Agent expressly and irrevocably renounces any entitlement to compensation from the Fund that could correspond to it by any other means by virtue of any agreement it holds with the Fund.

**Criteria of DBRS Ratings Limited**

If the DBRS rating of the Paying Agent is reduced to lower than A for long-term debt, or if its rating is withdrawn, the Manager must implement, on behalf of the Fund, within a period of thirty (30) calendar days from the date said situation arises and after notifying the Rating Agencies, any of the required options described below the aim being to maintain a suitable level of security in relation to the commitments deriving from the duties set forth in the respective agreement and to ensure that the rating awarded to the Bonds by DBRS is not downgraded:

- i) To obtain similar guarantees or commitments from a credit entity or entities with a DBRS Rating of no lower than A (without such rating being "Under Review (Negative)") for long-term debt, so as to guarantee the undertakings assumed by the Paying Agent. In such case, all expenses will be met by the Paying Agent.
- ii) Replace the Paying Agent with an entity with a DBRS Rating of no lower than A (without this rating "Under Review (Negative)") for long-term debt, in order for the new entity to assume, under the same conditions, the functions of the affected Paying Agent as established in its respective agreement.

Should the replacement foreseen in option ii) above have been chosen, the same measures should be adopted within the same maximum period if the DBRS rating of the replacement Paying Agent were to fall below A for long-term debt, or if its rating were to be withdrawn.



The Paying Agent will also be able to terminate the Management, Subscription and Paying Agent Agreement by providing at least two months' notice to the Manager, in accordance with the terms of the Management, Subscription and Paying Agent Agreement, and provided that (i) another lender with financial characteristics similar to the Paying Agent and with a credit rating of at least A (without said rating being "Under Review (Negative)") for long-term debt, according to DBRS, accepted by the Manager, replaces it in the duties assumed under the Management, Subscription and Paying Agent Agreement and; (ii) the CNMV and Rating Agencies are informed. In the event of replacement resulting from the resignation of the Party being replaced, all costs derived from the replacement process will be borne by the latter, as will any commission payable to the new Paying Agent.

**Moody's criteria**

In the event that the credit rating of the Paying Agent for its short-term non-subordinated and non-secured debt as awarded by Moody's falls below Baa3 or P-3 for its long-term and short-term risk, respectively, or is not rated, the Paying Agent must put into practice, on behalf of the Fund and within a maximum period of thirty (30) Business Days of the moment at which such situation takes place and following notice to the Rating Agencies, one of the necessary alternatives described below, and which allow the maintenance of an adequate level of guarantee with respect to the commitments deriving from the functions contained in the Management, Subscription and Paying Agent Agreement:

- (i) To obtain a first-demand guarantee, at the simple request of the Manager, that secures the timely payment by the Paying Agent of its obligations, from a credit entity or entities with a credit rating for their debt of no less than Baa3 or P-3 for their long-term and short-term risk, respectively, that secures the commitments assumed by the Paying Agent.
- (ii) To replace the Paying Agent with an entity with a rating for its debt of no less than Baa3 or P-3 for their long-term and short-term risk, respectively, to assume, under the same conditions, the functions of the affected entity established in the respective agreement.

All costs resulting from any of the aforementioned actions shall be borne by the Paying Agent.

**b) Custodian entities:**

Not applicable.

## 6. EXPENSES OF THE OFFER AND ADMISSION TO LISTING.

The following expenses have been envisaged:

|  | Euros             |
|--|-------------------|
| <b>a) Incorporation costs (expenses related to documentation, advertising and official charges):</b> |                   |
| CNMV charges (for the offer and admission to trading):   | 53,042.70         |
| AIAF charges:  | 66,658.90         |
| Iberclear charges:   | 2,196.15          |
| Other (Rating Agencies, legal advising, Notarial Services, auditing and more)                        | 438,102.25        |
| <b>Subtotal:</b>   | <b>560,000.00</b> |
| <b>b) Issue Expenses:</b>  |                   |
| Structuring fee of the Manager   | 90,000.00         |
| <b>Subtotal:</b>   | <b>90,000.00</b>  |
| <b>TOTAL</b>   | <b>650,000.00</b> |

The incorporation and issue expenses stated herein shall be charged to the Subordinated Loan described under section 3.4.3.a) of the Additional Building Block.

Among the so-called "Other" is included the amount allocated to partially finance the acquisition of assets.

## 7. ADDITIONAL INFORMATION.

### Persons and entities advising on the issue.

- a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is intervening as legal and financial adviser in relation to the structure of the program.
- b) CUATRECASAS GONÇALVES PEREIRA, S.L.P. intervenes as legal adviser with respect to the structure of the operation and have revised the tax scheme of the Fund contained in point 4.5.d) of the Registration Document as an independent third party.

### Information in the Securities Note reviewed by the auditors.

Not applicable.

### Expert statements or reports.

Deloitte, S.L., whose name, address and registration dates are contemplated in section 2.1 of the Registration Document, has prepared an audit on the principal attributes of the Assets and which is reflected under section 2.2 of the Additional Building Block, and has performed the audit of the annual financial statements of the Management Company and of Santander relating to the last three fiscal years.

### Information furnished by third parties.

As part of its duty to check the information contained in this Prospectus, the Manager has received confirmation from the Assignor concerning the veracity of the features of the Assignor and of the Assets, as contained within section 2.2.8 of the Additional Building

Block, as well as the remaining information on the Assignor and the Assets as contained in this Prospectus. In the Articles of Incorporation of the Fund, the Assignor shall, for the benefit of the Manager, reconfirm compliance with these characteristics at the Incorporation Date.

The Management Company confirms that the information coming from the Assignor of the Assets, has been reproduced accurately to the extent of its knowledge and it can determine from the information provided by the Assignor, that no fact has been omitted that would make the reproduced information inaccurate or misleading, and that this Prospectus does not omit facts or significant data that could be material to the investor.

**Ratings.**

On November 6, 2014 and November 7, 2014, DBRS and Moody's respectively assigned the Bonds included in this Securities Note the following provisional ratings ("ratings"):

|                 | <b>DBRS</b>    | <b>Moody's</b> |
|-----------------|----------------|----------------|
| <b>Series A</b> | <b>AA (sf)</b> | <b>A3 (sf)</b> |
| <b>Series B</b> | <b>BB (sf)</b> | <b>B2 (sf)</b> |
| <b>Series C</b> | <b>C (sf)</b>  | <b>Ca (sf)</b> |

**Observations on the ratings:**

**Observations by DBRS:**

The rating described for the Series A Bonds constitutes an opinion with respect to the aforementioned bonds regarding the timely payment of interest and principal prior to or on the Legal Maturity Date, in accordance with the documents relating to the transaction.

The rating described for the Series B and C Bonds constitutes an opinion with respect to the aforementioned bonds regarding the timely payment of interest and in the case of Series C, an opinion regarding the timely payment of ordinary interest and principal prior to or on the Legal Maturity Date, in accordance with the documents relating to the transaction.

Bond ratings are not an opinion about the likelihood or frequency of repayments occurring on the underlying obligations or on the possibility that the holder of the bonds will obtain lower than expected yields.

Ratings do not constitute a recommendation to buy, sell or hold securities. The ratings given by DBRS do not constitute consent by DBRS to use its name as an expert in connection with documents that must be filed in any register. Ratings are based on the information and documents provided to DBRS to date and they are subject to the full and satisfactory review of all documentation relating to the securities offered. The information upon which DBRS based its ratings and reports is obtained by DBRS from sources that DBRS considers accurate, truthful and reliable. DBRS does not audit the information received during the rating process, since it cannot independently verify that information. The extent of any factual investigation or independent verification depends on facts and circumstances.

**Observations by Moody's:**

As described in Moody's Rating Symbols & Definitions, available on [www.moodys.com](http://www.moodys.com), Moody's long-term ratings reflect the likelihood of default with respect to the promise of payment established contractually and the financial loss sustained in the event of default.

The credit ratings issued by Moody's represent the current opinions of Moody's with respect to the credit risk, credit or debt commitments and securities equivalent to the debt of each entity under analysis, and do not entail the disclosure of present or past events. Moody's credit ratings evaluate credit risk only, without considering risk elements other than this and including without limitation, liquidity risk, market value risk or price volatility. Such risks other than credit risks may have a significant impact on investor return.

### **Observations common to both Rating Agencies**

The ratings of the Rating Agencies take into account the structure of the Bond issue, the legal aspects thereof and of the Fund issuing the Bonds, the features of the loans selected for transfer to the Fund and the regularity and continuity of the flows from the operation.

The ratings of the Rating Agencies do not constitute an assessment as to the probability of the debtors effecting early payments of principal, nor as to the extent to which such early payments will differ from that originally planned. In no way do the ratings qualify the actuarial levels of returns.

The assigned ratings and all reviews or suspensions thereof:

- (i) are drafted by the Rating Agencies on the basis of a substantial amount of information they receive, the precision of which they do not guarantee or state to be complete so that they cannot be considered responsible for these in any way; and
- (ii) they do not constitute and may not, in any way, be interpreted as an invitation, recommendation or encouragement to the investors to carry out any type of operation concerning the Bonds and, in particular, to acquire, conserve, encumber or sell these Bonds.

Final ratings may be reviewed, suspended or withdrawn at any time by the Rating Agencies depending on any information that may come to light. These situations, which do not constitute cases of Early Liquidation of the Fund, will be immediately notified to the Securities and Exchange Commission (CNMV) and to the bondholders, in compliance with section 4.b).2 of the Additional Building Block.

In order to carry out the rating and monitoring process, the Rating Agencies trust the accuracy and completeness of the information they are provided with by Santander, the Management Company, the auditors, the legal advisers and other experts.

The abovementioned credit ratings are intended purely as an opinion and should not prevent potential investors from conducting their own analyses of the securities to be acquired.

If, prior to the Subscription Period of the Bonds, the Rating Agencies do not confirm any of the provisional ratings assigned, this circumstance shall be reported immediately to the CNMV and made public in the manner provided by section 4 of the Additional Building Block. This circumstance will lead to the termination of the incorporation of the Fund, of the Bond issue, the agreements except for the Subordinated Loan as regards the incorporation costs of the Fund, issuance of the Bonds and the assignment of the Assets.

The ratings agencies mentioned previously were registered and authorized by ESMA on October 31, 2011, as credit rating agencies in the European Union pursuant to the terms of European Community Regulation no. 1060/2009 of the European Parliament and of the Council of September 16, 2009, regarding Credit Rating Agencies.

## **ADDITIONAL BUILDING BLOCK TO THE SECURITIES NOTE**

This Additional Building Block has been prepared in accordance with Annex VIII of Regulation (EC) 809/2004 and has been approved by the Comisión Nacional del Mercado de Valores (National Securities Market Commission) on November 11, 2014.

## **1. THE SECURITIES.**

### **1.1 Amount of the issue.**

The Fund will be constituted with Assets that Santander will transfer to the Fund at the Incorporation Date whose total principal will be equal to or slightly higher than SIX BILLION FIVE HUNDRED MILLION EUROS (€6,500,000,000.00), and securities will be issued for a total amount of SEVEN BILLION FOUR HUNDRED AND SEVENTY FIVE MILLION EUROS (€7,475,000,000.00).

With the information provided by the Assignor concerning the rate of amortization and the delay in payment of the Loans, the Management Company estimates that the Outstanding Balance of the Portfolio of the Assets on the date this Prospectus is registered is sufficient to constitute the Fund with the initial assets stipulated in the paragraph above.

### **1.2 Confirmation that the information relating to a company or debtor not involved in the issue has been reproduced.**

Not applicable.

## **2. UNDERLYING ASSETS.**

### **2.1 Confirmation of the capacity of the Assets to generate funds to service payments on the securities.**

According to the information provided by the Assignor, the Manager confirms that the flows of principal, interest and any other amounts generated by the Assets are sufficient, as per their contractual features, to meet payments due and payable on the Bo.

Notwithstanding the above, and in order to cover possible non-payments by the Debtors, a series of credit enhancement operations have been planned to mitigate the risk of default, with respect to both principal and interest on the Bonds. These enhancements are described under section 3.4.2 of this Additional Building Block. In exceptional circumstances, these enhancement operations could prove insufficient.

Not all of the bonds have the same risk of default, which is reflected in the different credit ratings assigned to the various series of Bonds, as detailed in section 7.5 of the Securities Note.

### **2.2 Assets backing the Bond issue.**

The loans from which derive the Assets that are assigned to the Fund are Mortgages, granted by the Santander and Banesto to individual clients and employees residing in Spain, for the acquisition, construction or renovation of housing in Spain, or to subrogations by individuals of financing granted to developers for the construction of housing in Spain to be sold.

The Assets pay amortization and interest monthly, quarterly, six-monthly or annually (except on those with a current grace period) and in no case are there Loans with amortization at maturity. All of the Loans have an amortization system with fixed or French installments.

The Mortgage Loans are secured by a first rank mortgage or, as the case may be, a lower ranking mortgage (the latter only in those cases where, as a result of the process of the

cancellation in the registry of the previous mortgage and subsequent granting and registration in the Property Registry of a new first rank mortgage, the latter has still not been registered as a first rank mortgage, although the debt secured by the previous mortgage has been fully paid, with the result the cancellation and new registration is currently underway),

The Loans have been granted through the Santander and Banesto branch networks in Spain, there being 670 transactions that were performed with the involvement of Real Estate Property Agents, equivalent to 1.48% of the number of Portfolio Loans, with an Outstanding Balance of 89,221,979.12 euros, representing 1.31% of the total Outstanding Balance of the Preliminary Portfolio. Notwithstanding the foregoing, all transactions included in the portfolio have been granted according to Banco Santander and Banesto's Policies on Risk of Extension of Credit. In the case of transactions in which there has been intermediation by Real Estate Agents, it is those Real Estate Agents who have obtained the customer, and Santander or Banesto, as the case may be, that have applied the Credit Extension Policies.

In Mortgage Loans, upward or downward fluctuations of the interest rates mean higher or lower installments to be paid by the mortgagors.

### **2.2.1 The legal jurisdiction by which the pool of Assets is governed.**

The Assets are governed by the laws of Spain.

### **2.2.2 General characteristics of the Debtors.**

The Assets to be collected in the Fund on the Date of Incorporation will be made up of Mortgage Transfer Certificates issued to participate in the credit rights deriving from the Mortgage Loans that comprise the preliminary portfolio.

#### ***Auditor's Report on the Assets***

In order to fulfill the provisions of article 5 of Royal Decree 926/1998, the Preliminary Portfolio of Loans has been subject to an audit report prepared by the firm Deloitte S.L. which addresses a series of qualitative and quantitative attributes of a sample of said Preliminary Portfolio, and specifically on:

- Characteristics of the Debtor;
- Ownership;
- Identification of assigned Debtor;
- Transfer of the assets;
- Purpose of the Loan;
- Loan formalization date;
- Maturity of the Loan;
- Original amount of the Loan;
- Current balance of the Loan;
- Reference interest rate;
- Differential of the interest rate;



- Interest rate applied;
- Delays in payment;
- Mortgage guarantees;
- Address of the property mortgaged and/or property registration;
- Appraisal;
- Appraisal value;
- Finished housing;
- Loans to Developers;
- Approval for concession of risks;
- Re-negotiation.

The preliminary portfolio of selected loans from which the Assets will be extracted, for assignment to the Fund on the Date of Incorporation, consists of FORTY-FIVE THOUSAND THREE HUNDRED AND EIGHTEEN (45,318) Loans, and their Outstanding Balance, at October 8, 2014, amounted to SIX BILLION SEVEN HUNDRED AND EIGHTYSEVEN MILLION THREE HUNDRED AND ELEVEN THOUSAND EIGHT HUNDRED AND TWENTY NINE EUROS AND ELEVEN cents (€6,787,311,829.11) having thus adequate holdings to issue the Bonds of Series A and B.

The following tables show the distribution of the mentioned Loans by different criteria.

**a) Maximum, minimum and average values of outstanding principal on the Loans.**

The following chart shows the distribution of the Loans by Outstanding Balance:

| Outstanding Amount Interval | Outstanding Balance |        | Loans  |        |
|-----------------------------|---------------------|--------|--------|--------|
|                             | Euros               | %      | Number | %      |
| 12,012-49,999               | 38,880,834.80       | 0.57%  | 932    | 2.06%  |
| 50,000-99,999               | 833,331,558.99      | 12.28% | 10,473 | 23.11% |
| 100,000-149,999             | 2,013,340,197.97    | 29.66% | 16,179 | 35.70% |
| 150,000-199,999             | 1,697,182,773.28    | 25.01% | 9,887  | 21.82% |
| 200,000-249,999             | 947,064,178.28      | 13.95% | 4,282  | 9.45%  |
| 250,000-299,999             | 492,872,158.84      | 7.26%  | 1,819  | 4.01%  |
| 300,000-349,999             | 235,335,665.45      | 3.47%  | 732    | 1.62%  |
| 350,000-399,999             | 134,681,139.37      | 1.98%  | 362    | 0.80%  |
| 400,000-449,999             | 88,929,507.53       | 1.31%  | 211    | 0.47%  |
| 450,000-499,999             | 51,661,138.32       | 0.76%  | 110    | 0.24%  |
| 500,000-549,999             | 44,064,511.66       | 0.65%  | 84     | 0.19%  |
| 550,000-599,999             | 23,889,909.56       | 0.35%  | 42     | 0.09%  |
| 600,000-649,999             | 26,146,083.95       | 0.39%  | 42     | 0.09%  |
| 650,000-699,999             | 17,427,805.92       | 0.26%  | 26     | 0.06%  |
| 700,000-749,999             | 10,785,689.55       | 0.16%  | 15     | 0.03%  |
| 750,000-799,999             | 18,612,977.10       | 0.27%  | 24     | 0.05%  |
| 800,000-849,999             | 11,478,488.13       | 0.17%  | 14     | 0.03%  |
| 850,000-899,999             | 16,592,983.70       | 0.24%  | 19     | 0.04%  |
| 900,000-949,999             | 10,217,668.36       | 0.15%  | 11     | 0.02%  |
| 950,000-999,999             | 7,835,269.04        | 0.12%  | 8      | 0.02%  |
| 1,000,000-1,049,999         | 3,059,009.80        | 0.05%  | 3      | 0.01%  |
| 1,050,000-1,099,999         | 8,571,626.83        | 0.13%  | 8      | 0.02%  |
| 1,100,000-1,149,999         | 5,581,354.12        | 0.08%  | 5      | 0.01%  |
| 1,150,000-1,199,999         | 4,744,542.68        | 0.07%  | 4      | 0.01%  |
| 1,200,000-1,249,999         | 2,449,245.69        | 0.04%  | 2      | 0.00%  |
| 1,250,000-1,299,999         | 7,670,049.84        | 0.11%  | 6      | 0.01%  |

|                      |                         |                |               |                |
|----------------------|-------------------------|----------------|---------------|----------------|
| 1,300,000-1,349,999  | 3,994,436.58            | 0.06%          | 3             | 0.01%          |
| 1,400,000-1,449,999  | 1,412,684.91            | 0.02%          | 1             | 0.00%          |
| 1,450,000-1,499,999  | 2,982,431.92            | 0.04%          | 2             | 0.00%          |
| 1,600,000-1,649,999  | 1,641,641.92            | 0.02%          | 1             | 0.00%          |
| 1,650,000-1,699,999  | 1,653,248.78            | 0.02%          | 1             | 0.00%          |
| 1,750,000-1,799,999  | 1,760,874.39            | 0.03%          | 1             | 0.00%          |
| 1,800,000-1,849,999  | 1,800,462.12            | 0.03%          | 1             | 0.00%          |
| 2,000,000-2,049,999  | 2,019,306.29            | 0.03%          | 1             | 0.00%          |
| 2,150,000-2,199,999  | 2,150,151.97            | 0.03%          | 1             | 0.00%          |
| 2,200,000 -2,249,999 | 2,221,655.04            | 0.03%          | 1             | 0.00%          |
| 2,300,000-2,349,999  | 2,323,605.85            | 0.03%          | 1             | 0.00%          |
| 2,500,000-2,549,999  | 2,522,758.50            | 0.04%          | 1             | 0.00%          |
| 2,700,000-2,749,999  | 2,711,662.64            | 0.04%          | 1             | 0.00%          |
| 2,800,000-2,849,999  | 2,848,649.13            | 0.04%          | 1             | 0.00%          |
| 2,850,000-2,861,890  | 2,861,890.26            | 0.04%          | 1             | 0.00%          |
| <b>Total</b>         | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |
| Maximum              | 2,861,890.26            |                |               |                |
| Average              | 149,770.77              |                |               |                |
| Minimum              | 12,012.49               |                |               |                |

**b) Distribution of the Loans according to the Debtor's accumulation of risks.**

The following chart shows the accumulation of the twenty (20) principal debtors in respect of the portfolio of Loans:

| TWENTY PRINCIPAL DEBTORS | Outstanding Balance     |               | Loans         |                |
|--------------------------|-------------------------|---------------|---------------|----------------|
|                          | Euros                   | %             | No. Loans     | %              |
| Debtor 1                 | 2,861,890.26            | 0.10%         | 1             | 0.01%          |
| Debtor 2                 | 2,848,649.13            | 0.08%         | 1             | 0.01%          |
| Debtor 3                 | 2,711,662.64            | 0.08%         | 1             | 0.01%          |
| Debtor 4                 | 2,522,758.50            | 0.07%         | 1             | 0.06%          |
| Debtor 5                 | 2,323,605.85            | 0.06%         | 1             | 0.01%          |
| Debtor 6                 | 2,221,655.05            | 0.06%         | 1             | 0.01%          |
| Debtor 7                 | 2,150,151.97            | 0.06%         | 1             | 0.01%          |
| Debtor 8                 | 2,019,306.29            | 0.06%         | 1             | 0.01%          |
| Debtor 9                 | 1,800,462.12            | 0.06%         | 1             | 0.01%          |
| Debtor 10                | 1,760,874.39            | 0.06%         | 1             | 0.01%          |
| Debtor 11                | 1,653,248.78            | 0.06%         | 1             | 0.01%          |
| Debtor 12                | 1,641,641.92            | 0.06%         | 1             | 0.01%          |
| Debtor 13                | 1,494,712.01            | 0.06%         | 1             | 0.01%          |
| Debtor 14                | 1,487,719.91            | 0.05%         | 1             | 0.01%          |
| Debtor 15                | 1,412,684.91            | 0.05%         | 3             | 0.01%          |
| Debtor 16                | 1,347,022.45            | 0.05%         | 1             | 0.02%          |
| Debtor 17                | 1,335,888.42            | 0.05%         | 1             | 0.01%          |
| Debtor 18                | 1,311,525.71            | 0.05%         | 1             | 0.01%          |
| Debtor 19                | 1,292,166.37            | 0.05%         | 1             | 0.02%          |
| Debtor 20                | 1,282,764.40            | 0.05%         | 1             | 0.01%          |
| Rest                     | 6,749,831,438.04        | 99.45%        | 45,298        | 99.96%         |
|                          | <b>6,787,311,829.11</b> | <b>100.00</b> | <b>45,318</b> | <b>100.00%</b> |

**c) Maximum, minimum and average of the initial amounts of the Loans.**

The following chart shows the distribution of the Loans by initial Outstanding Balance.

| Initial Amount Interval | Initial Outstanding Balance |                | Loans         |                |
|-------------------------|-----------------------------|----------------|---------------|----------------|
|                         | Euros                       | %              | Number        | %              |
| 18,000-49,999           | 15,491,035.61               | 0.20%          | 376           | 0.83%          |
| 50,000-99,999           | 516,588,771.13              | 6.56%          | 6405          | 14.13%         |
| 100,000-149,999         | 1,730,165,858.78            | 21.99%         | 13853         | 30.57%         |
| 150,000-199,999         | 2,143,335,668.12            | 27.24%         | 12496         | 27.57%         |
| 200,000-249,999         | 1,406,039,003.02            | 17.87%         | 6365          | 14.05%         |
| 250,000-299,999         | 747,625,270.51              | 9.50%          | 2766          | 6.10%          |
| 300,000-349,999         | 432,169,667.92              | 5.49%          | 1358          | 3.00%          |
| 350,000-399,999         | 227,311,178.69              | 2.89%          | 615           | 1.36%          |
| 400,000-449,999         | 143,350,906.62              | 1.82%          | 342           | 0.75%          |
| 450,000-499,999         | 97,643,108.70               | 1.24%          | 208           | 0.46%          |
| 500,000-549,999         | 70,814,309.09               | 0.90%          | 137           | 0.30%          |
| 550,000-599,999         | 46,460,808.74               | 0.59%          | 82            | 0.18%          |
| 600,000-649,999         | 46,238,909.26               | 0.59%          | 75            | 0.17%          |
| 650,000-699,999         | 22,176,891.13               | 0.28%          | 33            | 0.07%          |
| 700,000-749,999         | 22,917,878.06               | 0.29%          | 32            | 0.07%          |
| 750,000-799,999         | 20,777,990.08               | 0.26%          | 27            | 0.06%          |
| 800,000-849,999         | 16,242,105.47               | 0.21%          | 20            | 0.04%          |
| 850,000-899,999         | 10,475,902.20               | 0.13%          | 12            | 0.03%          |
| 900,000-949,999         | 11,071,341.00               | 0.14%          | 12            | 0.03%          |
| 950,000-999,999         | 19,349,431.81               | 0.25%          | 20            | 0.04%          |
| 1,000,000-1,049,999     | 18,207,074.83               | 0.23%          | 18            | 0.04%          |
| 1,050,000-1,099,999     | 7,436,196.00                | 0.09%          | 7             | 0.02%          |
| 1,100,000-1,149,999     | 6,748,886.70                | 0.09%          | 6             | 0.01%          |
| 1,150,000-1,199,999     | 4,692,675.00                | 0.06%          | 4             | 0.01%          |
| 1,200,000-1,249,999     | 7,200,000.00                | 0.09%          | 6             | 0.01%          |
| 1,250,000-1,299,999     | 5,088,240.00                | 0.06%          | 4             | 0.01%          |
| 1,300,000-1,349,999     | 3,915,000.00                | 0.05%          | 3             | 0.01%          |
| 1,350,000-1,399,999     | 4,112,000.00                | 0.05%          | 3             | 0.01%          |
| 1,400,000-1,449,999     | 5,709,201.00                | 0.07%          | 4             | 0.00%          |
| 1,450,000-1,499,999     | 2,930,000.00                | 0.04%          | 2             | 0.00%          |
| 1,500,000-1,549,999     | 10,553,077.04               | 0.13%          | 7             | 0.02%          |
| 1,550,000-1,599,999     | 1,577,000.00                | 0.02%          | 1             | 0.00%          |
| 1,600,000-1,649,999     | 1,648,000.00                | 0.02%          | 1             | 0.00%          |
| 1,650,000-1,699,999     | 3,335,000.00                | 0.04%          | 2             | 0.00%          |
| 1,700,000-1,759,999     | 1,710,000.00                | 0.02%          | 1             | 0.00%          |
| 1,800,000-1,849,999     | 1,844,000.00                | 0.02%          | 1             | 0.00%          |
| 1,900,000-1,949,999     | 3,800,000.00                | 0.05%          | 1             | 0.00%          |
| 1,950,000-1,999,999     | 1,967,061.57                | 0.02%          | 1             | 0.00%          |
| 2,000,000-2,049,999     | 2,000,000.00                | 0.03%          | 1             | 0.00%          |
| 2,050,000-2,099,999     | 2,050,000.00                | 0.03%          | 1             | 0.00%          |
| 2,100,000 -2,149,999    | 2,100,000.00                | 0.03%          | 1             | 0.00%          |
| 2,550,000-2,599,999     | 2,560,000.00                | 0.03%          | 1             | 0.00%          |
| 2,650,000-2,699,999     | 2,670,000.00                | 0.03%          | 1             | 0.00%          |
| 2,800,000-2,849,999     | 2,840,000.00                | 0.04%          | 1             | 0.00%          |
| 3,000,000-3,049,999     | 3,000,000.00                | 0.04%          | 1             | 0.00%          |
| 3,050,000-3,099,999     | 3,057,921.00                | 0.04%          | 1             | 0.00%          |
| 3,300,000-3,349,999     | 3,300,000.00                | 0.04%          | 1             | 0.00%          |
| 3,500,000-3,549,999     | 3,500,000.00                | 0.04%          | 1             | 0.00%          |
| 3,700,000-3,730,000     | 3,730,000.00                | 0.05%          | 1             | 0.00%          |
| <b>Total</b>            | <b>7,869,527,369.08</b>     | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |
| Maximum                 | 3,730,000.00                |                |               |                |
| Average                 | 173,651.25                  |                |               |                |
| Minimum                 | 18,000.00                   |                |               |                |

**d) Current effective interest rate and reference rates applicable or financial burden: maximum, minimum and average of the Loans.**

The weighted average interest rate of the loans is 1.69%.

Out of the total portfolio at October 8, 2014, 1.44% of the outstanding balance of the loans have been granted to Santander or Banesto employees and are linked to

12-month \*Euribor less 35%, that is to say, 65% of 12-month Euribor. The following table shows the distribution of the Loans according to their reference rates.

| Interest Rate         | Outstanding Balance     |                | Loans         |                |
|-----------------------|-------------------------|----------------|---------------|----------------|
|                       | Euros                   | %              | Number        | %              |
| 0-0.5                 | 98,338,519.07           | 1.45%          | 613           | 1.35%          |
| 0.5-1                 | 757,922,672.09          | 11.17%         | 4,344         | 9.59%          |
| 1-1.5                 | 3,543,711,232.41        | 52.21%         | 22,892        | 50.51%         |
| 1.5-2                 | 872,290,725.41          | 12.85%         | 6,382         | 14.08%         |
| 2-2.5                 | 445,869,437.52          | 6.57%          | 2,980         | 6.58%          |
| 2.5-3                 | 282,510,237.82          | 4.16%          | 1,814         | 4.00%          |
| 3-3.5                 | 353,687,216.32          | 5.21%          | 3,089         | 6.82%          |
| 3.5-4                 | 134,128,965.10          | 1.98%          | 1,197         | 2.64%          |
| 4-4.5                 | 9,675,855.17            | 0.14%          | 84            | 0.19%          |
| 4.5-5                 | 14,553,637.97           | 0.21%          | 119           | 0.26%          |
| 5-5.5                 | 151,894,894.83          | 2.24%          | 968           | 2.14%          |
| 5.5-6                 | 112,459,794.99          | 1.66%          | 755           | 1.67%          |
| 6-6.5                 | 9,592,497.92            | 0.14%          | 72            | 0.16%          |
| 6.5-7                 | 171,276.91              | 0.00%          | 2             | 0.00%          |
| 7-7.5                 | 155,026.05              | 0.00%          | 3             | 0.01%          |
| 8-8.5                 | 349,839.53              | 0.01%          | 4             | 0.01%          |
| <b>Total</b>          | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |
| Maximum Interest Rate | 8.25%                   |                |               |                |
| Average Interest Rate | 1.69%                   |                |               |                |
| Minimum Interest Rate | 0.30%                   |                |               |                |

| Reference Rates | Outstanding Balance     |                | Loans         |                |
|-----------------|-------------------------|----------------|---------------|----------------|
|                 | Euros                   | %              | Number        | %              |
| FIXED RATE      | 17,395,250.95           | 1.45%          | 178           | 0.39%          |
| 1-YR EURIBOR    | 6,352,915,722.34        | 93.60%         | 41,333        | 91.21%         |
| 3-MONTH EURIBOR | 341,271.04              | 0.01%          | 1             | 0.00%          |
| 6-MONTH EURIBOR | 131,923.02              | 0.00%          | 1             | 0.00%          |
| BANK TRH RATE   | 416,280,235.73          | 6.13%          | 3,801         | 8.39%          |
| OTHERS          | 247,426.03              | 0.00%          | 4             | 0.01%          |
|                 | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |

**e) Loan formalization dates.**

Average weighted age of the Loans is 6.51 years.

| Year of formalization                                | Outstanding Balance     |                | Loans         |                |
|--|-------------------------|----------------|---------------|----------------|
|  | Euros                   | %              | Number        | %              |
| 1993   | 118,689.80              | 0.00%          | 1             | 0.00%          |
| 1995   | 266,328.25              | 0.00%          | 2             | 0.00%          |
| 1996   | 365,020.72              | 0.01%          | 3             | 0.01%          |
| 1997   | 645,799.30              | 0.01%          | 6             | 0.01%          |
| 1998   | 1,747,847.00            | 0.03%          | 16            | 0.04%          |
| 1999   | 1,070,549.83            | 0.02%          | 14            | 0.03%          |
| 2000   | 2,391,125.13            | 0.04%          | 25            | 0.06%          |
| 2001   | 4,454,875.30            | 0.07%          | 47            | 0.10%          |
| 2002   | 26,736,764.18           | 0.39%          | 256           | 0.56%          |
| 2003   | 76,871,861.88           | 1.13%          | 729           | 1.61%          |
| 2004   | 276,060,608.17          | 4.07%          | 2,351         | 5.19%          |
| 2005   | 709,617,707.99          | 10.46%         | 5,391         | 11.90%         |
| 2006   | 1,258,652,605.55        | 18.54%         | 8,522         | 18.80%         |
| 2007   | 1,277,072,224.48        | 18.82%         | 8,086         | 17.84%         |
| 2008   | 714,048,218.78          | 10.52%         | 4,588         | 10.12%         |
| 2009   | 863,863,851.71          | 12.73%         | 5,473         | 12.08%         |
| 2010   | 789,544,194.42          | 11.63%         | 4,689         | 10.35%         |
| 2011   | 174,355,017.43          | 2.57%          | 1,144         | 2.52%          |
| 2012   | 277,546,039.93          | 4.09%          | 1,821         | 4.02%          |
| 2013   | 141,535,726.76          | 2.09%          | 928           | 2.05%          |
| 2014   | 190,346,772.50          | 2.80%          | 1,226         | 2.71%          |
| <b>Total</b>   | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |
| Earliest formalization date                          | 11/26/1993              |                |               |                |
| Average formalization date                           | 04/05/2008              |                |               |                |
| Latest formalization date                            | 08/29/2014              |                |               |                |
| The average weighted age of the Loans is 6.51 years. |                         |                |               |                |

**f) Final maturity date.**

Amortization of the Loans takes place during the entire remaining life until paid-off in full, a period during which the Debtors must pay installments which include principal repayment and interest or finance charges.

The following table shows the breakdown of the Loans by final amortization date in annual intervals:

| Maturity                                      | Outstanding Balance     |                | Loans         |                |
|---|-------------------------|----------------|---------------|----------------|
|   | Euros                   | %              | Number        | %              |
| 2015  | 600,000.00              | 0.01%          | 1             | 0.00%          |
| 2016  | 300,000.00              | 0.00%          | 1             | 0.00%          |
| 2017  | 246,800.00              | 0.00%          | 1             | 0.00%          |
| 2018  | 37,016.08               | 0.00%          | 1             | 0.00%          |
| 2019  | 456,567.35              | 0.01%          | 2             | 0.00%          |
| 2020  | 1,593,497.08            | 0.02%          | 9             | 0.02%          |
| 2021  | 941,487.43              | 0.01%          | 13            | 0.03%          |
| 2022  | 2,795,500.86            | 0.04%          | 31            | 0.07%          |
| 2023  | 4,411,204.77            | 0.06%          | 56            | 0.12%          |
| 2024  | 9,099,726.29            | 0.13%          | 91            | 0.20%          |
| 2025  | 20,257,707.12           | 0.30%          | 178           | 0.39%          |
| 2026  | 31,996,048.66           | 0.47%          | 238           | 0.53%          |
| 2027  | 41,869,006.86           | 0.62%          | 324           | 0.71%          |
| 2028  | 47,411,353.57           | 0.70%          | 433           | 0.96%          |
| 2029  | 70,799,314.37           | 1.04%          | 618           | 1.36%          |
| 2030  | 82,653,287.00           | 1.22%          | 697           | 1.54%          |
| 2031  | 90,534,650.92           | 1.33%          | 748           | 1.65%          |
| 2032  | 127,100,490.94          | 1.87%          | 998           | 2.20%          |
| 2033  | 185,255,771.57          | 2.73%          | 1465          | 3.23%          |
| 2034  | 359,071,814.40          | 5.29%          | 2868          | 6.33%          |
| 2035  | 745,472,915.77          | 10.98%         | 5447          | 12.02%         |
| 2036  | 782,765,354.78          | 11.53%         | 5393          | 11.90%         |
| 2037  | 614,067,745.61          | 9.05%          | 3957          | 8.73%          |
| 2038  | 385,671,428.17          | 5.68%          | 2447          | 5.40%          |
| 2039  | 380,326,185.71          | 5.60%          | 2399          | 5.29%          |
| 2040  | 359,268,795.32          | 5.29%          | 2131          | 4.70%          |
| 2041  | 284,245,002.67          | 4.19%          | 1893          | 4.18%          |
| 2042  | 248,986,357.45          | 3.67%          | 1583          | 3.49%          |
| 2043  | 142,886,311.84          | 2.11%          | 879           | 1.94%          |
| 2044  | 192,377,929.31          | 2.83%          | 1155          | 2.55%          |
| 2045  | 179,108,922.14          | 2.64%          | 1020          | 2.25%          |
| 2046  | 289,371,423.37          | 4.26%          | 1714          | 3.78%          |
| 2047  | 352,960,664.67          | 5.20%          | 2092          | 4.62%          |
| 2048  | 168,417,427.98          | 2.48%          | 980           | 2.16%          |
| 2049  | 173,063,943.32          | 2.55%          | 1022          | 2.26%          |
| 2050  | 132,038,303.84          | 1.95%          | 734           | 1.62%          |
| 2051  | 62,032,988.12           | 0.91%          | 382           | 0.84%          |
| 2052  | 59,844,981.48           | 0.88%          | 378           | 0.83%          |
| 2053  | 23,925,690.88           | 0.35%          | 149           | 0.33%          |
| 2054  | 53,668,923.37           | 0.79%          | 314           | 0.69%          |
| 2055  | 21,547,679.66           | 0.32%          | 134           | 0.30%          |
| 2056  | 20,632,629.00           | 0.30%          | 122           | 0.27%          |
| 2057  | 21,895,345.47           | 0.32%          | 117           | 0.26%          |
| 2058  | 3,142,773.06            | 0.05%          | 20            | 0.04%          |
| 2059  | 11,854,914.90           | 0.17%          | 81            | 0.18%          |
| 2060  | 184,935.01              | 0.00%          | 1             | 0.00%          |
| 2061  | 121,010.94              | 0.00%          | 1             | 0.00%          |
| <b>Total</b>                                  | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |
| Minimum maturity: 07/10/2015                  |                         |                |               |                |
| Average maturity: 11/25/2039                  |                         |                |               |                |
| Maximum maturity: 11/01/2061                  |                         |                |               |                |
| Average weighted time to maturity 25.15 years |                         |                |               |                |

The average weighted time to maturity is 25.15 years.

**g) Indication of geographic breakdown by Autonomous Community.**

The following tables show the geographic breakdown of the Loans, by the Autonomous Communities where the Debtors' registered offices are located and according to where the mortgaged properties are located, respectively.

| Region             | Outstanding Balance     |                | Loans         |                |
|--------------------|-------------------------|----------------|---------------|----------------|
|                    | Euros                   | %              | No.           | %              |
| Andalusia          | 1,612,850,489.55        | 23.76%         | 12,155        | 26.82%         |
| Aragon             | 144,691,725.79          | 2.13%          | 977           | 2.16%          |
| Asturias           | 82,085,231.68           | 1.21%          | 629           | 1.39%          |
| Baleares           | 163,621,592.31          | 2.41%          | 933           | 2.06%          |
| Canary Islands     | 399,033,963.81          | 5.88%          | 3,117         | 6.88%          |
| Cantabria          | 139,638,502.22          | 2.06%          | 1,018         | 2.25%          |
| Castilla-La Mancha | 297,208,526.05          | 4.38%          | 2,246         | 4.96%          |
| Castilla-Leon      | 318,100,701.50          | 4.69%          | 2,569         | 5.67%          |
| Catalonia          | 781,648,320.22          | 11.52%         | 4,096         | 9.04%          |
| Ceuta              | 7,293,608.01            | 0.11%          | 58            | 0.13%          |
| Extremadura        | 63,042,353.16           | 0.93%          | 558           | 1.23%          |
| Galicia            | 226,084,034.33          | 3.33%          | 1,848         | 4.08%          |
| La Rioja           | 37,367,466.96           | 0.55%          | 229           | 0.51%          |
| Madrid             | 1,456,650,662.41        | 21.46%         | 7,665         | 16.91%         |
| Melilla            | 5,010,241.34            | 0.07%          | 41            | 0.09%          |
| Murcia             | 148,450,052.90          | 2.19%          | 1,091         | 2.41%          |
| Navarra            | 38,855,122.13           | 0.57%          | 242           | 0.53%          |
| Basque Country     | 190,028,790.73          | 2.80%          | 1,061         | 2.34%          |
| Valencia           | 675,650,444.01          | 9.95%          | 4,785         | 10.56%         |
|                    | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |

| Region             | Outstanding Balance     |                | Loans         |                |
|--------------------|-------------------------|----------------|---------------|----------------|
|                    | Euros                   | %              | No.           | %              |
| Andalusia          | 1,654,197,058.58        | 24.37%         | 12,477        | 27.53%         |
| Aragon             | 144,552,362.56          | 2.13%          | 980           | 2.16%          |
| Asturias           | 73,804,645.51           | 1.09%          | 578           | 1.28%          |
| Baleares           | 174,606,766.88          | 2.57%          | 995           | 2.20%          |
| Canary Islands     | 405,244,662.80          | 5.97%          | 3,180         | 7.02%          |
| Cantabria          | 152,825,442.28          | 2.25%          | 1,120         | 2.47%          |
| Castilla-La Mancha | 338,481,403.89          | 4.99%          | 2,559         | 5.65%          |
| Castilla-Leon      | 325,060,297.60          | 4.79%          | 2,670         | 5.89%          |
| Catalonia          | 798,161,572.64          | 11.76%         | 4,161         | 9.18%          |
| Ceuta              | 4,403,884.10            | 0.06%          | 36            | 0.08%          |
| Extremadura        | 61,014,326.64           | 0.90%          | 559           | 1.23%          |
| Galicia            | 218,455,847.40          | 3.22%          | 1,821         | 4.02%          |
| La Rioja           | 38,325,793.88           | 0.56%          | 238           | 0.53%          |
| Madrid             | 1,342,002,652.34        | 19.77%         | 6,664         | 14.70%         |
| Melilla            | 1,120,001.44            | 0.02%          | 10            | 0.02%          |
| Murcia             | 145,591,116.68          | 2.15%          | 1,075         | 2.37%          |
| Navarra            | 40,064,942.27           | 0.59%          | 250           | 0.55%          |
| Basque Country     | 164,008,283.21          | 2.42%          | 888           | 1.96%          |
| Valencia           | 705,390,768.41          | 10.39%         | 5,057         | 11.16%         |
|                    | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |



**h) Arrears in payment of the Loan portfolio assigned by Santander.**

With respect to the Loans to be assigned to the Fund, Santander warrants that no loans will show payments in arrears aged more than 15 days at the Incorporation Date of the Fund.

| Calendar Days in arrears | Outstanding Balance     |                | Loans         |                |
|--------------------------|-------------------------|----------------|---------------|----------------|
|                          | Euros                   | %              | Number        | %              |
| 0                        | 6,011,100,976.28        | 88.56%         | 40,182        | 88.67%         |
| 2                        | 10,557,551.46           | 0.16%          | 61            | 0.13%          |
| 3                        | 14,688,331.46           | 0.22%          | 96            | 0.21%          |
| 4                        | 11,931,693.34           | 0.18%          | 76            | 0.17%          |
| 5                        | 11,468,862.13           | 0.17%          | 70            | 0.15%          |
| 6                        | 10,289,441.71           | 0.15%          | 52            | 0.11%          |
| 7                        | 598,569,992.33          | 8.82%          | 4,057         | 8.95%          |
| 8                        | 33,513,538.72           | 0.49%          | 204           | 0.45%          |
| 9                        | 13,922,973.81           | 0.21%          | 69            | 0.15%          |
| 10                       | 11,642,054.77           | 0.17%          | 74            | 0.16%          |
| 11                       | 11,916,617.21           | 0.18%          | 66            | 0.15%          |
| 12                       | 12,919,810.47           | 0.19%          | 86            | 0.19%          |
| 13                       | 11,126,615.83           | 0.16%          | 75            | 0.17%          |
| 14                       | 12,255,712.16           | 0.18%          | 79            | 0.17%          |
| 15                       | 11,416,657.43           | 0.17%          | 71            | 0.16%          |
|                          | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |

**i) Principal grace period by year of end of loan grace period**

The following table shows, for those loans with principal grace period, the year of completion of this grace period. In no case is there any grace period for the payment of interest. There are no loans subject to forbearance or suspension of installments in the Preliminary Portfolio.

| Year            | Outstanding Balance     |                | Loans         |                |
|-----------------|-------------------------|----------------|---------------|----------------|
|                 | Euros                   | %              | Number        | %              |
| No grace period | 6,211,885,792.86        | 91.52%         | 42,013        | 92.71%         |
| 2014            | 121,509,531.32          | 1.79%          | 661           | 1.46%          |
| 2015            | 355,711,760.87          | 5.24%          | 2,055         | 4.53%          |
| 2016            | 88,597,348.37           | 1.31%          | 519           | 1.15%          |
| 2017            | 2,255,826.38            | 0.03%          | 18            | 0.04%          |
| 2018            | 1,790,754.36            | 0.03%          | 15            | 0.03%          |
| 2019            | 5,560,814.95            | 0.08%          | 37            | 0.08%          |
|                 | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |

**j) Loans granted to foreigners**

The following table shows that ninety-four point nine zero per cent (94.90%) of the Outstanding Balance of the Assets has been granted to Spanish citizens, and five point one zero per cent (5.10%) has been granted to foreign citizens.

| Nationality of Borrower   | Outstanding Balance     |                | Loans         |                |
|---------------------------|-------------------------|----------------|---------------|----------------|
|                           | Euros                   | %              | Number        | %              |
| Foreigner with NIE number | 346,376,148.82          | 5.10%          | 2,218         | 4.89%          |
| Spanish resident          | 6,440,935,680.29        | 94.90%         | 43,100        | 95.11%         |
|                           | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |

**k) Classification by type of residence**

The following table shows that ninety-eight point three nine per cent (98.39%) of the Outstanding Balance of the Assets has been granted for the purchase, construction or renovation of first residences, and one point six two per cent (1.62%) has been granted for the purchase, construction or renovation of second homes.

| Type of Residence | Outstanding Balance     |                | Loans         |                |
|-------------------|-------------------------|----------------|---------------|----------------|
|                   | Euros                   | %              | Number        | %              |
| Second Home       | 110,027,496.49          | 1.62%          | 809           | 1.79%          |
| First Home        | 6,677,284,332.62        | 98.38%         | 44,509        | 98.21%         |
|                   | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |

**l) Purpose of the Loan**

The following table shows the purpose for which the loans were granted.

| Purpose of the Loan     | Outstanding Balance     |                | Loans         |                |
|-------------------------|-------------------------|----------------|---------------|----------------|
|                         | Euros                   | %              | Number        | %              |
| Purchase of Housing*    | 6,688,274,792.29        | 98.54%         | 44,638        | 98.50%         |
| Renovation of Housing   | 37,113,148.15           | 0.55%          | 312           | 0.69%          |
| Construction of Housing | 61,923,888.67           | 0.91%          | 368           | 0.81%          |
|                         | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |

Only zero point zero zero one per cent (0.001%) of the balance of the Preliminary Portfolio are loans for the purchase of subsidized housing (VPO).

**m) Frequency of payments and repayment systems**

The table below shows the distribution of loans in the Preliminary Portfolio according to payment frequency of principal and interest, as they are Loans using the French amortization system.

| Frequency    | Outstanding Principal   |                | Loans         |                |
|--------------|-------------------------|----------------|---------------|----------------|
|              | Euros                   | %              | Number        | %              |
| ANNUAL       | 2,808,579.54            | 0.04%          | 11            | 0.02%          |
| MONTHLY      | 6,779,670,901.99        | 99.89%         | 45,285        | 99.93%         |
| SIX-MONTHLY  | 2,525,798.74            | 0.04%          | 14            | 0.03%          |
| QUARTERLY    | 2,306,548.84            | 0.03%          | 8             | 0.02%          |
| <b>Total</b> | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |

**2.2.3 Legal nature of the Assets.**

The Assets object of securitization through their assignment to the Fund are credit rights deriving from Mortgage Loans granted by Santander and Banesto.

The assignment of the Assets will be made, subject to Spanish legislation, which is the law that applies, by the issue by Santander of Mortgage Transfer Certificates,

(each one representing a share of one hundred per cent (100%) of the Outstanding Balance of the Assets deriving from Mortgage Loans to which they pertain), which will be fully subscribed by the Fund in accordance with Additional Provision 5 of Law 3/1994; Law 2/1981; Royal Decree 716/2009, and other regulations in force from time to time, applicable to the transferability and acquisition of mortgage market securities. The issue, representation, transferability and registration of the Mortgage Transfer Certificates are set forth in detail under section 3.3.2 of this Additional Building Block.

#### 2.2.4 Maturity date(s) of the Assets.

Each of the selected Loans and Credit Lines has a maturity date, without prejudice to partial periodical repayments of the Loans, in accordance with the specific terms and conditions of each.

At any point during the life of the Loans, the Debtors may make early repayments for all or part of the outstanding principal, thus preventing interest from accruing on the portion repaid early from the date on which the repayment is made.

All of the Loans have a maturity date prior or equal to the Final Maturity Date, that is to say November 1, 2061.

The average weighted maturity date of the Loans is 25.15 years.

#### 2.2.5 Amount of the Assets.

The Fund will be comprised of the Loans, which Santander will assign to the Fund on the Incorporation Date, whose total principal will be equal to or slightly higher than SIX BILLION FIVE HUNDRED MILLION EUROS (€6,500,000,000.00)

#### 2.2.6 Loan to value ratio upon granting of the loan or level of collateralization.

21.11% of the principal Outstanding Balance on the Mortgage Assets has a ratio, expressed as a percentage between the outstanding principal and the appraisal value (Loan to Value, or **LTV**) at the time of granting the loan of all mortgages of over 80%, with the weighted average LTV being 69.59%.

The following table shows the breakdown of the Mortgage Loans in their various intervals for the entire portfolio:

| LTV Interval  | Outstanding Balance     |                | Loans         |                |
|---------------|-------------------------|----------------|---------------|----------------|
|               | Euros                   | %              | Number        | %              |
| 11.00-19.99   | 773,163.73              | 0.01%          | 9             | 0.02%          |
| 20.00-29.99   | 4,332,669.85            | 0.06%          | 3             | 0.08%          |
| 30.00-39.99   | 18,074,078.93           | 0.27%          | 142           | 0.31%          |
| 40.00-49.99   | 199,739,323.49          | 2.94%          | 1,507         | 3.33%          |
| 50.00-59.99   | 1,374,535,797.11        | 20.25%         | 10,155        | 22.41%         |
| 60.00-69.99   | 2,254,722,684.03        | 33.22%         | 15,156        | 33.44%         |
| 70.00-79.99   | 1,502,181,058.75        | 22.13%         | 9,417         | 20.78%         |
| 80.00-89.99   | 959,833,500.30          | 14.14%         | 5,972         | 13.18%         |
| 90.00-99.99   | 378,065,430.75          | 5.57%          | 2,319         | 5.12%          |
| 100.00-109.99 | 55,343,309.17           | 0.82%          | 338           | 0.75%          |
| 110.00-119.99 | 24,237,531.66           | 0.36%          | 161           | 0.36%          |
| 120.00-129.99 | 15,166,934.26           | 0.22%          | 105           | 0.23%          |
| 130.00-138.00 | 306,347.08              | 0.00%          | 1             | 0.00%          |
|               | <b>6,787,311,829.11</b> | <b>100.00%</b> | <b>45,318</b> | <b>100.00%</b> |
| Minimum LTV   | 11.00%                  |                |               |                |
| Average LTV   | 69.59%                  |                |               |                |
| Maximum LTV   | 138.00%                 |                |               |                |

In the event there are several properties securing a loan, the appraised value used for calculating the LTV will be the sum of the assessed value of all properties securing the loan.

There is no collateralization in the Fund, since the principal of the Loans that Santander will assign to the Fund upon its incorporation will be equal to or slightly higher than SIX BILLION FIVE HUNDRED MILLION EUROS (€6,500,000,000.00).

## **2.2.7 Description of the procedures established by Santander and by Banesto for the formalization of mortgage loans to individuals.**

### **1. SANTANDER GRANTING POLICY**

The current risk policy followed by Santander, in force during the financial year 2012 and 2013 up to the present date, for granting Loans is as follows:

Since the beginning of 2008, changes have been made to admission policies in order to address the gradual deterioration of the economy, in order to guarantee a high-quality risk profile in new production. In the main, these changes were directed at the revision of loan-to-valuation (LTV) ratios, on the lesser of the appraisal value and the purchase price and differentiated according to the purpose of the operation, the setting of production limits on segments that pose greater risk and to make adjustments to admission scoring models.

The risk policy followed by the Santander Commercial Banking division in order to formalize the Mortgage Loans granted to individuals to finance the acquisition of a home is described below (being substantially similar to that prevailing at the time of granting).

All the commercial offices of Santander have available certain documentation which details the characteristics and terms of the mortgage loan and includes the application form.

The following documentation should be attached to the application form:

1. About the residential property to be acquired:
  - (1) Contract of sale if the property is new or deposit contract if it is second-hand.
  - (2) Verification of the registration of the property with the Land Registry.
  - (3) Last invoice of payment of the Real Estate Tax ("IBI").
2. Concerning the income of the applicant:
  - (1) Salaried workers: the last three payroll checks or certificate issued by the company and Income Tax Returns of the previous year.
  - (2) Pensioners: Pension Receipt: notification of the revaluation of the pension together with the last 3 monthly receipts.
  - (3) Professionals and autonomous workers: Income Tax Return of the previous year and the last two annual V.A.T. Returns and the last quarterly payments.
  - (4) In all cases, photocopy of documentation evidencing other income.
  - (5) In the event of pending debts, the applicant shall file 2/3 of the last payment invoices.

- (6) If divorced/separated: sentence.
  - (7) Cirbe authorization signed by the client.
3. Net Worth:
- Evidence of ownership of the declared real estate, and the Net Wealth Tax Return (in case that it is filed with the Tax Authorities).

### **Resolution of applications**

The commercial offices process the application and, in the event that the decision system issues a favorable resolution, they submit the file to the Execution Units (“Centros de Formalización”), to process the application.

In the event that the preliminary decision is negative, but the office wishes to continue with an operation that is not authorized by the System, a special procedure for reconsideration is envisaged as an exception. As long as there are additional elements to the information contained in the proposal, the offices may send these operations to the analysts of the “Unidad de Decisión de Operaciones (U.D.O.)” (Operations Decisions Team) for their analysis and resolution, providing the reasons or arguments that justify the favorable recommendation thereof. For certain transactions with a very low Score, the policy set forth is to refuse the proposals without the opportunity for re-consideration.

The U.D.O. decides housing mortgage loans amounts up to the limit of its powers (€2,000,000 maximum authorized by the Director of the unit). The transactions which exceed the amount of their faculties are submitted to the “Comisión de Préstamos de Riesgos Banca Comercial España”.

The transactions which exceed a certain amount, or those which do not meet the basic criteria established below, are submitted to the U.D.O., so that, in the exercise of its faculties, it evaluates the loan and issues a preliminary provisional authorization, subject to the firm appraisal and to the verification of the registration data of the property to be mortgaged.

Once the transaction is approved, the file is submitted to the execution units (“centros de formalización”) to process the application.

### **Assessment**

For decision-taking, the following basic criteria will be followed:

- a) Use: acquisition of first or second residential property.
- b) Applicant Age: the applicant shall be aged at least 18 years and the sum of both the age of the applicant and the term of the loan shall not exceed 85 years.
- c) Amount: up to a maximum of 70% of the lesser of the values of appraisal or purchase (higher percentages may be reached in the case of Altamira<sup>1</sup>,

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<sup>1</sup> Altamira Loans: House purchase loans sold by Altamira Santander Real Estate (wholly-owned by Santander S.A.) that are owned by this company or by Banco Santander S.A.

Adjudicados<sup>2</sup>, Subrogaciones<sup>3</sup> and Hipoteca Domus<sup>4</sup> transactions), except in the case of the provision of additional guarantees (other collateral and/or guarantors of solvency), in which case the limit of 70% could be exceeded. In these cases, Santander's general policy being applied by analysts on a manual review scheme is basically as follows:

- Payment capacity and other real guarantees, guarantors of solvency.
  - Verify maintenance of the value of the guarantee over time.
  - Verify that the guarantee is for housing (a detached house, residential, etc.) without taking into account other types of real estate.
  - Verify that the asset is free of liens.
  - Verify that the asset is a “typical” house in order to avoid financing the acquisition of assets which could cause problems in a sale at a later date.
  - Verify the existence of assets adjacent to the secured property such as garages or storage rooms that could complete the value of the guarantee.
- d) Title owners: Individual persons of legal age, Spanish residents that become residential property owners, and which comply with the following conditions:
- (1) The minimum seniority at work shall be 6 months and the applicants shall have passed the probationary period. In the event of foreign applicants, they shall evidence that their employment is stable.
  - (2) In the event of self-employment, the applicants shall evidence a seniority of two (2) years as self-employees.
  - (3) The stress rate (“tasa de esfuerzo”) (the amount of the installment of the loan requested plus other financial charges/total net income) shall not exceed 40% per month.

#### **Disbursement of the loan**

Once the final procedures of evaluation and authorization have been completed, the deed granting the loan is executed before a Notary Public. Once the deed is executed, for the purposes of the recording in the Daybook of the Land Registry of the relevant submission entry of the deed (registration of the mortgage), the Notary notifies the Land Registry by fax of the execution of the deed granting of the loan.

Simultaneously, Santander will disburse the funds and will credit them to the account opened by the Debtor at Santander.

The submission entry has a validity of ten (10) Business Days. During this period, the original copy of the deed which caused the submission entry shall be filed. Once the original copy of the deed has been filed with the Land Registry within this

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<sup>2</sup> Properties repossessed by Banco Santander S.A. because of debtor default with their obligations.

<sup>3</sup> Loans with subrogation by individuals in relation to loans granted by Banco Santander S.A. to developers for housing construction in Spain.

<sup>4</sup> Domus Mortgages: Loan for the purchase of assets owned by the Fondo Santander Banif Inmobiliario investment fund offered by Banco Santander S.A.

period, it shall be verified that the mortgaged property is free of any conditions, restrictions upon transfer, terms, substitutions, reservations, liens, encumbrances or any other limitations, unless they do not affect the mortgage, they are subordinated to it or they are previously cancelled.

#### **Damages Insurance**

In those Loans where it may be required that a damage insurance policy be taken out by the borrower to cover the mortgaged property and the appointment of Santander as beneficiary, such requirement will be reflected in the following clause in the deeds:

***“Insurance, taxes and maintenance of the mortgaged property.- The borrower shall enter into an insurance policy to cover the damages, including those resulting from fire, in connection with the mortgaged property, during the life of this transaction, for a minimum amount equal to the Insurance Value, included in the Appraisal Report, the certificate of which is attached to this deed. Such insurance policy shall irrevocably appoint Santander as the beneficiary, during the life of the transaction, of any compensations arising from a claim.”***

#### **2.- CLAIMS AND RECOVERY POLICY:**

Responsibility for the Commercial Banking recovery policies has rested with the Recovery Business Area of the Commercial Banking division since the beginning of 2009 and its functions have been as follows:

2.1 Establishing the plans of action needed to control the portfolio of irregular loans and loans in default and, through forward-looking management, to prevent new accounts from going into default:

- Analyzing and setting out proposed actions and products designed to reduce irregularity and defaults.
- Performing and monitoring the overall follow-up for portfolios and clients in an irregular position or in default.
- Identifying action plans for critical products or groups. Conducting follow-ups on the defined plans.

2.2 Controlling and analyzing compliance with the policies and strategies defined for each party involved in the recovery process

2.3 Coordinating and generating available information on management cycles, detailing products, segments and zones/territories, etc. for its dissemination and management.

2.4 Establishing the policies and strategies for action of the Collection Center.

2.5 Establishing the policies and strategies for external suppliers of legal and extrajudicial recovery services.

2.6 Coordinating the task of defining objectives within the branch network and monitoring the extent to which these objectives are met.

2.7 Defining the commercial procedure for recoveries.

2.8 Overseeing relations with internal and external structures (Banco de España, internal and external audits, etc.)

Santander's policy on claims and collections is based on a procedure known as "Recovery Circuit," and begins with breach by the client of its voluntary payment obligations, moving through the following stages:

**1. Irregular Stage (1 to 90 days):**

From the first day following the breach to 90 days thereafter. In this stage, the following agents cooperate in the recovery process:

Branch: through the objectives and incentives policies on the management of irregular accounts and accounts in default.

Telephone Collection Center: call centers tasked with managing specific clients and products. As a reference, the centers manage all irregular standardized accounts from 1 to 30 days overdue and the rest of the cycle depending on the amount (client risk) determined at any given time, always as a complement to management at branch-level.

Irregular Account Managers: specific portfolios are assigned to the managers for management in the period from 31 to 90 days, based on the client risk determined at any given time.

Standardized Monitoring Managers: managers working in territorial units and in central services that carry out risk control and monitoring for standardized clients (standardized SMEs and self-employed clients).

Analysts of the Business Analysis Units (BAU): the same admission analysts who supervise "portfolio-included" firms (firms with larger investment volumes) also monitor these firms, since they have a greater knowledge of the client. There is also a structure in the territorial units, attached to the Recoveries Business Area, which manages these clients alongside the analysts, since this management cycle is the responsibility of the Recoveries area.

**2.- Default (90-150 days):**

Payments between 90 and 150 days overdue. In this stage, the following agents cooperate in the recovery process:

Branch: through the objectives and incentives policies on the management of irregular accounts and accounts in default.

External collection companies: Specialist firms that handle the recovery process in this area of management, applying policies and strategies defined by the Bank.

Default Managers: clients are assigned to their portfolios on the basis of the client risk they present at any time.

**3.- Pre-contentious and Contentious**

This stage will begin 150 days after an account becomes overdue, or earlier if it has been classified as such through applicable criteria, and is managed as follows:

Mass loan recovery companies: these companies specialize in legal and extrajudicial recovery and are appointed by the Bank to recover smaller sums (currently with client risk of less than €50,000).



At present there are three suppliers acting under the supervision of the Resources Division, based on the policies, strategies and procedures defined by the Recoveries Area.

Clients whose unpaid sums exceed the aforementioned amount are assigned to recovery managers distributed across all territories and handling the portfolios to be managed.

If out-of-court proceedings prove unsuccessful, the corresponding legal procedures are initiated, depending on the nature of the loan or credit instrument. These include attachments of money, mortgage foreclosures, ordinary enforcement proceedings, etc.

Without prejudice to the proceedings that might be initiated in each case, court proceedings take place in conjunction with out-of-court proceedings, which seek the following four objectives:

- 1) **SETTLEMENT:** although court proceedings may be under way, payment is sought for outstanding installments, interest and legal costs.
- 2) **REFINANCING:** involves arranging a new operation with new personal and in rem collateral and with payment of the corresponding interest.
- 3) **DATION IN PAYMENT:** faced with the manifest insolvency or impaired financial capacity of the client, the property is handed over as payment of the debt.
- 4) **PAYMENTS IN CASH:** cash payments are accepted with partial release of the debt, this being a further possibility when the client has little economic solvency.

Complementarily, in this contentious phase, and provided an early solution such as those described above is not found, the bank will seek court awards or court auctions of the mortgaged or seized assets.

Following the foreclosure, the property in question is transferred to the Bank's Property Department, which has the following management procedure in place for foreclosed property:

DESCRIPTION OF THE PROCESS:

### **1) Registration of the property**

The property must be in the process of being recorded with the land registry upon arriving from the Recoveries Business Area. The documentation must include:

- Deed of ownership.
- Appraisal for court purposes.

The amount of the awarded property in the information sent by the Recoveries Business Area (property registration file) is compared with the litigation account and the Bank confirms that the amount to be reported is no more than 90% of the appraisal value.

The property is then recognized in the accounts on the basis of this information.

### **2) Legal disencumbrance**

The legal team of Santander Global Facility (SGF) examines the legal situation of the property (chiefly ownership, encumbrances and possession) to determine whether there are any factors that could prevent it from being sold.

### **3) Commercial disencumbrance**

If there are no legal problems (mainly possession), the property is disencumbered commercially.

Properties are added to the portfolio of each of the Bank's Commercial Officers, who are spread among the regions and tasked with identifying and determining the characteristics of the property.

To such end, the External Collaborating Agent (ECA), which is a realtor company operating in the specific region in question and with an agreement in effect with the Bank prior to the approval process, prepares a report containing specific information on the property, such as floor area, external appearance and sales outlook for the area. The ECA also conducts a valuation of the property.

#### **4) Valuation of assets**

The corresponding Committees with sufficient powers are ultimately responsible for determining the final price which are: 1) *the Junior Committee* chaired by the Head of Foreclosed Properties, together with all of the Bank's sales officers and, above this; 2) *the Senior Committee*, chaired by the Head of the Real Estate Assets Unit and including also the Head of Foreclosed Properties. This committee approves prices in the event the other committee has insufficient powers for such purpose.

Third-party appraisals are used for determining the "market price", such as the reference values given by marketing entities, for which real estate of similar characteristics in the area are taken into consideration and, on given occasions, any of the Committees may request updated appraisals as well as statistic evaluation tools.

The prices determined by the corresponding Committees are non-negotiable for the client and may be reviewed every three (3) months, with the price reflecting market conditions or those of the Bank.

#### **5) Commercialization**

The prices approved by the corresponding Committees are then published on the corporate website

Clients have various channels open to them:

Realtor company: customers seeking a property can visit the offices of a realtor company, where Bank-owned properties may be on display.

Corporate website: clients interested in a property seen on the website can leave their contact details. The website then transfers their details to the realtor company, which attempts to arrange a visit.

Intranet: same as for the corporate website, but for employees. They have a 10% discount.

Groups: same access as for employees. Agreements only reached with specific groups.

Call Center: customers see the for-sale sign on the home and call the Call Center, which transfers their contact details to the realtor company to schedule a visit

Commercial Banking Branches: act as business motivators. They generate sales leads, which are then taken up by the realtor companies.

#### **6) Completion of the sale**

Once the client decides to buy, the relevant documents (down payment agreement, money laundering form) are sent to the Bank's Money Laundering Department via the Realtor Company. After reviewing and approving the documents, the property is removed from the corporate website and the parties take the necessary steps leading to completion of the sale before notary public (as with any sale of real estate).

The Bank has a procedure in place for providing financing to these clients under special terms and conditions.

### **7) Derecognition of the asset**

Once the public deed of sale has been signed, a copy is sent for the following purposes:

- Derecognizing the asset and reporting the sale in the accounts.
- Paying the commission to the realtor company that made the sale.

## **3. DESCRIPTION OF THE PROCEDURES ESTABLISHED BY BANESTO FOR THE FORMALIZATION OF ITS LOAN PORTFOLIO.**

As from the date that Banesto was merged with Banco Santander, that is to say, on April 30, 2013, the Santander policy for the granting of loans has been followed exclusively. Consequently, there follows a description of the Banesto loan granting policy prior to the mentioned merger.

### **Introduction**

Banesto branches hold complete information on the features and conditions for the offer of mortgage loans, and the procedures to be followed for the processing of applications and the formalizing of transactions.

Risk Acceptance involves active participation by several areas, depending on the task:

- Branch acceptance: Involvement of the branch in the Risk is fundamental. It is at the branch where contact is first made with the customer, clarifying the requirement and the nature of the loan. Depending on the proposal, the branch will determine the advisability of processing the application or rejecting it if it is not in line with Banesto policies. The branch has the authority to halt the acceptance process at any point. It is also the routine intermediary with the customer for the request of documentation and the required procedures.
- Risk Analysis, which consists of two main elements
  - Automatic opinion from the Risk decision systems: immediately and at each of the milestones in the procedure, automatic analysis is made of the transaction using IT systems and highly predictive quantitative tools that have been approved by banking supervisors and ensure the credit quality of such transactions.
  - Analysis center procedures: Where necessary, a team of analysts specializing in mortgage transactions assesses all the qualitative circumstances that might affect the quality of the transaction, advising the branches on the best way of planning the transaction and concluding with a ruling as to whether the customer's risk profile is acceptable or not.
- Control of Documentation and Mortgage Formalization: A specialized center independent from the Commercial and Risk areas is responsible for the quality of the formalization of mortgage operations.

### **Risk Proposal**

There are two channels where transaction proposals can be initiated: the Branch Network and Internet (ibanesto). The customer completes an application with various items of

information which it must later justify with the necessary documentation during the course of the process.

This information is posted on the IT systems and feeds two basic applications: the mortgage proposal as such, and the customer analysis system (SAPA), which will be implemented for each and every participant in the transaction.

The proposal contains specific information from the application (amount, term, economic conditions, characteristics of the housing property, name of those intervening in the transaction, etc.) and the SAPAs with information on those participating (age, income and recurrence, type of business activity, level of indebtedness, family situation, net worth, etc.).

The data collection process is also fed from information provided by various types of credit databases, both external and internal (for applicants who are already customers) (Cirbe, Asnef / Experian / RAI, Internal Alerts, Triad).

### **Risk Analysis**

To be able to be formalized, all mortgage transactions require the proposed plan to be confirmed as viable by the Risk Area. This viability, always subject to subsequent confirmation of the documentation and definitive assessment of the security) can be determined in one of two manners:

#### 1. Automatic System

All transactions are initially run through the automatic Risk decision engine. This tool uses a scoring system designed specifically for Banesto mortgage transactions, and provides high predictivity in relation to the risk quality of transactions. It forms part of the advanced IRB model approved by the Bank of Spain, and is frequently subjected to tests and calibrations that ensure its quality at all times. In addition, it feeds back the information necessary to rapidly adapt Risk policy to the different stages of the economic cycle.

The system performs an initial analysis of the customer and transaction, applying a series of decision-making rules, so that the proposal can be classified as:

- Automatically viable
- Doubtful
- Not viable (could be reconsidered)
- Not viable (not to be reconsidered)

Automatically viable classification can only be obtained in transactions with a low likelihood of default that furthermore comply with all the policies set for each type of mortgage transaction.

Whatever the result, the transaction is returned to the originating branch, which decides what it will do with the transaction. In cases where there is doubt, or when they are rated as not viable but could be reconsidered, transactions can be submitted to the specialized analysis center (CAR) for reconsideration.

Every time a change is made to proposal data, the system makes a new assessment, which ensures that Risk policies for all viable transactions are complied with at all times.

#### 2- Expert Analysis

If the branch deems it advisable, transactions classified as doubtful or rejected but that can be reconsidered can be sent to a Risk Analysis Center (CAR) formed by analysts specializing in housing mortgage operations.

The proposal is studied by the CAR by means of a joint customer-transaction analysis, taking into account all relevant qualitative and quantitative aspects, and also assessing the consistency and suitability of the information submitted. The CAR and the branch can interact in different ways, for example, by suggesting alternative proposals to adapt the proposal to the standards of the Risk policies in effect at each moment.

The CAR will then issue a final ruling on the viability or not of the proposal.

Once Risk viability has been obtained, the branch can continue with the concluding procedure, submitting the transaction to a specialized formalization center, the UFH.

### **Mortgage Formalization Unit (UFH)**

The Risk area viability represents a first provisional authorization, subject to the approval of the office and a specialized center for mortgage formalization that has five fundamental tasks:

1. Verification of documentation
2. Ordering of firm valuation of the asset being mortgaged
3. Technical and legal opinion
4. Preparation for signature
5. Completion of the file.

Verification is performed by specialists who are fully familiar with the documentation that must be provided by the customer in each area. Their work is directed by Banesto management, supervised by an independent quality control team and audited by the internal audit department on a regular basis.

Valuations are always performed by approved valuation companies and are chosen randomly and only by this Unit. The approval process is designed so that the Bank only works with valuations that are of the highest quality, independence and objectivity for all new mortgage transactions requiring valuation.

As a result of the documentary verification and definitive valuation changes may arise in the proposed transaction that could eventually make it necessary for a new analysis to be performed by the Risks systems (which could be either in automatic manner or through the CAR, depending on the changes that have been made).

The UHF is responsible for final approval of the transaction, which shall only be technically possible when it has been declared viable by Risks and has complied with all the requirements for documentation, valuation and technical and legal approval that have been laid down.

Once the definitive assessment and authorization procedures have been performed, the loan contract is signed. The Banesto branch then books the loan and disburses the funds.

Subsequently, a specialist team from this Unit carries out the post-signing processes for the proper registration with the Registry of the security, distribution of copies of the deed, and settlement of the funds, thus completing the acceptance process.

## **Monitoring**

Through its Risk Monitoring Unit, Banesto aims to maintain the quality of its loan portfolio.

To this end it is absolutely necessary to anticipate those situations that might provoke a deterioration in such quality, making it possible to take preventive measures to detect and handle them.

There is a team with the exclusive purpose of anticipating and managing risks until they reach 30 days in the non-performing category, when their handling is transferred to Special Monitoring, the operations of which are described below.

The Monitoring Unit team is fully integrated within the network, with Regional and Area Managements reporting to both the network Risks area and the Central Services management, and is equipped with the necessary processes and information with which to carry out its work.

These processes are detailed in internal regulations and indicate how, where and with what frequency customers must be reviewed on the basis of their rating and the policy assigned to each one on the basis of their analysis and evolution.

These reviews are performed by the specific committees set up for the purpose at all levels of the organization, in branches and Area, Regional and Central Services (senior management) sections, with the corresponding frequency. These committees are always attended by the managers of the business areas and the risks areas.

There is also sufficient information in quality, quantity and frequency for monitoring purposes that is accessible and is distributed to the various levels. This information handles and controls various parameters: external and internal alerts, rating development, behavior, past due accounts, etc. Much of this information is generated automatically on a regular basis, being available through the Banesto IT systems, and other information is generated ad hoc according to the needs and interests of the moment.

There is therefore a view of portfolio quality and its development at all times.

In the specific case of the monitoring of personal customers, Banesto also possesses a tool that monitors the behavior of each customer individually on a monthly basis, enabling the monitoring of the credit quality and taking of timely decisions sufficiently in advance for them to be effective. As indicated, these decisions are taken in committees with all the necessary information, and evidence of this is left on record not only in the corresponding minutes but also in the information systems, which enables the following of their development and compliance.

Independently, there are sufficient controls as regards correct formalization (operational risk) of the transactions in this segment that are regularly monitored by the committees established for the purpose.

Furthermore, on a regular basis concrete actions are performed in the branch network to detect situations that are unable to be detected by normal monitoring procedures, ensuring control and monitoring of risk quality in accordance with policies established by the Bank.

### **2.2.8 Representations and other warranties given to the Issuer in relation to the Assets.**

Santander, as title owner of the Loans from which the Assets to be assigned to the Fund derive and issuer of the Mortgage Transfer Certificates, represents and warrants to the Management Company, in the name and on behalf of the Fund and in relation to the Date of Incorporation and to the Fund, the following:

**(a) Regarding Santander:**

- (1) Santander is a credit institution duly incorporated under the current laws of Spain, and is registered with the Mercantile Registry of Santander and the Registry of Entities of the Bank of Spain.
- (2) Santander's governing bodies have validly adopted all necessary corporate resolutions for assignment of the Assets to the Fund and in order to execute the corresponding Articles of Incorporation and the Contracts.
- (3) Santander is entitled to participate in the Mortgage Market. Santander also has the power to grant all loans whose assets are transferred under the Articles of Incorporation.
- (4) Neither as at the date of the Prospectus, nor at any time after incorporation of the Fund, has Santander been subject to a situation of insolvency, creditors' procedures, temporary receivership or bankruptcy.
- (5) That it has the annual financial statements relating to the last three fiscal years (2011, 2012 and 2013), duly audited, without provisos. The audited annual financial statements pertaining to the fiscal year ended December 31, 2011, 2012 and 2013 have already been registered at the CNMV and filed with the Mercantile Registry.
- (6) That, in accordance with the provisions of Regulation 575/2013 of June 26, the Assignor will retain a significant net economic interest in the Fund under the terms required by the Bank of Spain.

**(b) In relation to the Assets:**

- (1) That the Assets are valid and enforceable in accordance with applicable law, all current legal provisions having been observed in the establishment thereof.
- (2) The data included in the Articles of Incorporation and this Prospectus in relation to the assets match the data sent by the Assignor at the time of selection and assignment of the portfolio and accurately reflect their status at the dates of selection and assignment of the portfolio, respectively.
- (3) That as from the time of their granting or subrogation, as the case may be, the Assets have been and are being serviced by Santander in accordance with the customary procedures it has established.
- (4) Santander and Banesto, in granting or subrogating each and every Loan, have faithfully followed the risk granting policies applicable at all times. 8.979% of the Outstanding Balance of the Assets has been granted during fiscal years 2012, 2013 and 2014 and are compliant with the current risk granting policies as contained in

section 2.2.7 of this Additional Building Block. 91.02% of the Outstanding Balance of the Loans corresponds to Loans granted prior to 2012, which (i) in the case of the Loans granted by Banesto, have followed the Banesto risk granting policies described in point 2.2.7 above, and (ii) in the case of the Loans granted by Santander, do not differ substantially from the current risk policy described in section 2.2.7 above.

- (5) That the Assets derive from bilateral Loans granted by Santander to individuals whether clients or employees residing in Spain, to finance the acquisition, construction or renovation of housing in Spain, or to subrogations by individuals of financing granted to developers for the construction of housing in Spain, to be sold, all of the Debtors being individuals.
- (6) That the Loans of the portfolio do not derive from transactions involving refinancing or renegotiations of Loans in default.
- (7) That the Assets are denominated and payable in euros and they are guaranteed by a real estate mortgage.
- (8) That the Assets accrue interest at either a fixed or variable rate referenced in the case of the latter to a market index, without in any case, a maximum or minimum limit being provided as to the applicable interest.
- (9) That all of the Assets have a maturity date on or before the Final Maturity Date, which is November 1, 2061.
- (10) That the Assets have their origin in the ordinary course of Santander and Banesto's business.
- (11) Santander is the owner, without any limitation, of the Assets, and has not received any claim or compensation whatsoever prior to their assignment to the Fund and there is no restriction whatsoever on the issue of the Mortgage Transfer Certificates.
- (12) The documentation by means of which the Mortgage Loans were formalized does not include any impediment to the free transfer of the Assets to the Fund, nor does it include any impediment to the assignment of Santander's rights as beneficiary of the Damage Insurance policies, and where the consent of the Debtor be required, such consent has been obtained.
- (13) That the payments of the Debtor deriving from the Loans are not subject to any tax deduction or withholding.
- (14) The Assets constitute a valid and binding payment obligation on the Debtor and are enforceable in accordance with their own terms.
- (15) That payment of the quotas and interest of the Assets takes place through direct bank debit generated automatically and authorized by the relevant Debtor at the time of formalizing the transaction.
- (16) The Assets are governed by the laws of Spain.



- (17) No person holds any preferred or pre-emptive right over the Fund with respect to the Assets.
- (18) The Preliminary Portfolio does not contain non-payments in excess of fifteen (15) days. At the time of the assignment, there will be no loans with non-payments in excess of fifteen (15) calendar days.
- (19) That none of the Loans pertains to financing granted to real estate developers for the construction or renovation of residential housing and/or commercial or industrial properties to be put up for sale.
- (20) That it has no knowledge of any of the Debtors being the holder of any credit right vis-à-vis Santander which grants it the right to set-off there against and which may adversely affect the Assets.
- (21) That, as at the Incorporation Date, it has not received any notice of pre-payment of the Loans, in whole or in part.
- (22) That each of the Loans are secured by a first mortgage on full ownership of the mortgaged property or, where appropriate, with a subsequent ranking mortgage (the latter only in cases where, as a result of the procedure of canceling the corresponding prior mortgage at the registry and the subsequent execution and registration in the Land Registry of a new first ranking mortgage, the registration of the latter with a first ranking has not occurred, while the debt secured by the prior mortgage has already been satisfied and, therefore, the subsequent cancellation and new registration is currently underway), without the mortgaged properties being subject to any restrictions on their disposal, conditions subsequent or any other ownership constraints.
- (23) That all of the Mortgage Loans are formalized by public deed and all of the mortgages are duly established and recorded with the pertinent Property Registries. Registration of the mortgaged properties is current and effective and without contradiction.
- (24) That the Mortgage Loans are not represented in neither registered, to order or bearer securities.
- (25) That the Mortgage Loans are not subject to any mortgage bonds or mortgage shareholdings issue.
- (26) That the properties mortgaged by virtue of the Mortgage Loans are not subject to a situation of excluded assets for acceptance as security (owing to their exclusion from town planning) in accordance with article 11.1 of Royal Decree 716/2009, of April 24, implementing certain aspects of Law 2/1981, of March 25, on Regulation of the Mortgage Market and other regulations of the mortgage and financial system.
- (27) That the Mortgage Loans do not meet any of the characteristics of excluded or restricted credits under Articles 12.1 a), c), d), f) and 12.2 of Royal Decree 716/2009.

- (28) That copies of all of the mortgage deeds referring to the Mortgage Loans are duly placed in Santander's files, adequate for such purpose, at the disposal of the Management Company, acting for and on behalf of the Fund, and all of the Mortgage Loans are clearly identified, both by means of machine-readable media as well as their deeds.
- (29) That it has no knowledge of the existence of litigation of any kind in connection with the Mortgage Loans which may impair the validity thereof or which may lead to the application of article 1535 of the Spanish Civil Code, or of the existence of circumstances which may lead to the ineffectiveness of the contract for the acquisition of the property mortgaged as security for the Mortgage Loans.
- (30) That it has no knowledge of the existence of any circumstance which prevents foreclosure or enforcement of the mortgage guarantee.
- (31) That all mortgaged properties have been previously appraised by entities that have been registered with the proper Official Registry of the Bank of Spain, and approved by Santander, whose appraisal has been certified. All completed appraisals meet all of the requirements stipulated in mortgage market legislation. In the case of subsidized housing ("Vivienda de Protección Oficial – VPO"), the valuation is equal to or less than the maximum legal value.
- (32) That all mortgaged properties have been constructed, completed and are fully owned by the respective mortgagor (individual) Santander is unaware of any litigation existing in connection with the ownership of such properties which may impair the mortgages.
- (33) The address and/or the property registration number of each mortgaged property securing each Mortgage Loan recorded at the database of Santander coincides with that established in the Public Deed.
- (34) That Loan debtors who are Santander employees shall upon ceasing their employment relationship with the Bank switch from the current interest rate (12-month Euribor less 35% 12-month \*Euribor, that is to say, 65% of 12-month Euribor) to a market rate similar to that of the rest of the customers, based on the moment of termination and subject to renegotiation in each specific instance.

**(c) In relation to the Mortgage Transfer Certificates:**

- (1) That the Mortgage Transfer Certificates are issued in accordance with the provisions of (i) Law 2/1981, (ii) Royal Decree 716/2009, (iii) Additional Provision Five of Law 3/1994, of April 14, by virtue of which the current law in force applicable to mortgage units or participations is applied to the MTC's, wherever applicable, and other applicable regulations.
- (2) That MTCs are issued because the Mortgage Loans are not eligible under Article 3 of Royal Decree 716/2009, for purposes of being

subject to mortgage shares, as they do not meet the requirements set out in Chapter II of the Royal Decree. This information shall be consistent with the contents specified in Annex I of Royal Decree 716/2009, on special accounting of mortgages and loans.

- (3) That the Mortgage Transfer Certificates are issued for the same term which remains until the maturity of and for the same interest rate as each one of the Mortgage Loans to which they pertain.
- (4) That, on the Incorporation Date, the outstanding balance of the Mortgage Loans is equal to the capital figure of the Mortgage Transfer Certificate to which it pertains.
- (5) The respective corporate body of the Assignor has validly adopted all the agreements required for the issue of the Mortgage Transfer Certificates.
- (6) That the Management Company has obtained from Santander, as Assignor of the Assets, the statements and guarantees regarding the characteristics, both as regards the Loans and the Mortgage Transfer Certificates and from the assignor itself, which are described in this section and will be ratified in the Articles of Incorporation.

#### **Compliance with Regulation 575/2013, of June 26**

In compliance with the provisions of article 405 Regulation 575/2013 of June 26 on the prudent requirements of credit institutions and investment entities, amending Regulation (EU) No. 648/2012 (“**Regulation 575/2013**”), the Assignor has notified the Manager that it will retain a significant net financial interest in the Fund on an ongoing basis under the terms required by Regulation 575/2013. For these purposes, the Assignor has notified the Manager that by “ongoing basis” it is understood that the retained net financial interest shall not be subject to a credit risk reduction, or short positions or other types of hedging and neither will it be sold. The Assignor will undertake in the Deed of Incorporation to include, on the website of the Santander Group [www.santander.com](http://www.santander.com) (or any other site that may replace it in the future), reference to the location where all the updated details can be found on the requirement to retain a net financial interest..

Without prejudice to the foregoing, certain details on this withholding are provided below in this Prospectus. In particular:

That, pursuant to the terms of section d) of the aforementioned article 405, the Assignor, in the capacity of Assignor of the securitization, shall undertake, in the Articles of Incorporation, to withhold, in a constant manner, the Bonds of Series C, which represent at any given time at least five per cent (5%) of the nominal value of the securitized exposures.

That the Assignor shall undertake, in the Articles of Incorporation, to inform the Managing Company, on a monthly basis, of the maintenance of the commitment to withhold assumed. For the purpose of this notification, the Assignor must explicitly state that it has not performed any action (coverage of the risk of the loan, sale, assumption of short positions, etc.) that has undermined the application of the withholding requirement.

In compliance with the article 409 Regulation 575/2013, the Assignor must ensure that possible investors can easily access all pertinent data on the credit quality and changes in the various underlying exposures, cash flows and the *in rem* collateral backing the underlying exposure, and likewise any other information deemed necessary for the purpose of conducting meticulous and properly documented stress tests with respect to the cash flows and the value of the *in rem* guarantees backing the underlying exposures.

### **2.2.9 Replacement of the Assets.**

In the case of prepayment of the Assets due to the early reimbursement of the principal of the corresponding Mortgage Loans, this Mortgage Loan will not be replaced.

In the event that any of the Assets is affected by a hidden defect owing to non-compliance on the Incorporation Date of the Fund with the requirements that such Assets must meet in order to be assigned to the Fund or the representations made to that effect by the Assignor to the Management Company reproduced in section 2.2.8 of this Additional Building Block, or has failed to acquire the characteristics notified by Santander to the Management Company, the party that has become aware of such circumstance, whether it be the Assignor or the Management Company, shall notify the other party of such circumstance in writing, both parties being obliged within the following ten (10) Business Days to rectify that hidden defect or, if that hidden defect cannot be rectified, to replace the Asset affected by another or others with an outstanding balance equal to or slightly higher than the outstanding balance of the replaced Asset and which will have to comply with the representations of the Assignor to the Management Company reproduced in section 2.2.8 above and have similar residual period, interest rate and value of principal pending repayment, rank of mortgages, relation between the principal pending reimbursement and the appraisal value of the property or properties mortgaged, and quality of the guarantee, so that the financial balance of the Fund and the rating of the Bonds are not affected by the replacement. The Assignor must notify the Management Company of the characteristics of the Mortgage Loans intended to be assigned in replacement.

The replacement will be carried out by means of the cancellation of the Mortgage Transfer Certificate and the issue and acquisition by the Fund of the Mortgage Transfer Certificate that will replace it (the Assignor will issue a new multiple title which includes, as the case may be, the number of Mortgage Transfer Certificate that may exist on that date and which will be issued in exchange for the one given on the Incorporation Date or on the date prior to the assignment and/or replacement prior dated of substitution). That issue of the Mortgage Transfer Certificate by Santander and replacement by the Management Company, on behalf of the Fund, will be made through the corresponding Notary certificate, which will include the data concerning the Mortgage Transfer Certificate to be substituted, the Mortgage Loan, the new Mortgage Transfer Certificate issued, together with the data concerning the new Mortgage Loan, as well as the reason for the substitution and the variables which determine the homogeneous character of both Mortgage Transfer Certificates, as described above. A copy of this Notary certificate will be given to the CNMV, to Iberclear and to AIAF, and the Rating Agencies will be subsequently notified.

Santander shall reimburse to the Fund any unpaid amounts regarding the replaced Asset by depositing such amounts in the Cash Accounts. Furthermore, should the Outstanding Balance of the Asset be slightly lower than that of the replaced Asset, Santander shall reimburse the difference to the Fund, taking into account the nominal value, the interest that has accrued but not paid and any other unpaid amounts concerning such Asset, by means of their payment into the Cash Account on the relevant date.

In particular, the modification by the Assignor, of the terms and conditions of the Loans during the term thereof, irrespective of the limits established in the special laws applicable and the terms agreed between the Fund and the Assignor in the Articles of Incorporation of the Fund and section 3.7.1 of the Additional Building Block, and, therefore, absolutely exceptional, would constitute a breach by the Assignor of its obligations which should not be assumed by the Fund. In the event of any breach, the Fund may, through the Management Company:(i) demand indemnity for damages and (ii) request the replacement or reimbursement of the affected Assets, as set forth in this section, which will not imply the guarantee by the Assignor of the successful completion of the transaction, but the necessary redress of the effects of the breach of its obligations, in accordance with article 1124 of the Civil Code. The Manager will notify the CNMV immediately of any replacements or redemptions of Assets affected as a consequence of breach by the Assignor. The costs incurred from actions taken to remedy the breach of the Assignor will be borne by the Assignor, which may not then seek recovery of such costs from the Fund.

Should it not be possible to carry out the replacement mentioned or it is not made within a period of ten (10) days, the Management Company will redeem the affected Mortgage Transfer Certificate in advance. In which case Santander will repurchase it and will reimburse the Fund the Outstanding Balance thereof together with the interest accrued and unpaid, in addition to any other unpaid amounts with regard to such Asset, by means of their deposit in the Cash Account.

The resolutions of the affected Assets will be notified to the CNMV and the Qualification Agencies.

## **2.2.10 Relevant insurance policies relating to the Loans.**

The assets on which the mortgages have been established as security for the Mortgage Loans have been insured, as the case may be, in accordance with the provisions of Order ECO/805/2003.

Initially, insurance policies are contracted with Santander, or entities in the Santander Group, with the Debtors later able to transfer them to another insurer of their choice so that the property under mortgage is insured at all times.

Data on insurance company concentration are not included because the insurance policies signed by the Debtors and their details are not supported by or updated in Santander's computer records. There may, however, be a concentration of Santander insurance companies since initially the damage insurance policies are taken out with Santander.

At the date of registration of this Prospectus, there is no evidence of the valid Damage Insurance contracted at the time of granting of the Mortgage Loans.

**2.2.11 Information relating to Debtors in cases when the Assets comprise debt obligations of five (5) or fewer Debtors that are legal entities, or when a Debtor accounts for twenty per cent (20%) or more of the Assets, or when a Debtor accounts for a material portion of the Assets.**

Not applicable.

**2.2.12 Details of the relationship between the issuer, the guarantor and the Obligor, if significant.**

Material relations do not exist for purpose of the Bond issue between the Fund, the Assignor, the Management Company and other parties involved in the program other than as reflected under sections 5.2 and 7 of the Registration Document and 3.2 of this Additional Building Block.

**2.2.13 Where the Assets comprise fixed income securities, details of main terms and conditions.**

Not applicable.

**2.2.14 Where the Assets comprise equities, details of the main terms and conditions.**

Not applicable.

**2.2.15 Where more than ten percent (10%) of the Assets comprise equity securities not traded on a regulated or equivalent market, details of the main terms and conditions.**

Not applicable.

**2.2.16 Where a material portion of the Assets are secured on or backed by real property, valuation reports relating to the properties detailing both the value of the properties and cash flow/income.**

The real estate appraisal values of the real estate posted as collateral for the Mortgage Loans are effectively the appraisals conducted by the appraisal entities for the purpose of granting and executing the Mortgage Loans.

**2.3 Assets actively managed backing the issue.**

Not applicable.

**2.4 Declaration if the issuer wishes to issue further securities backed by the same Assets, and description of how the holders of the assets will be informed.**

Not applicable.

**3. STRUCTURE AND CASH FLOW**

**3.1 Description of the structure of the transaction.**

Through this securitization program, Santander shall transfer the Assets to the Fund. The Fund will acquire the Assets and issue the Bonds. This transaction will be formalized through the Deed of Incorporation, which will be signed by the Manager, acting on behalf of the Fund, and by Santander. The following will therefore take place upon execution of the Deed of Incorporation of the Fund:

a) the assignment to the Fund of the Assets;

- b) the issue of the Mortgage Transfer Certificates by Santander and the subscription thereof by the Fund; and
- c) the issue of 74,750 Bonds distributed in three (3) Series of Bonds: A, B and C.

A copy of the Articles of Incorporation shall be submitted to the CNMV and Iberclear prior to the Bond Subscription Date.

On another subject, and in order to consolidate its financial structure and procure the greatest coverage possible for the risks inherent to the issue, the Management Company, acting on behalf of the Fund, shall proceed to formalize, inter alia, the contracts established below, with the power, in order to comply with the Fund's operating structure in the terms contemplated in the Deed of Incorporation and regulations in force from time to time, to extend or modify such contracts, substitute each one of the providers of services to the Fund thereunder and, even, if necessary, enter into new contracts, subject to notice to the CNMV and, as the case may be, obtaining the pertinent authorization, provided that the rights of the Bondholders are not thereby hampered and, in particular, provided that a decline in their rating does not take place.

The Management Company shall formalize with Santander, inter alia, the following contracts:

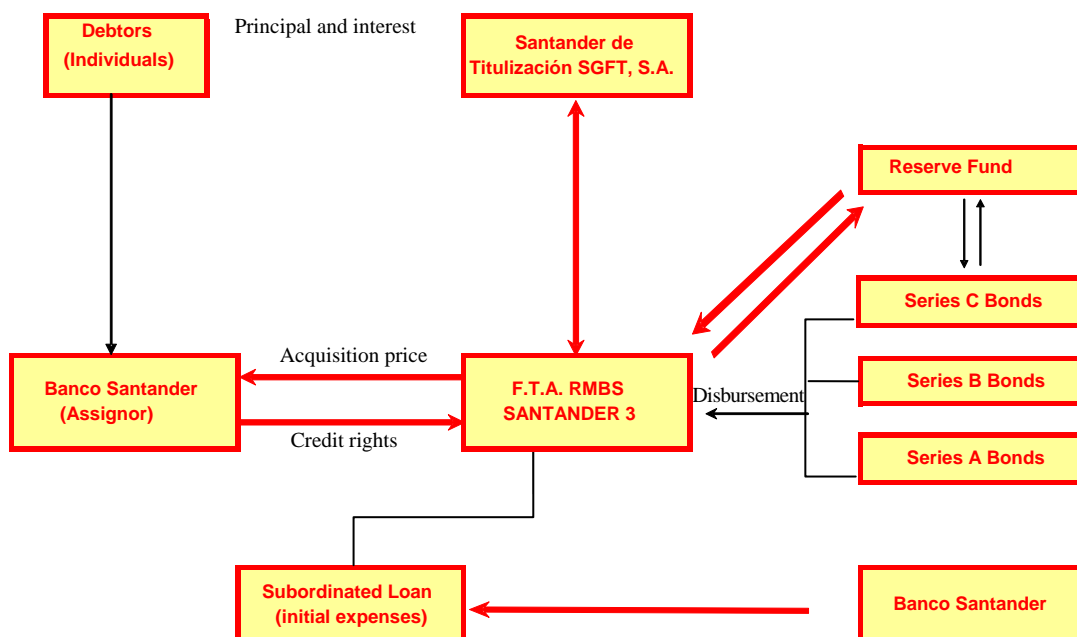
- Subordinated Loan Agreement, to be applied to financing the Fund's incorporation expenses and Bond issue, including the partial financing of the acquisition of the Assets for the amount of the purchase that slightly exceeds SIX BILLION FIVE HUNDRED MILLION EUROS (€6,500,000,000); and
- Guaranteed Rate Reinvestment Agreement, by virtue of which Santander shall guarantee a variable yield on the amounts deposited by the Fund through the Management Company into the Cash Account.

Furthermore, the Reserve Fund will be endowed with the funds obtained from subscribing and paying up the Series C Bonds, as detailed under section 3.4.2.2 of this Additional Building Block.

The description of the contracts included under this section and under sections 4.1.b), and 5.2 of the Securities Note, and 3.4.3, 3.4.4 and 3.4.7 of this Additional Building Block, accurately reflects the most relevant information contained in those contracts. No data or information which may turn out to be material to the investor has been omitted.

The transaction is explained in the diagram below:

## FONDO DE TITULIZACION DE ACTIVOS RMBS SANTANDER 3



### Initial Balance Sheet of the Fund

The Fund's Balance Sheet as at the close of the Disbursement Date shall be as follows:

| ASSETS                              |                      | LIABILITIES                     |                      |
|-------------------------------------|----------------------|---------------------------------|----------------------|
| <b>FIXED ASSETS</b>                 | <b>6,500,000</b>     | <b>ISSUE OF BONDS</b>           | <b>6,500,000</b>     |
| Assets (credit rights on Mortgages) | 6,500,000            | Series A Bonds                  | 5,395,000,000        |
|                                     |                      | Series B Bonds                  | 1,105,000,000        |
| <b>CURRENT ASSETS</b>               | <b>975,650,000</b>   |                                 |                      |
| Cash Account                        |                      |                                 |                      |
| Reserve Fund                        | 975,000,000          |                                 |                      |
| Subordinated Loan initial expenses  | 650,000              |                                 |                      |
|                                     |                      | <b>OTHER L/T PAYABLES</b>       | <b>975,650,000</b>   |
|                                     |                      | Subordinated Loan               | 650,000              |
|                                     |                      | Series C Bonds for Reserve Fund | 975,000,000          |
| <b>Total Assets</b>                 | <b>7,475,650,000</b> | <b>Total Liabilities</b>        | <b>7,475,650,000</b> |

### 3.2 Description of entities taking part in the issue and of their duties.

The entities that intervene in the issue and their activities are reflected under section 5.2 of the Registration Document and 3.1 of the Securities Note.

### 3.3 Description of the method and date of sale, transfer, novation or transfer of the assets.



On the Incorporation Date, Santander will assign to the Fund the Assets whose principal will be equal to, or slightly higher than, SIX BILLION FIVE HUNDRED MILLION EUROS (€6,500,000,000), with the preliminary portfolio being sufficient to such end, according to the Managing Company.

### **3.3.1 Assignment of the Assets.**

The Assets deriving from Mortgage Loans will be transferred by virtue of the Deed of Incorporation, which shall contain the necessary terms and conditions governing the issuance, by Santander, of Mortgage Transfer Certificates, in accordance with the provisions of Additional Provision Five of Law 3/1994, by virtue of which current law in force applicable to mortgage units or participations likewise applies to issues of MTCs, such MTCs to be subscribed by the Manager on behalf of the Fund; Law 2/1981, of March 25, on Regulation of the Mortgage Market; Royal Decree 716/2009 of 24 April; and other law or regulations in force from time to time, applicable to the transferability and acquisition of mortgage market securities.

Said assignment shall be full and unconditional and shall be carried out for the period outstanding until the total maturity of the Assets assigned, and from the moment of signature of the Deed of Incorporation.

### **3.3.2 Issuance, representation, transferability and registration of the Mortgage Participations and the Mortgage Transfer Certificates.**

The issue by the Assignor of the Mortgage Transfer Certificates will be carried out in the Articles of Incorporation and will be governed by the following rules:

- (i) Each Mortgage Transfer Certificate shall represent a share of one hundred per cent (100%) of the Outstanding Balance of the Assets deriving from Mortgage Loans to which they pertain.
- (ii) The Mortgage Transfer Certificates shall be represented in a multiple registered certificate, which shall contain the minimum mentions reflected under article 29 of Royal Decree 716/2009.

Both in the cases of having to carry out the substitution of any Mortgage Transfer Certificate, or, if the case may be, for the repurchase thereof by Santander, as well as in the event that the Management Company, acting for and on behalf of the Fund or Santander, must proceed with the foreclosure of a Mortgage Loan on which a given Mortgage Transfer Certificate has been issued, as well as if, the Early Liquidation of the Fund being applicable, in the cases and under the conditions provided by section 4.4.3) of the Registration Document, the sale of the aforementioned Mortgage Transfer Certificates must take place, the Assignor agrees to fraction, as the case may be, any multiple certificate into as many individual or global certificates as may be necessary, to substitute it or to exchange it in order to achieve the aforementioned purposes.

- (iii) As established by Royal Decree 716/2009, the Mortgage Transfer Certificates shall be transferable through a written declaration on the certificate itself and, in general, by any of the means permitted by Law. The

transfer of the Mortgage Transfer Certificate and the address of the new holder shall be notified by the transferee to the Assignor.

The transferor will not be liable for the solvency of the Assignor or of the Obligor of the Mortgage Loan, nor for the sufficiency of the mortgage it secures.

- (iv) The Assignor, as issuer of the Mortgage Transfer Certificates, shall maintain a special book to record the Mortgage Transfer Certificates issued in respect of each Mortgage Loan, as well as transfers thereof which are notified thereto. The book itself shall reflect any changes of address notified by the holders of the Mortgage Transfer Certificates to the Assignor.

Said log shall also contain the following data:

- Opening and maturity date of the Mortgage Loan, initial amount thereof and form of settlement; and
  - Registry details of the mortgage.
- (v) Given the nature of institutional investor of the Fund and the subscription by the latter of the Mortgage Certificates, for the purpose of paragraph two, article 29.1 of Royal Decree 716/2009, the issuance of the Mortgage Certificates shall not be subject to a marginal notation in each recording of the mortgage pertaining to each one of the Mortgage Transfer Loans at the Property Registry.

### **3.3.3 Sale price or assignment of the Assets.**

The sale or assignment price of the Assets will be at par, that is to say, the Outstanding Balance of the Assets pooled in the Fund on the Incorporation Date.

The Assignor will not receive interest for the deferral of the payment of the sale price from the Incorporation Date until the Disbursement Date.

In the event that the incorporation of the Fund is terminated and, consequently, the assignment of the Assets as set forth in section 4.4.3 of the Registration Document (i) the obligation of the Fund to pay the total price for the acquisition or assignment of the Assets will be extinguished, (ii) the Management Company will be obliged to reimburse Santander as regards any rights which might have accrued to the Fund due to the assignment of the Assets and (iii) it will cancel the Mortgage Transfer Certificates.

### **3.3.4 Description of the rights which, in favor of their holder, are conferred by the Assets on the Loans backing them.**

The Fund, as holder of the Assets, shall hold the rights recognized to the assignee in article 1528 of the Spanish Civil Code.

Specifically, the Assets confer the following rights:

- a) all amounts accruing due to repayment of capital or principal of the Assets;
- b) all amounts accruing due to ordinary interest on the Assets;
- c) all of the amounts accruing due to default interest on the Assets;
- d) any amounts or assets received through judicial or notary public foreclosure on the guarantees, or from the disposal or exploitation of the

real properties adjudicated to the Fund in foreclosure of the mortgage, or in administration and interim possession of the property (in a foreclosure process) up to the amount of the sums owed by the respective Debtor, acquisition at the price of the winning bid or amount determined by judicial resolution; and

- e) all possible rights or compensations required by the Manager through the Administrator that may result in favor of the Fund, including, without limitation, those arising from insurance contracts (if any) assigned by Santander to the Fund and the derivatives of any right attached to the Assets.

The assignment of the Assets will be made for the entire Outstanding Balance of the Assets, that is to say, the amounts of principal due but not deposited in the name of the Fund together with the amounts of principal that have yet to become due in relation to the Assets. In addition, the assignment of the Assets will include the ordinary and delay interest that have accrued since the Date of Incorporation of the Fund.

The commissions from the Assets assigned (such as prepayment or nonpayment fee) are not subject to assignment to the Fund.

All of the aforementioned rights will be vested in the Fund from the Incorporation Date.

The rights of the Fund resulting from the Assets are tied to the payments made by the Obligors against the Loans and, therefore, are directly affected by the evolution, delays, advance payment or any other incident relating thereto.

### **3.4 Explanation of the flow of funds, including:**

#### **3.4.1 How the cash flow from the Assets will meet the issuer's obligations with the holders of the securities.**

The amounts received by the Fund deriving from the Assets, shall be deposited by the Administrator into the Cash Account immediately or, in any event, before the forty-eight (48) hours following the day on which they were received by the Administrator. Therefore, the Fund shall practically be receiving daily revenues into the Cash Account.

The weighted average interest rate of the loans selected at October 8, 2014, as detailed in paragraph 2.2.2.d) above is one point six nine percent (1.69%), which is above the zero point six seven eight percent (0.678%) weighted average nominal rate of the Bonds that has been assumed hypothetically. On each Payment Date of each quarter, payment will be made to the holders of the Bonds of the interest accrued and they will be reimbursed the principal of the Bonds of each Series according to the terms established for each one of them and the Order of Priority of Payments set out in section 3.4.6.(b) of this Additional Building Block.

## 3.4.2

### Information on any credit enhancements.

#### 3.4.2.1 Description of credit enhancements.

In order to consolidate the financial structure of the Fund, to increase the security or the regularity of the payment of the Bonds, to cover temporary mismatches of the schedule of flows of principal and interest of the Loans and the Bonds, or, in general, transform the financial characteristics of the Bonds issue, and complement the administration of the Fund, the Management Company, in representation of the Fund, will formalize the agreements and operations which are described below in the act authorizing the Deed of Incorporation, in accordance with applicable legislation.

The Fund structure envisages the following credit enhancement operations:

**a) Reserve Fund:**

This mitigates the risk of credit due to default or non-payment of the Loans. The Reserve Fund is explained in 3.4.2.2 of this Additional Building Block.

**b) Guaranteed Interest Rate Reinvestment Agreement:**

The Cash Account is remunerated at rates agreed to in such a way that a minimum return of the balances in the Cash Account is guaranteed.

**c) Subordination and deferral of payment of principal and interests between the different Series of Bonds:**

The redemption of all Series A and B shall be repaid in a sequential manner, thus the redemption of one Series shall not begin until the redemption in full of the prior one. The Series C Bonds will be redeemed through the partial release of the Reserve Fund, and could commence prior to the redemption of the Series B Bonds.

#### 3.4.2.2 The Reserve Fund.

**(i) Required Level:**

- a) The Reserve Fund will be provided with the amount disbursed of Series C, with NINE HUNDRED AND SEVENTY-FIVE MILLION EUROS (€975,000,000), equal to FIFTEEN per cent (15.00%) of the initial amount of the Bonds of the Series A and B on the Disbursement Date.
- b) After its constitution, the Required Level of the Reserve Fund on each Payment Date is detailed below:
  - (i) Once the Reserve Fund, on each Payment Date has reached thirty per cent (30.00%) of the Outstanding Balance of the Principal Pending Payment of Series A and B of the Bonds, it may decrease quarterly on each Payment Date, maintaining such percentage until the Reserve Fund reaches a minimum level equal to seven point five per cent (7.50%) of the initial amount of the Bonds of Series A and B,

i.e. a Minimum Level of Reserve Fund equal to FOUR HUNDRED AND EIGHTY-SEVEN MILLION FIVE HUNDRED THOUSAND EUROS (€487,500,000). At the last Payment Date the amount required of the Reserve Fund will be zero;

The Required Level of the Reserve Fund may not be reduced on the corresponding Payment Date if any of the following circumstances should occur:

- if at any time the Reserve Fund has been used on any Payment Date and, as a result, is at a lower level than the Required Level;
- if on the Date of Determination preceding the corresponding Payment Date, the Outstanding Balance of Defaulting Loans over the Outstanding Balance of the Non Failed Assets is higher than one per cent (1%); or
- if three (3) years have not passed since the constitution of the Fund.

(ii) **Target market:**

The Reserve Fund shall be applied, on each Payment Date, towards performance of the payment obligations contained in the Order of Priority of Payments contained under section 3.4.6.(b), below and in the Order of Priority of Liquidation Payments contained in under section 3.4.6.(d) below

(iii) **Profitability:**

The amount of this Reserve Fund will be paid into the Cash Account on the Disbursement Date, and will be the subject of the Guaranteed Interest Rate Reinvestment Agreement to be signed with Santander according to the terms described in section 3.4.4. of the Additional Building Block.

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

#### **Subordinated Loan Agreement.**

The Management Company, acting for and on behalf of the Fund, shall enter into the Subordinated Loan Agreement with Santander, of a commercial nature, for a total amount of SIX HUNDRED AND FIFTY THOUSAND EUROS (€650,000.00), to be applied towards financing the Fund's incorporation and Bond issue expenses, and to partially financing the acquisition of the Assets, the latter, for the excess portion insofar as the purchase of assets could be slightly higher than SIX BILLION FIVE HUNDRED MILLION EUROS (€6,500,000,000.00).

The amount of the Subordinated Loan shall be disbursed into the Cash Account on the Disbursement Date.

The Subordinated Loan shall accrue an annual nominal interest rate, determined quarterly for each Interest Accrual Period, which shall be that which results from

adding together: (i) the Reference Interest Rate determined for the Bonds, and (ii) a margin of zero point six five per cent (0.65%). This interest shall be paid only if the Fund has sufficient Available Funds in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block or in the Order of Priority of Liquidation Payments contemplated under section 3.4.6.(d) of this Additional Building Block. The interest accrued, which shall be paid on a specified Payment Date, shall be calculated by taking as a basis: (i) the actual days existing in each Interest Accrual Period, and (ii) a year containing three hundred and sixty (360) days.

The first Interest Accrual Period for the Subordinated Loan shall be of a duration equal to that comprised between the Date of Disbursement and the first Payment Date. Each of the remaining Interest Accrual Periods shall comprise the days effectively elapsed between each Payment Date, including in each Interest Accrual Date the initial Payment Date of the corresponding period and excluding the last Payment Date of the corresponding period.

Interests accrued and not paid on a Payment Date shall accumulate, accruing interest at the same rate as the nominal interest on the Subordinated Loan, and shall be paid, provided that the Fund has sufficient Liquid Funds and in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block, on the immediately following Payment Date or, where applicable, on the date that the application of the Order of Priority of Payments for Settlement provided in section 3.4.6.(d) of this Additional Building Block takes place.

The Subordinated Loan will be repaid quarterly on a straight line basis during the first three (3) years running from the incorporation of the Fund and the Bond issue, save for the excess of Funds earmarked to cover the costs of incorporating the Fund and issuing the Bonds, which will be repaid early on the first four Payment Dates, all the foregoing provided that the Fund has sufficient Liquid Funds in accordance with the Order of Priority of Payments envisaged in section 3.4.6.(d) of this Additional Building Block.

This loan, due its subordinated nature, shall be relegated in ranking with respect to several of the other creditors of the Fund in the terms provided by section 3.4.6.(b) of this Additional Building Block, or, should the case arise, in the Order of Priority of Liquidation Payments established in section 3.4.6.(d) of this Additional Building Block, including, but not only, the Bondholders.

If, before the Date of Subscription, the Rating Agencies do not confirm as definitive any of the provisional ratings assigned, this circumstance will lead to the termination of the Subordinated Loan Agreement, except as regards the initial expenses for incorporation of the Fund and the Bond issue, and it would therefore be the Assignor who assumes these expenses.

**3.4.4 An indication of any investment parameters for the investment of temporary liquidity surpluses and description of the parties responsible for such investment.**

The Management Company, acting for and on behalf of the Fund, and Santander, shall enter into the Guaranteed Rate Reinvestment Agreement by virtue of which Santander shall guarantee a yield on the amounts deposited by the Fund, through

its Management Company, into the Cash Account. Specifically, the Guaranteed Rate Reinvestment Agreement shall determine that the amounts received by the Fund, for:

- (i) principal and interest on the Assets;
- (ii) any other amounts that may be received for a concept other than the payment of principal or ordinary and delay interest of the Assets and any other amounts deriving from the Assets, and for the disposal or exploitation of the real properties adjudicated to the Fund or in administration and interim possession of the property (in a foreclosure process), as well as all possible rights or indemnities and, if applicable, those deriving from the Insurance Contracts for Damages on the mortgaged properties;
- (iii) amounts which constitute the Reserve Fund from time to time; and
- (iv) the total amounts of the returns obtained from the balance of the Treasury Account,

shall be deposited into the Cash Account.

All the collections and payments during the entire term of the Fund will be centralized in the Cash Account.

On the Disbursement Date, the Cash Account will receive the effective amount of the payment of the subscription to the issue of Bonds and the initial amount of the Subordinated Loan Agreement, and will pay the price of acquisition of the Assets assigned by Santander at the initial amount and the expenses of constituting the Fund.

Santander warrants to the Fund, through its Management Company, for each period of liquidation, an annual yield variable quarterly, with monthly liquidations and daily calculation of interests, on the amounts deposited into the Cash Account, equal to the Reference Interest Rate of the Bonds (Euribor 3 months) in force the last day of each liquidation period.

The calculation of the yield of the balance of the Cash Account shall be carried out by taking the actual days between two liquidation dates of the Cash Account (that is, the liquidation period of the Cash Account) and by using as a base a year composed of three hundred sixty-five (365) days. Interest shall be settled monthly, on the eighth (8) day of each month, or in case that is not a Business Day, the Business Day immediately following.

Santander will not make any withholding on interest payments from the Cash Account as provided in Article 59, paragraph k of Royal Decree 1777/2004. In the event that Santander should make any improper withholdings, it agrees to pay to the Fund the same amounts that would correspond to the Fund if not for those withholdings.

#### **Downgrade in credit rating**

##### **DBRS criteria:**

In the event that the long-term credit rating awarded by DBRS to the Holder of the Cash Account is downgraded to below A at any time during the life of the Bonds, or if this rating is otherwise withdrawn, the Manager must carry out, after

consulting the Rating Agencies and within no more than thirty (30) Calendar Days from the time this situation arises, one of the measures described below so as to maintain an adequate level of guarantee in respect of the commitments and duties set forth in the agreement and provided the rating given to the bonds issued by the Fund is not adversely affected:

- a) Obtain, from an institution with a long-term DBRS rating equal to or higher than A without such rating being "Under Review (Negative)", and without this adversely affecting the rating assigned to the Bonds by DBRS, an unconditional and irrevocable surety enforceable on first request and guaranteeing the Fund, upon a simple request from the Manager, timely repayment by the holder of the Cash Account, of the amounts deposited in said account, for the duration of the loss of the long-term A rating by the holder of the Cash Account.
- b) Transfer the Cash Account to an entity with a DBRS long-term rating equal to or higher than A (without such rating being "Under Review (Negative)"), and arrange the highest possible returns for the balances held therein, which may be different from that agreed with the Holder of the Cash Account.

If the DBRS Rating of the holder of the Cash Account again reaches A (without such rating being "Under Review" (Negative)) in the long-term, and if situation (b) has occurred, the Management Company will later again transfer the balances to the holder of the Cash Account under the Guaranteed Rate Reinvestment Agreement (Cash Account). In the event of having opted for option (a) above, this will not be necessary.

**Moody's criteria:**

In the event that the unsubordinated and unsecured debt of the holder of the Cash Account should undergo, at any time during the life of the Bond, a downgrade in its rating below Baa3 or P-3 for its long and short term risk, respectively, in the case of Moody's, or another equivalent expressly recognized by Moody's, the Manager shall have a maximum deadline of thirty (30) Business Days from when such situation takes place, to adopt, after notifying the Rating Agencies, one of the options described below that will allow an adequate level of guarantee to be maintained in respect of the commitments deriving from the Cash Account:

- a).- Obtain from a credit entity with a minimum credit rating for its non-subordinated and non-guaranteed debt of Baa3 or P-3 for its long and short term risk, respectively, in the case of Moody's and without this adversely affecting the rating granted to the Bonds by the Rating Agencies, an unconditional and irrevocable guarantee on first demand securing, at the simple request of the Manager, the timely compliance by the Cash Account holder of its obligation to repay the amounts deposited in the Cash Account or Interest Account for the duration of the loss of Baa3 or P-3 rating in the case of Moody's;
- b).- Transfer the Cash Account to an entity whose non-subordinated and non-guaranteed debt has a minimum rating of Baa3 or P-3 for its long and short-term risk, respectively, in the case of Moody's and to arrange the highest possible return on their balances, which may be different from the



one arranged with the holder of the Account by virtue of such agreement. It shall be possible to transfer the Cash Account back to the initial holder when its unsubordinated and unsecured short-term debt once again achieves the rating of Baa3 or P-3.

#### **Provisions common to DBRS and Moody's on rating downgrade**

All costs deriving from any of the actions defined herein above will be paid by Santander.

From the moment its credit rating reduces, Santander undertakes to inform the Managing Company of this and to make reasonable commercial efforts so that the Managing Company can adopt one of the preceding options.

Santander expressly and irrevocably renounces any entitlement to compensation from the Fund that by any other means could correspond to it by virtue of any agreement it holds with the Fund.

Through the Guaranteed Rate Reinvestment Agreement, the risk of temporary shortfall between the Fund's income from principal and interest having a varied frequency and the redemption and payment of interest on the Bonds, having a quarterly frequency, is partially mitigated.

#### **3.4.5 How payments are collected in respect of the Assets.**

Santander, as collection Management Company, shall receive on account of the Fund such sums of money as are paid by the Debtors as deriving from the Assets, both for principal or interest, as well as any other concept and the insurance contracts assigned to the Fund, and shall proceed to deposit into the Cash Account the amounts which pertain to the Fund, immediately and, in any case, within a period not exceeding forty-eight (48) hours.

#### **Powers and authorities of the title owner of the Assets in case of breach by a Debtor of its obligations**

Santander, as Administrator of the Assets, shall apply the same diligence and procedure for making a claim for amounts due and not paid on the Assets as in the remaining loans in its portfolio.

##### **a) Executory lawsuit against the Debtors of the Assets.**

The Fund, as owner of the Assets, shall have all the legal causes of actions inherent to ownership of the Assets pursuant to applicable law. Said action must be exercised in accordance with applicable court procedure pursuant to the provisions of articles 517 *et seq.* of the Spanish Civil Procedure Law (*Ley de Enjuiciamiento Civil*).

For these purposes, the Management Company will grant at the moment of signature of the Articles of Incorporation of the Fund a broad power of attorney as may be required by Law in favor of Santander so that Santander, acting through any of its representatives empowered to that effect may, in the name and on behalf of the Management Company, demand the payment by the Debtor of any of the Assets of its debt and take court action against such Debtors, in addition to any other faculties required

for the exercise of its functions as Administrator. These faculties may also be granted in a document apart from the Articles of Incorporation, or extended if necessary in order to carry out such functions.

**b) Action against the Administrator.**

The Management Company, acting for and on behalf of the Fund, shall be entitled to an executory attachment action against the Administrator for enforcing the maturities of the Assets for principal and interest, when the breach of the payment obligation for such concepts is not a consequence of the non-payment by the Debtors of the Assets.

Furthermore, in the event that Santander does not perform the obligations described in section 3.7.1 above, the Fund, through the Management Company, shall be entitled to a declaratory action against Santander for breach of the aforesaid obligations. In relation to the Mortgage Loans, all of which in accordance with the formalities contemplated for such proceeding by the Civil Procedure Act.

Similarly, and under the same circumstances, the Manager may instruct the Administrator to perform any acts and carry out any formalities deemed necessary, including issuing notifications to third parties and recordings in the relevant accounts, so as to ensure the maximum effectiveness of the transfer of the Assets and the accessory guarantees against third parties.

With the Assets extinguished, the Fund, via the Manager, will retain the right to proceed against the Administrator until the latter has met its obligations

**c) Actions in case of non-payment of the Mortgage Loans.**

The Fund, either through the Management Company or through the Administrator, shall have all the legal actions inherent to ownership of the same, pursuant to the regulations in force. Said action must be exercised by means of the executive procedure, pursuant to article 517 *et seq.* of the Civil Procedure Act (for the executory procedures).

In case of breach in the payment of principal or interest on a Mortgage Transfer Certificate as a consequence of the non-payment of the Debtor of the Mortgage Loan, the Management Company, acting for and on behalf of the Fund, shall have the following powers and authorities as provided by Royal Decree 716/2009:

- (i) Compel the Assignor as Administrator to bring mortgage foreclosure. In this event, the Assignor may request the award of the mortgaged property as payment for its credit, whereupon the property forms part of the balance Sheet of the Fund as from that moment. Thereafter, the Administrator will proceed to sell the property awarded owned by the Fund within the shortest time possible and at market value, and will dedicate the same amount of time and attention and the same level of expertise and care to the execution and sale as it would dedicate to its own loans, and will deliver the proceeds of the sale to the Fund. In the event the debt is not fully covered and further assets of the Debtor have been detected, the Administrator will proceed to demand the execution and/or attachment of other assets and rights until the debt

has been fully paid. Should no further assets be detected, the out of court procedure to claim payment will continue until the full amount of the debt has been collected or until the legal prescription period of fifteen (15) years has elapsed since the moment noncompliance occurred. All this without prejudice to the provisions of Art. 579 of the Civil Procedure Act, as amended by Law 1/2013. The proceeds of such action will also be delivered to the Fund. Note that the above Act 1/2013 has amended other laws, among them Law 2/1981, the Civil Procedure Act and Royal Decree Law 6/2012 of 9 March on urgent measures for the protection of non-recourse debtors, affecting the shares in case of default on Mortgage Loan;

- (ii) Appear in the foreclosure brought by the Assignor against the Debtor, appearing for such purpose at any foreclosure proceeding brought by the former; and will receive the proceeds of the sale in the loan or credit executed. In this event, the Fund, via the Management Company, may request the award of the mortgaged property as payment of its credit, and sell the properties awarded, directly or together with the Assignor, within the shortest time possible and at market value;
- (iii) If the Assignor does not bring the proceeding within sixty (60) calendar days from the formal demand for payment of the debt dispatched through the service of a notary public, the Management Company, acting for and on behalf of the Fund, shall have standing, owing to subrogation, to bring the mortgage action in respect of the Mortgage Loan for both principal and interest, and the Assignor shall be obliged to issue a certification of the existing balance on the Mortgage Loan;
- (iv) In case of a stay in the procedure brought by the Assignor, the Fund, duly represented by the Manager, as holder of the relevant Mortgage Transfer Certificate, may subrogate the position of the Assignor and see the foreclosure proceedings through to completion, with no need for the above-mentioned time period to transpire.

In practice, the Management Company, in those cases of default on the part of the Debtor in payment of the Mortgage Loan, applies in relation to the previous outstanding balances the course of action described in paragraph (i) above, obliging the Assignor to foreclose.

In the cases provided by paragraphs (iii) and (iv), the Management Company, on behalf of the Fund, may request the competent Judge to bring or continue with the pertinent mortgage foreclosure proceeding, including with the lawsuit the original certificate of the contemplated Mortgage Transfer Certificate with its breakdown, the formal demand served by a notary public contemplated under section (iii), above, and a recorder's certificate showing recording and survival of the mortgage, for the case of the Mortgage Transfer Certificates (upon issuing this certificate, a record will be made in the registry by means of an annotation in the margin that a certificate has been issued from the registry and an indication will be given of its date and the identity of the applicant. These circumstances will be

indicated in the certificate issued), and the document attesting to the balance being claimed.

If legally necessary, and for the purpose of the provisions of articles 581.2 and 686.2 of the Civil Procedure Act regarding extrajudicial order, the Administrator, in the Deed of Incorporation itself, shall grant an irrevocable Power of attorney, as ample and sufficient as is required by Law, in order that the Management Company, acting for and on behalf of the Administrator, may make a formal demand to the Mortgage Debtor of any of the Mortgage Loans, served through a notary public, for payment of its debt.

The Fund shall meet the corresponding costs and provide the funds required to pursue the enforcement proceedings indicated in this section.

#### **3.4.6 Origin and Application of Funds.**

- (a) **Origin:** Available Funds calculated at the Determination Date prior to the Payment Date shall be the deposited amounts in the Cash Account, corresponding to the following concepts:
- (i) Amounts received for principal on the Assets in each period between two consecutive Determination Dates, excluding the initial Determination Date and including the Final Determination Date (the "**Determination Period**") corresponding to the Payment Date.
  - (ii) Interest collected on the Assets during each preceding Determination Period corresponding to the Payment Date (including, as the case may be, default interest).
  - (iii) The return obtained during each Determination Period corresponding to the Payment Date on the reinvestment of the Reserve Fund as well as on the amounts deposited into the Cash Account.
  - (iv) The Reserve Fund, pursuant to paragraph 3.4.2 of this Additional Building Block.
  - (v) Any other amounts received by the Fund including, without limitation, those resulting from the enforcement of guarantees on the Loans, including amounts received, if any, from Damage Insurance.
- (b) **Application:** The Manager, on behalf of the Fund, shall apply on each Payment Date (insofar as not the Legal Maturity Date, and neither when the Early Settlement of the Fund takes place under the terms of section 4.4.3.(1) of the Registration Document) the Liquid Funds to the following payments and withholdings, in accordance with the Order of Priority of Payments described below.

When there are unpaid concepts, at the Payment Date when there is sufficient liquidity to meet this concept, and in the event the payment can be partially met, it will do so bearing in mind how long the payment is past due.

- 1 °. Payment to the Management Company for ordinary and extraordinary expenses of the Fund and of the periodical management fee, and payment in the event of Santander's replacement as Administrator by a new entity which is not integrated in Santander's Group, of a management fee, and in the case of substitution of Santander as

Paying Agent by a new entity that does not form part of Santander's Group payment of the paying agent fee.

- 2 °. Payment of interest accruing on the Series A Bonds.
- 3 °. Payment of interest accruing on the Series B Bonds, unless this payment is downgraded to fifth (5th) place in the Order of Priority of Payments as described in section 3.4.6.c) of this Additional Building Block.
- 4 °. Withholding of the Accrued Redemption Amount of the Series A and B Bonds according to sections 4.9.4 and 4.9.5 of the Securities Note.
- 5 °. Payment of interest accruing on Series B Bonds when this payment is downgraded from third (3rd) place in the Order of Priority of Payments in accordance with the terms of the appropriate section.
- 6 °. Withholding of the amount required to maintain the Reserve Fund at the Required Level from time to time, as described in section 3.4.2.2 of this Additional Building Block.
- 7 °. Payment of interest accrued on the Ordinary Part of the interest accrued on the Series C Bonds.
- 8 °. Withholding of an amount equal to the Amount Accrued for Redemption of Series C Bonds.
- 9 °. Payment of interest accruing on the Subordinated Loan.
- 10 °. Repayment of principal under the Subordinated Loan.
- 11 °. Payment to Santander of the management fee of the Loans of the substitution does not take place.
- 12 °. Payment of the Extraordinary Part of the interest on the Series C Bonds (with this being a variable amount equal to the excess liquidity after paying the concepts stated in numbers 1 to 11 of this Order of Priority of Payments).

**The expenses reflected in first place in the above Order of Priority of Payments are broken down into the following:**

The following are deemed ordinary expenses:

- The regular Management Company management fee.
- Expenses incurred from the annual audits of the Fund's financial statements;
- Expenses deriving from maintenance of the ratings of the three (3) Bond Series;
- Expenses that may arise from the verifications, registrations and administrative authorizations that must be complied with (expenses other than those of the incorporation and issue);
- Expenses relating to redemption of the Bonds;

- Expenses related to any notices which, in accordance with the provisions of this Prospectus, must be given to the holders of the outstanding Bonds;
- In general, any other expenses borne by the Manager, and arising out of its duties to represent and manage the Fund.

The following are deemed extraordinary expenses:

- Any expenses incurred from presenting and formalizing amendments to the Deed of Incorporation and the agreements, as well as from entering into additional agreements;
- Expenses necessary to cause the execution of the Mortgage Loans and those derived from the recovery actions that might be required;
- In general, any other extraordinary expenses met by the Fund or the Manager acting on behalf of the Fund.

**(c) Exceptional rules on priority of payments to be met by the Fund.**

If the substitution of Santander as Loan Administrator should take place, in favor of another entity not forming part of Santander's consolidated group, a fee shall accrue in favor of the third party, i.e. the new administrator, which shall go from holding eleventh (11th) place to first (1st) place in the Order of Priority of Payments established under section 3.4.6.(b), above.

The payment of interest on the Series B Bonds shall be postponed with respect to the Accrued Redemption Amount, occupying the fifth (5th) position in the Order of Priority of Payments, when on the Determination Date corresponding to a relevant Payment Date, the cumulative Outstanding Balance of the Failed Loans in default without bearing in mind any amounts recovered since the incorporation of the Fund is greater than twenty per cent (20%) of the Outstanding Balance of the Assets on the Incorporation Date, and provided that the full redemption of the Series A Bonds has not occurred and is not going to occur on the relevant Payment Date.

**(d) Order of Priority of Liquidation.**

The Manager will proceed to liquidate the Fund when such settlement takes place at the Legal Maturity Date or on any Payment Date when Early Settlement of the Fund is to take place, pursuant to section 4.4.3.(3) of the Registration Document, by applying the Liquid Funds for Settlement in the following Order of Priority of Payments for Settlement.

1. Payment to the Management Company of the ordinary and extraordinary expenses of the Fund and of the periodical management fee, and payment of a management fee in the event of Santander's replacement as administrator by a new entity which is not integrated in Santander's Group and, in the event of Santander's replacement as Paying Agent, of the fee that is established by the Management Company in favor of the substitute entity.
2. Payment of interest accruing on the Series A Bonds.
3. Redemption of the Series A Bonds.

4. Payment of the interest accrued of the Series B Bonds.
5. \tab Repayment of principal on the Series B Bonds.
6. Payment of the Ordinary Part of the interest accruing on the Series C Bonds.
7. Payment of the Amount Accrued for Redemption of Series C Bonds.
8. Payment of interest accruing on the Subordinated Loan.
9. Repayment of principal under the Subordinated Loan.
10. Payment of the administration fee provided the replacement does not occur.
11. Payment of the Extraordinary Part of the interest on the Series B Bonds (this being a variable amount equal to the excess liquidity after paying the concepts mentioned in numbers 1 through 10 of this Order of Priority of Payments for Settlement).

The following will be Liquid Funds for Settlement:

- a) The Funds Available; and
- b) The amounts which the Fund obtains due to the disposal of the Assets which remain and of any other assets, as the case may be, in the cases of advanced settlement of the Fund in accordance with the requisites which are established in section 4.4.3.(3) of the Registration Document.

### **3.5 Name, address and significant business activities of the Assignor.**

The Assignor of the Assets is Banco Santander, S.A., with registered office in Santander, at Paseo de Pereda 9-12, 39004, and with its operational headquarters located at Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte (Madrid).

The principal financial activities of Santander are those characteristic of any bank, in accordance with the specific nature of such entities and as established by law. In this regard, the following core activities should be highlighted:

- capture of funds (through demand savings passbooks, current accounts, term savings passbooks, mutual funds, pension plans, insured retirement plans, assignment of assets, issuance of securities, unit linked and annuities, among others);
- financing activities, primarily through personal loans, mortgage loans, credit facility accounts, discounting documents, bank guarantees and leasing, factoring and reverse factoring transactions;
- provision of services, such as credit and debit cards, merchant payment systems, collection services, debit order services, transfers, asset management, currency exchange, etc.;

Shown below is the consolidated information, not audited, corresponding to September 30 and June 30, 2014 and audited to December 31, 2013 expressed in millions of euros. It has been prepared in accordance with International Financial Reporting Standards applicable to Banco Santander under Regulation EC 1606/2002 and Banco de España Circular 6/2008.

| <b>BALANCE (millions of euros)</b>      | <b>Sep '14</b> | <b>Jun '14</b> | <b>(%)</b> | <b>Sep '14</b> | <b>Sep '13</b> | <b>(%)</b> | <b>2013</b> |
|---|----------------|----------------|------------|----------------|----------------|------------|-------------|
| Total assets                            | 1,240,979      | 1,188,043      | 4.5        | 1,240,979      | 1,210,198      | 2.5        | 1,134,003   |
| Customer loans (net)                    | 721,988        | 706,899        | 2.1        | 721,988        | 702,828        | 2.7        | 684,690     |
| Customer deposits                       | 646,331        | 617,761        | 4.6        | 646,331        | 633,433        | 2.0        | 607,836     |
| Managed customer funds                  | 1,020,433      | 982,494        | 3.9        | 1,020,433      | 977,778        | 4.4        | 946,210     |
| Shareholders' funds                     | 88,154         | 87,035         | 1.3        | 88,154         | 83,954         | 5.0        | 84,302      |
| Total managed funds                     | 1,402,153      | 1,342,238      | 4.5        | 1,402,153      | 1,346,697      | 4.1        | 1,269,917   |
| <b>PROFIT/LOSS* (millions of euros)</b> | <b>3T '14</b>  | <b>2T '14</b>  | <b>(%)</b> | <b>9M '14</b>  | <b>9M '13</b>  | <b>(%)</b> | <b>2013</b> |
| Net interest income                     | 7,471          | 7,370          | 1.4        | 21,834         | 21,489         | 1.6        | 28,419      |
| Gross income                            | 10,961         | 10,488         | 4.5        | 31,572         | 31,903         | (1.0)      | 41,931      |
| Pre-provision income                    | 5,891          | 5,582          | 5.5        | 16,750         | 16,804         | (0.3)      | 21,773      |
| Profit/loss before tax                  | 2,556          | 2,435          | 5.0        | 7,140          | 5,808          | 22.9       | 7,637       |
| Profit/loss attributable to the group   | 1,605          | 1,453          | 10.4       | 4,361          | 3,311          | 31.7       | 4,370       |

(\*) Variations without exchange rate  
Quarterly Int. Margin:-0.2%, Gross Mar.+3.1%, Pre-provision income +4.0% Attributable Profit: +8.5%  
Year-on-year Int. Margin: +8.1%, Gross Mar.+4.9%, Pre-provision income +6.6% Attributable Profit: +44.7%

| <b>EPS. RETURNS AND EFFICIENCY (%)</b> | <b>3T '14</b> | <b>2T '14</b> | <b>(%)</b> | <b>9M '14</b> | <b>9M '13</b> | <b>(%)</b> | <b>2013</b> |
|--|---------------|---------------|------------|---------------|---------------|------------|-------------|
| Earnings per share (euro)              | 0.131         | 0.122         | 7.6        | 0.367         | 0.309         | 18.6       | 0.403       |
| ROE                                    | 7.64          | 6.90          |            | 6.94          | 5.48          |            | 5.42        |
| ROTE                                   | 11.27         | 10.03         |            | 10.10         | 7.98          |            | 7.87        |
| ROA                                    | 0.62          | 0.60          |            | 0.59          | 0.45          |            | 0.45        |
| RoRWA**                                | 1.37          | 1.28          |            | 1.28          |               |            |             |
| Efficiency (with amortization)         | 46.25         | 46.78         |            | 46.95         | 47.33         |            | 48.07       |

| <b>SOLVENCY AND DEFAULT (%)</b> | <b>Sep '14</b> | <b>Jun '14</b> | <b>(%)</b> | <b>Sep '14</b> | <b>Sep '13</b> | <b>(%)</b> | <b>2013</b> |
|---------------------------------|----------------|----------------|------------|----------------|----------------|------------|-------------|
| CET1**                          | 11.44          | 10.92          |            | 11.44          |                |            |             |
| Delinquency rate                | 5.28           | 5.45           |            | 5.28           | 5.40           |            | 5.61        |
| Delinquency coverage            | 67.5           | 66.7           |            | 67.5           | 67.1           |            | 64.9        |

| <b>THE SHARE AND CAPITALIZATION</b>       | <b>Sep '14</b> | <b>Jun '14</b> | <b>(%)</b> | <b>Sep '14</b> | <b>Sep '13</b> | <b>(%)</b> | <b>2013</b> |
|---|----------------|----------------|------------|----------------|----------------|------------|-------------|
| Number of shares (millions)               | 11,988         | 11,778         | 1.8        | 11,988         | 11,092         | 8.1        | 11,333      |
| Share price (euro)                        | 7.611          | 7.630          | (0.2)      | 7.611          | 6.028          | 26.3       | 6.506       |
| Market capitalization (million euros)     | 91,241         | 89,867         | 1.5        | 91,241         | 66,863         | 36.5       | 73,735      |
| Shareholders' funds per share (euro)      | 7.36           | 7.40           |            | 7.36           | 7.58           |            | 7.44        |
| Price / shareholders' funds per share (x) | 1.03           | 1.03           |            | 1.03           | 0.79           |            | 0.87        |
| PER (price / EPS) (x)                     | 15.55          | 16.20          |            | 15.55          | 14.61          |            | 16.13       |

| <b>OTHER INFORMATION</b> | <b>Sep '14</b> | <b>Jun '14</b> | <b>(%)</b> | <b>Sep '14</b> | <b>Sep '13</b> | <b>(%)</b> | <b>2013</b> |
|--------------------------|----------------|----------------|------------|----------------|----------------|------------|-------------|
| Number of shareholders   | 3,229,672      | 3,279,897      | (1.5)      | 3,229,672      | 3,281,450      | (1.6)      | 3,299,026   |
| Number of employees      | 183,534        | 183,648        | (0.1)      | 183,534        | 188,265        | (2.5)      | 186,540     |
| Number of branches       | 13,067         | 13,225         | (1.2)      | 13,067         | 14,561         | (10.3)     | 13,927      |

(\*\*) Includes the impact of considering the Alternative Standard Approach (ASA) operational risk model approved by BACEN (0.29p.p.) not approved by the consolidated statement regulator.

## Explanatory note:

RORWA\*\* (Net profit/assets means considered by risks).

(CET 1)\*\* Minimum requirement of Common Equity Tier 1 of 8% for all entities under the global assessment



**3.6 Return on and/or repayment of the securities related to others that are not assets of the issuer.**

Not applicable.

**3.7 Administrator and duties of the Manager as administrator.**

**3.7.1 Administrator.**

Santander, whose name, address and significant activities are detailed under section 3.5, above, the entity that is the Assignor of the Assets, in accordance with the provisions of article 2.2 of Royal Decree 926/1998, is obliged to exercise custody and administration of the Assets, the relations between Santander and the Fund being regulated by this Prospectus and the Articles of Incorporation.

Santander shall accept the mandate received from the Management Company and, by virtue of such mandate, agrees as follows:

- (i) to administer and manage the Assets acquired by the Fund in accordance with the system and the standard administration and management procedures established herein;
- (ii) to continue administering the Assets, dedicating the same time and attention and the same level of expertise, care and diligence in the administration thereof as that it would devote and exercise in administering its own loans and, in any case, the Assignor shall exercise an adequate level of expertise, care and diligence in providing the services envisaged in this Additional Building Block;
- (iii) to ensure that the procedures it applies now and in the future for administering and managing the Assets are and will continue to be in accordance with applicable laws and rules in force;
- (iv) to obey the instructions given to it by the Manager, with due loyalty;
- (v) to indemnify the Fund for and damage or loss that may derive from breach of the obligations assumed.

A succinct and summarized description of the scheme and of the ordinary procedures of administration and custody of the Assets is contained in the following sections.

**(1) Term**

The services shall be rendered by Santander until, once all of the Assets have been amortized, all of the obligations assumed by Santander in relation to said Assets have been cancelled, without prejudice to the possible early revocation of its mandate.

Both in case of breach by the Administrator of the obligations established in this Additional Building Block, as well as in the case of a downgraded of its credit rating, dissolution, liquidation, bankruptcy of the Administrator or

intervention by the Bank of Spain, in such a way that it may entail an impairment or risk for the financial structure of the Fund or for the rights and interest of the Bondholders, the Management Company shall, if it should be legally possible, within a maximum term of sixty (60) days, replace the Administrator or make a formal demand to subcontract, delegate or be secured in the performance of said obligations by another entity which, in the judgment of the Management Company, has the adequate legal and technical capacity, and provided that an adverse impact on the rating of the Bonds does not take place.

Notwithstanding the foregoing, should there be a decline in the Management Company's rating as per section 3.7.1 (16), the term for the replacement of the Management Company shall be thirty (30) days

The Manager shall bear in mind the proposals that it receives from the Administrator in relation to the subcontracting, delegation or appointment of the substitute in the performance of its obligations, as well as on the entity that could secure performance of its obligations.

Any additional expenditure or cost derived from such actions will be met by the Administrator and, under no circumstances, by the Fund or the Manager.

The Administrator, in turn, may voluntarily resign from carrying the administration and management of the Assets, if possible, in accordance with current law in force from time to time and provided that (i) it is authorized by the Management Company, (ii) the Management Company has appointed a new Administrator, (iii) the Administrator has indemnified the Fund for damages caused thereto by the resignation and substitution, in addition to the fact that any additional cost shall be its responsibility, not collecting it, therefore, from the Fund, and (iv) no adverse impact on the rating of the Bonds takes place.

**(2) Liability of Santander as to custody and administration.**

Santander agrees to act diligently in the custody and administration of the Assets, and will be liable to the Fund, through its Management Company, for any damage which may arise from its negligence.

Santander shall indemnify the Fund, through its Management Company, for any damage, loss or expense incurred as a consequence of the breach of its obligations relating to custody and/or administration of the Loans and the documents regarding the Loans and the multiple titles of the Mortgage Transfer Certificates deposited in Santander.

**(3) Liability of Santander in collection management.**

Santander agrees to act in the management of collections on the Loans, with all due diligence, and shall be liable to the Fund, through its Management Company, for any damage which may derive from its negligence.

Santander does not howsoever assume any liability in directly or indirectly guaranteeing the successful conclusion of the transaction, nor will it grant guarantees or bank guarantees, or subject itself to repurchase

agreements in respect of the Assets with the exception of those which do not conform to the representations of the Assignor reproduced under section 2.2.8 of this Additional Building Block, those contained in section 2.2.9 thereof, and the conditions and limitations contained in section 3.7.1 (11) of this Additional Building Block.

**(4) Custody of contracts, deeds, documents and files.**

The Administrator shall maintain all contracts, copies of deeds, documents and database records regarding the Assets and the Damage Insurance policies, as the case may be, under safe custody and shall not abandon the possession, custody or control thereof without the prior written consent of the Management Company to such effect, unless a document is requested thereof in order to start proceedings for foreclosure or enforcement of an Asset.

The Administrator shall reasonably provide access, at all times, to said contracts, deeds, documents and records, to the Management Company or to the Fund's auditor, duly authorized by the latter. Furthermore, and if so requested, the Manager shall furnish, within five (5) Business Days following the corresponding request, free of charge, a copy or photocopy of any of such contracts, deeds and documents. The Administrator shall respond in kind in the case of requests received for information from the Fund's auditor.

The Administrator in any case waives the privileges granted to it by law in its capacity as collection manager of the Fund and custodian of the Loan agreements and, in particular, those provided by articles 1730 and 1780 of the Spanish Civil Code (relating to retention under pledge of property on deposit) and 276 of the Spanish Commercial Code (similar guarantee to retention under pledge of property on deposit).

**(5) Collection Management.**

Santander, as collection manager, shall receive on account of the Fund such amounts as are paid by the Debtors arising out of the Assets, both for principal or interest, as well as any other concept including the insurances assigned to the Fund, when these exist, and shall proceed to deposit into the Cash Account the amounts which pertain to the Fund, immediately and, in any case, within a deadline not to exceed forty-eight (48) hours.

**(6) Setting Interest Rates.**

In the cases where Loans are subject to variable interest rates, the Administrator shall continue setting said variable interest rates in accordance with the provisions of the relevant Loans, formulating any communications and notices which are established for such purpose in the respective contracts.

**(7) Advancing Funds.**

Santander shall in no case advance any amount it has not first received from the Debtors as principal or installment pending maturity, interest or finance charge, prepayment, etc., as deriving from the Assets.

**(8) Insurance Policies.**

Santander shall use reasonable efforts to maintain in full force and effect the insurance policies subscribed, as the case may be, in relation to each one of the Loans, Santander being liable to the Fund for any damages caused thereto, in the event that the insurance policies are not kept in full force and effect. Should the Debtors be declared bankrupt and in order to maintain the quality of the Assets, the Administrator is obliged to advance payment of any premiums which have not been paid by the Debtors, provided that it has knowledge of such circumstance, without prejudice to its right to obtain the reimbursement by the Fund of the amounts paid.

Santander, as Administrator, in the case of a claim, shall coordinate the actions for collection of the indemnities on the insurance policies, as the case may be, in accordance with the terms and conditions of the Mortgage Loans and of the above-mentioned insurance policies.

**(9) Information.**

The Administrator shall report periodically to the Management Company on the degree of compliance by the Debtors with the obligations deriving from the Assets, the compliance by the Administrator with its obligation to deposit the amounts received as deriving from the Assets, and the actions carried out in case of default and auction of properties, and of the existence of any hidden defects in the Assets.

The Administrator shall prepare and submit to the Management Company such additional information as, in relation to the Loans or the rights deriving therefrom, may be reasonably requested by the Management Company.

**(10) Subrogation of the Debtor of the Assets.**

The Administrator shall be authorized to allow substitutions in the position of Debtor in the Loan agreements, exclusively in cases in which the characteristics of the new Debtor are similar to those of the former one, and they meet the criteria for granting loans, as described under section 2.2.7 of this Additional Building Block, and provided that the expenses deriving from this modification are paid in full by the Debtors. The Manager may totally restrict this power of the Administrator when such substitutions could adversely affect the ratings awarded to the Bonds by the Rating Agencies.

In any case, the Administrator shall report any such subrogation made in accordance with the provisions of the above paragraph to the Manager immediately.

In addition, the Debtors may prompt the Administration to subrogate the Mortgage Loan pursuant to the provisions of Law 2/1994. Subrogation of a new creditor under the Mortgage Loan and the subsequent payment of the

amount due shall result in early repayment of the Mortgage Loan and the Mortgage Transfer Certificate accordingly.

**(11) Powers and actions in relation to Loan re-negotiation processes.**

The Manager authorizes the Administrator on a general basis to carry out renegotiations without its prior consent in accordance with the terms and conditions described below.

The Administrator may not voluntarily cancel the guarantees of the Assets for a cause other than the payment of the Loans, waive the Loans, write off the Loans in whole or in part or extend them, nor in general carry out any act which diminishes the ranking, legal effectiveness or economic value of the guarantees or of the Loans, without prejudice that it proceeds to attend to requests from the Debtors with the same diligence and procedure as if dealing with other loans.

Notwithstanding the foregoing, the Administrator may compromise with regard to the Assets in the sense that it may accept on behalf of the Fund payments made for property that constitutes the guarantee of the Loans provided that no financial damage is caused to the Fund. In this event, the product of the payment will fully belong to the Fund until the Loan in question has been fully paid.

In no case may the Administrator start by its own initiative, without a request from the Debtor, interest rate re-negotiations which may yield a decrease in the interest rate applicable to an Asset.

The Management Company authorizes the Administrator to proceed with re-negotiation of the interest rate applicable to the Loans, as requested by the Debtors, pursuant to the following requisites:

- a) The Administrator shall re-negotiate the interest rate applicable to the Loans at an interest rate considered the market interest rate and which shall not differ from the interest rate that the Administrator itself applies in the renegotiation of credit and loans which it grants. To these effects, the market interest rate will be considered to be the interest rate offered by the financing entities in the Spanish market for loans or credits for amounts and other conditions very similar to that of the Loan.
- b) Under no circumstance will the renegotiation of the interest rate applicable result in the substitution of the variable interest rates or indices used by the Administrator in the credits and loans it grants for other interest rates or indices.

Likewise, the power to renegotiate recognized to the Administrator in this section is subject to the following restrictions:

- a) In no case may the Loan amount be increased.
- b) The frequency of Loan payments may not be modified (except in the terms set out in section d) below).
- c) The spread below one per cent (1%) may not be re-negotiated.

- d) The extension of the maturity term of a specific Loan may be carried out provided that the following requisites are met:
- The amount of the principal of the Mortgage Loans assigned to the Fund about the extent of the maturity takes place, shall not exceed ten per cent (10%) of the Initial Outstanding Balance of the Mortgage Loans at the Incorporation Date.
  - That, in any case, the term between principal amortization payments on the Loan is maintained or reduced, and the same amortization system is maintained.
  - That the new final maturity date or last Loan amortization is, at the latest, the Final Maturity Date.

In any case, after any renegotiation has taken place in accordance with the provisions of this section, the Administrator shall immediately notify the Manager of the conditions resulting from each renegotiation.

The Management Company, acting on behalf of the Fund, may at any time suspend or modify the authorization and the requirements for the re-negotiation by the Administration which are set out in this section.

Should the Administrator fail to comply with the provisions of this section with regard to the re-negotiation of any of the Loans, the substitution procedure described in section 2.2.9 of the Additional Building Block will apply to the Loan in question (subject to the liability that the Administrator may incur as a result of such circumstance), which will not imply the guarantee by the Administrator of the successful completion of the transaction, but rather the necessary redress of the effects produced by the breach of its obligations, in accordance with article 1124 of the Civil Code. The Management Company will immediately inform the CNMV of the redemptions of the Assets that are made as a result of the Administrator's noncompliance. The costs expenses resulting from the action taken to rectify the Administrator's noncompliance will be borne by the Administrator, and will not be able to be charged to the Fund.

Notwithstanding the foregoing, in so far as Banco Santander has adhered to the changes to Code of Good Practice approved by Law 1/2013, and in so far as the Management Company knows and accepts such adherence, the Management Company shall be able to carry out any of the actions contemplated by it.

**(12) Fee for provision of services.**

A fixed fee shall accrue in favor of Santander for its tasks involving administration of the Assets of SIX THOUSAND EUROS (€6,000.00) per quarter, indirect taxes included, where applicable, on each Payment Date. If Santander is replaced as to its tasks of administration of said Assets by another entity not forming part of Santander's consolidated group, the substitute entity shall be entitled to receive an administration fee which shall rank number 1 in the Order of Priority of Payment contemplated under section 3.4.6.(b) of this Additional Building Block or, if the case

should arise, in the place of the Order of Priority of Liquidation Payments established in section 3.4.6.(d) above.

If the Fund, through its Management Company, does not pay on a Payment Date the entire fee because it lacks liquidity in the Cash Account in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b), any amounts not paid shall accumulate without penalty to the fee which must be paid on the next Payment Date, with payment thereof proceeding at that time.

On the other hand, Santander, on each Payment Date, shall be entitled to the reimbursement of all exceptional expenses incurred, subject to justification thereof to the Management Company, in relation to the administration of the Assets. Said expenses shall include, inter alia, those caused by enforcement of guarantees and, as the case may be, the sale of properties and shall be paid provided that the Fund has sufficient liquidity in the Cash Account and in accordance with the provisions of section 3.4.6.(b) of this Additional Building Block in respect of the Order of Priority of Payments.

**(13) Compensation**

In the event that any of the Debtors of the Loans has a payable, expired, liquid right of credit as regards the Administrator and, therefore, this will mean that one of the Loans will be totally or partially compensated against this right of creditor, the Administrator will remedy this circumstance or, if it is not possible to remedy it, the amount which would have been compensated plus the interest due and which would have corresponded to the Fund up to the date on which the income calculated in accordance with the conditions applicable to the corresponding Loan will be deposited in the Fund by the Administrator.

**(14) Subcontracting**

The Administrator may subcontract any of the services that it has undertaken to provide by virtue of the above, save for those that are non-delegable in accordance with applicable law. In no case will this subcontracting entail any cost or additional expense for the Fund or the Management Company, and cannot give rise to a revision downwards of the rating granted by the Rating Agencies to each one of the Series of Bonds. Notwithstanding any subcontracting or delegating, the Administrator will not be exonerated nor released from any of its responsibilities assumed and which are legally attributable to or obligatory for the Administrator through this subcontracting or delegating.

**(15) Notifications.**

The Management Company and the Assignor have agreed not to notify the assignment to the respective Debtors. For these purposes, notification is not a requisite for the validity of the assignment of the Loans nor for the issue of the Mortgage Transfer Certificates.

However, the Assignor will confer the broadest powers required by law upon the Manager so that it may, on behalf of the Fund, notify the transfer to the Debtors whenever it deems this appropriate.

Nevertheless, in the event of insolvency, of intervention by the Bank of Spain, of liquidation or the substitution of the Administrator or because the Management Company considers it to be reasonably justified, the Management Company may request the Administrator to notify the Debtors (and, where necessary, third party sureties and insurance companies) of the transfer of the Loans pending repayment to the Fund, as well as the fact that the payments deriving from these will only be of a releasing nature if they are made into the Cash Account opened in the name of the Fund. However, both in the case that the Administrator has not notified the Debtors within the three (3) Business days following the reception of the request, and in the case of insolvency of the Administrator, it will be the Management Company which directly notifies the Debtors (and, where necessary, third party sureties and insurance companies). The Management Company will notify in the shortest possible period of time.

The Assignor will assume the costs notifying the Debtors even if the notification is carried out by the Manager.

**(16) Rating downgrade**

If the DBRS rating for the Administrator is lowered to less than A (without such rating being "Under Review (Negative)") for long-term debt, or is otherwise withdrawn, the Administrator must, within the maximum term of thirty (30) calendar days, carry out any of the following actions: (i) seek an entity with sufficient rating to replace it in its duties as Administrator; (ii) seek a back-up administrator; or (iii) post a cash deposit in favor of the Fund for an amount that meets DBRS criteria. The Manager must be informed of the actions that the Administrator intends to carry out and shall ensure that they take effect.

**Manager.**

The administration and legal representation of the Fund is vested in the Management Company, whose name, address and significant business activities are detailed under section 6 of the Registration Document in the terms provided by Royal Decree 926/1998, and other applicable regulations, without prejudice to the provisions of the Articles of Incorporation.

The Manager, as manager of third-party businesses, is also responsible for representing and defending the interests of the Bondholders and of the remaining ordinary creditors of the Fund. Accordingly, the Manager shall at all times protect the interests of the Bondholders, conditioning its actions to the defense thereof and adhering to applicable law and regulations for such purpose.

The actions to be performed by the Manager in furtherance of its duties of administration and legal representation of the Fund are, purely as a matter of illustration and without prejudice to other actions envisaged under this Additional Building Block, as follows:



- (i) it will open, in the name of the Fund, the Cash Account, initially with Santander, and guarantee that the funds obtained from collections are deposited into the Account, under the terms stated in this Prospectus;
- (ii) exercise the rights attaching to ownership of the Assets of the Fund and, in general, carry out any such acts of administration and disposal as deemed necessary for the proper performance of the administration and legal representation of the Fund;
- (iii) carry the financial servicing of the Assets with diligence and rigor, without prejudice to the management duties assumed by the Assignor in its capacity as Administrator in accordance with the provisions of section 3.7.1 above;
- (iv) where applicable, replace the Administrator in accordance with the provisions of section 3.7.1.(1) above;
- (v) verify that the amount of income effective received by the Fund corresponds to the amounts to be received by the Fund in accordance with the conditions of each Asset and the conditions of the various contracts;
- (vi) validate and control the information it receives from the Administrator regarding the Loans, both as regards collections of ordinary payments, prepayments of principal, payments received for unpaid payments and status and control of non-payments;
- (vii) calculate the available funds and movements of funds which it shall have to make once the application thereof has been carried out in accordance with the relevant order of priority of payments, ordering transfers of funds between the various asset and liability accounts and the applicable payment instructions, including those assigned to meet the financial servicing on the Bonds;
- (viii) calculate and settle the amounts which, for interest and fees, must be received and paid by the various asset and liability financial accounts, as well as the fees to be paid for the various financial services arranged and the amounts which, for repayment of principal and interest, pertain to each one of the Bond Series;
- (ix) fulfill its calculation obligations as contemplated in this Additional Building Block and the Subordinated Loan Agreement, Guaranteed Interest Rate Reinvestment Agreement, which are described under sections 3.4.3 and 3.4.4 of this Additional Building Block;
- (x) monitor the actions of the Administrator for recovery of non-payments, giving instructions, when applicable, in order to bring a foreclosure proceeding and, as the case may be, with regard to the position to be adopted in real property auctions. Exercise the actions which apply when circumstances occur which so require;
- (xi) carry the accounting of the Fund with due separation from the accounting of the Manager, and render accounts and comply with the tax or other legal obligations applicable to the Fund;

- (xii) furnish the holders of the Bonds issued against the Fund, the CNMV and the Rating Agencies, such information and notices as are provided by current law in force and, especially, those contemplated in this Prospectus;
- (xiii) so as to ensure that the Fund operates in accordance with the terms set forth herein and by law in force from time to time, the Manager shall enter into, extend or amend agreements it has executed on behalf of the Fund, substitute each of the providers of services to the Fund by virtue of such agreements, and also, if necessary, enter into additional agreements, all the foregoing subject to applicable law, after obtaining the prior authorization, if required, from the CNMV or competent administrative body, and after notifying the Rating Agencies, and provided that such actions do not lead to a decrease in the rating of the Series and do not impair the interests of the Bondholders;
- (xiv) appoint and replace, as the case may be, the financial auditor charged with auditing the annual financial statements of the Fund;
- (xv) prepare and submit to the CNMV and the competent bodies, all documents and information that must be submitted pursuant to applicable law and the terms of this Prospectus, or when such documents and information are requested of it, and likewise to prepare and submit to the Rating Agencies any information they may reasonably request;
- (xvi) adopt the appropriate decisions in relation to the liquidation of the Fund, including the decision for early termination of the Bond issue and liquidation of the Fund, in accordance with the provisions of this Prospectus;
- (xvii) not carry out actions which could deteriorate the rating on the Bonds and procure the adoption of those measures which are reasonably in its reach in order that the rating on the Bonds is not adversely affected at any time;
- (xviii) establish systems or procedures for analyzing the historic returns on the Assets acquired from the Assignor and that allow it to analyze and control the composition and yield of said Assets;
- (xix) maintain systems for monitoring the Bonds issued against the Fund;
- (xx) manage the Fund in such a manner that the net asset value thereof is always zero;
- (xxi) pay the ordinary and extraordinary costs incurred by the Manager on behalf of the Fund.

The Management Company shall perform its activities with the diligence required thereof in accordance with Royal Decree 926/1998, representing the Fund and defending the interests of the Bondholders and of the remaining creditors of the Fund as if handling its own interests, caring for the levels of diligence, reporting and defense of the interests of the former and avoiding situations which entail conflicts of interest, giving priority to the interests of the Bondholders and to those of the remaining creditors of the Fund over its own. The Manager will be liable to the Bondholders and remaining creditors of the Fund for all damages caused

thereto from breach of its obligations. Furthermore, it will be liable as regards sanctions applicable thereto pursuant to the provisions of Law 19/1992.

The Manager possesses the necessary resources, including suitable information systems, to discharge its duties of administering the Fund as attributed thereto by Royal Decree 926/1998.

The Management Company has established a set of Internal Rules and Regulations in application of the provisions of Chapter II of Royal Decree 217/2008 of February 15, on the legal regime for investment service companies and other entities that provide investment services and which partially amends the Regulations of Law 35/2003 of November 4, on collective investment schemes, approved by royal Decree 1309/2005 of November 4, which was passed on to the CNMV.

### **Substitution of Management Company**

The Manager shall be replaced in the administration and representation of the Fund in accordance with the provisions established by applicable law. Thus, in accordance with the provisions of articles 18 and 19 of Royal Decree 926/1998, the replacement of the Manager shall be carried out through the following procedure:

- (i) The Manager may stand down when it deems this pertinent and voluntarily request its replacement by letter addressed to the CNMV, containing the appointment of the replacement manager. Included with such letter shall be that of the new manager, duly authorized and registered as such in the special registries of the CNMV, in which the latter declares it is willing to accept such duties and wishes to seek the pertinent authorization. The resignation of the Manager and appointment of a new company as manager of the Fund must be approved by the CNMV. In no case may the Management Company waive the exercise of its duties until all of the requisites and formalities for its replacement to be able to fully assume its duties in relation to the fund have been fulfilled. Nor may the Management Company waive its duties if, as a result of the aforesaid substitution, the rating assigned to any of the Bond Series issued against the Fund would be downgraded. All expenses generated as a consequence of such replacement shall be paid by the Manager itself, and may not be attributed, in any case, to the Fund;
- (ii) In the event of the occurrence in the Management Company of any of the causes for dissolution contemplated under articles 360 *et seq.* of the Spanish Companies Act (“Ley de Sociedades de Capital”), the substitution of the Management Company shall proceed. The Manager shall notify the CNMV of the occurrence of any of such causes. In this case, the Manager must comply with the provisions of section (i) above prior to its dissolution.
- (iii) In the event that the Management Company is declared insolvent, or has its authorization revoked, a management company to replace it must be appointed. The replacement must be made effective within the four (4) months running from the date on which the event determining the replacement took place. If, four (4) months from when the event

determining the substitution took place have elapsed and the Management Company has not appointed a new management company, the Early Liquidation of the Fund and the redemption of the Bonds shall proceed, for which the actions contemplated under section 4.4.3(3) of the Registration Document shall proceed.

- (iv) The substitution of the Management Company and appointment of the new company, approved by the CNMV in accordance with the provisions of the above paragraphs, shall be reported to the Rating Agencies and shall be published, within a deadline of fifteen (15) days by legal notice in two nationally-circulated newspapers and in the bulletin of the AIAF.

The Manager must execute any such public or private documents deemed necessary in order to proceed with its replacement by another manager in accordance with the procedure explained in the preceding paragraphs of this section. The substitute management company shall be subrogated in the rights and obligations which, in relation to this Additional Building Block, are vested in the Management Company. Furthermore, the Manager shall deliver to the new manager any documents and accounting and database records relating to the Fund as are in its possession.

#### **Remuneration payable to the Manager for performance of its duties**

The Manager will be entitled to receive:

- (i) to a structuring fee payable on the Disbursement Date on a lump-sum, one-off basis in an amount equal to NINETY THOUSAND EUROS (€90,000), including indirect taxes, where applicable; and
- (ii) on each Payment Date of the Bonds, provided the Fund has Available Funds in the Cash Account in accordance with the Order of Priority of Payments contemplated for each Series under section 3.4.6.(b) of the Additional Building Block, to a periodic administration fee equal to zero point zero twenty per cent (0,020%) per annum, with a minimum of SEVENTY THOUSAND EUROS (€70,000.00) per annum, including indirect taxes, where applicable, to accrue on the actual days of each Interest Accrual Period, payable quarterly at each Payment Date, and calculated on the sum of the Balances Pending Payment on the Bonds of all Series, on the start date of the Determination Period preceding the Payment Date in progress. The fee accruing from the Incorporation Date of the Fund up to the first Payment Date of the Bonds shall be adjusted in proportion to the days transpiring between both dates, calculated on the face value of the issued Bonds.

The periodic management fee payable on a given Payment Date will be calculated in accordance with the following formula:

$$A = B \times 0,020 \times \frac{d}{365 \times 100}$$

where:

A = Fee payable on a given Payment Date.

B = Sum of Balances Pending Payment on the Bonds of all Series, on the Determination Date pertaining to that Payment Date.

d = Number of days transpiring during each Interest Accrual Period.

**3.8 Name and address and brief description of any counterparties in swap, lending, liquidity or accounts operations.**

Santander is the counterparty of the Fund in the contracts described below. A brief description of Santander is included under section 3.5 of this Additional Building Block.

**a) Guaranteed Interest Rate Reinvestment Agreement.**

The Cash Account is initially open at Banco Santander, S.A. A description of the contract is reflected under section 3.4.4 of this Additional Building Block.

**b) Subordinated Loan Agreement.**

A description of the contract is reflected under section 3.4.3 of this Additional Building Block.

**4. POST ISSUE INFORMATION.**

**a) Obligations and deadlines envisaged for the preparation, auditing and approval of the annual financial statements and management report.**

The Manager shall present to the CNMV the Fund's annual financial statements, together with the auditors' report in respect thereof, within four (4) months following the close of the Fund's fiscal year, which shall coincide with the calendar year (i.e. prior to April 30 of each year).

**b) Obligations and deadlines contemplated for the placement at the disposal of the public and forwarding to the CNMV and the Rating Agency of periodic information on the economic-financial status of the Fund**

The Management Company, in its task involving management and administration of the Fund, undertakes to supply, with the utmost diligence possible or within the stipulated deadlines, the information described below and any other additional information as may be reasonably requested thereof.

**b.1. Ordinary periodic notifications.**

The Management Company, within a deadline between the Rate Setting Time and the Payment Date (unless they fall on a bank holiday in Madrid; in which case they will shift to the following Business Days), undertakes to make the following notifications to the CNMV, AIAF and Iberclear:

- i. The nominal interest rates resulting for each Bond Series for the following Interest Accrual Period;
- ii. The resulting interest on the Bonds together with the redemption thereof for the Interest current Interest Accrual Period;
- iii. The Actual Average Prepayment Rates of the Assets, as at the Determination Date corresponding to the Payment Date in question;
- iv. The average residual life of the Bonds calculated pursuant to the assumptions regarding said actual prepayment rate;

- v. The Outstanding Principal Balance (after the repayment to be made on the Payment Date in question) of each Bond, and the percentage that such Outstanding Principal Balance represents of the total initial face value of each Bond;
- vi. Amounts outstanding for matured principal/interest payments of the Bonds.

In addition, every six months, the Management Company will provide the CNMV with the intermediate financial information of the Fund under the terms and according to the formats of Circular 2/2009.

Notifications will be made according to the provisions of section b.3. below.

### **b.2. Extraordinary notifications.**

The Fund, through its Manager, shall also report to the Bondholders and the Rating Agencies, any material fact that may occur in relation to the Assets, the Bonds, the Fund, and the Manager itself, and that may affect the trading of the Bonds and, in general, any relevant modification to the assets or liabilities of the Fund and any amendment to the Deed of Incorporation. It shall likewise report any eventual decision regarding the Early Redemption of the Bonds for any of the causes provided in the Prospectus. In such case, the certificate executed before notary evidencing the settlement and procedure described in section 4.4.3. of the Registration Document must also be submitted to the CNMV.

Also, prior to the Closing Date, the Management Company shall inform the CNMV of the applicable interest rate for the First Accrual Period, by sending the Deed of Incorporation specifying the rate, as set out in paragraph 3.1 of the Additional Building Block.

This shall also include, among others, changes in the ratings of the Bonds and the steps to be taken if the triggers are activated owing to a downgrade in the rating of the counterparty to the financial agreements or owing to any other cause.

### **b.3. Procedure.**

Notices to Bondholders which, as per the above, must be given by the Fund, through its Manager, shall be given as follows:

1. Ordinary periodic notices referred to under section b.1. *supra*, by publication in the AIAF daily bulletin, or any other which may come to replace it in the future or other of similar characteristics, or via its publication as a material event with the CNMV, or via publication in a newspaper with a wide circulation in Spain.
2. The extraordinary notices described under section b.2) *supra*, except that relating to the interest rate for the First Accrual Period, by publication with the CNMV as a material event.

Additionally, the above notices may be given by publication in other mainstream media.

These notices shall be deemed to be given on the date they are published, with any day of the calendar, whether or not a Business Day, being suitable for this purpose (for purposes of this Prospectus).

**(c) Reporting to the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores, or CNMV).**

The information on the Fund will be forwarded to the CNMV according to the formats contained in Circular 2/2009, of March 25, regarding accounting rules, annual accounts, public and reserved financial statements of statistical information regarding the Securitization Funds, as well as any information which, irrespective of the above, is requested by the CNMV or the prevailing legislation at all times.

**(d) Reporting to the Rating Agencies.**

The Management Company shall provide the Rating Agencies with periodic information on the status of the Fund and the performance of the Loans so that they may monitor the ratings of the Bonds and the extraordinary notices. It will also employ its best efforts to provide such information when reasonably requested to do so and, in any case, when 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.

**(e) Information to be furnished by Santander to the Manager.**

In addition, Santander is obliged to inform the Management Company, on behalf of the Fund, on a quarterly basis and, in any case, at the request thereof, of any non-payments, prepayments and modifications of interest rates and, punctually, of payment demands, judicial actions, and any other circumstances which affect the Loans.

Furthermore, Santander shall furnish the Management Company with all documentation the latter may request thereof In relation to the said Loans and, especially, the necessary documentation to start, as the case may be, judicial actions by the Management Company.

**Ms. María José Olmedilla González, for and on behalf of SANTANDER DE TITULIZACIÓN, S.G.F.T., and in her capacity as Non-Director Secretary of the Board of Directors signs this Prospectus at Madrid, November 11, 2014.**

## DEFINITIONS

To ensure that this Prospectus is interpreted as intended, capitalized terms shall be construed in accordance with the definition given to each such term below, unless any other meaning is expressly attributed thereto. Any terms not expressly defined shall be construed in their natural and obvious sense according to the general usage thereof. Furthermore, it is stated for the record that terms in the singular shall include the plural and vice versa, whenever the context so requires.

The capitalized terms listed below shall have the following meanings:

**"Assets"**: means the credit rights arising from the Mortgage Loans granted by Santander and which are the object of assignment to the Fund.

**"Non-Performing Assets"**: means those Loans whose debt Santander considers will not be recovered or those Loans which have installments pending for periods equal to or greater than eighteen (18) months.

**"Performing Assets"**: embraces all Assets not classified as Non-Performing Assets.

**"Administrator"**: means Banco Santander, S.A. (unless replaced as administrator of the Loans, in which case it will be the replaced entity).

**"Rating Agencies"**: means, collectively DBRS and Moody's.

**"Paying Agent"**: means Banco Santander, S.A., barring the replacement thereof, in which case it will be the replacement agent.

**"AIAF"**: Means AIAF, Mercado de Renta Fija (AIAF Fixed Income Securities Market).

**"Early Redemption"**: means the redemption of the Bonds on a date preceding the Legal Maturity Date in cases of Early Settlement of the Fund in accordance with the requirements provided for in section 4.4.3 (3) of the Registration Document.

**"Bank"**: means Banco Santander, S.A.

**"Banesto"** means Banco Español de Crédito, S.A., taken over by Santander

**"Bonds"**: means the asset- and mortgage-backed securities issued against the Fund.

**"Amount Accrued for Redemption"**: means, for each Payment Date, the difference (if positive) between (i) the sum of the Balance of Principal Pending Payment on the Series A and B Bonds on the Determination Date prior to each Payment and (ii) the Outstanding Balance of the Non Failed Loan on that same date.

**"Amount Accrued for Redemption of Series C"**: means, for each Payment Date, the positive difference existing between the Outstanding Principal Balance of Series C at the Calculation Date corresponding to each Payment Date and the amount of the Reserve Fund required at such corresponding Payment Date.

**"Assignor"**: means Banco Santander, S.A.

**"Mortgage Transfer Certificates"** or **"MTC"**: means the mortgage transfer certificates to be issued by Santander in accordance with the provisions of section 3.3.2 of the Additional Building Block.

**"CET"**: means "Central European Time."

**"Circular 4/2004"**: means Bank of Spain Circular 4/2004, of December 22, to credit entities, governing rules on public and confidential financial information and standard models for financial statements.



**“Circular 6/2008”**: means Circular 6/2008, of November 26, of the Bank of Spain amending Circular 4/2004, of December 22, regarding the rules governing public and reserved financial information and models of financial statements.

**“Circular 2/2009”**: means the Circular of the CNMV, of March 25, regarding accounting rules, annual accounts, public and reserved financial statements of statistical information regarding the Securitization Funds.

**“CNMV”**: means Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission).

**“Management, Subscription and Paying Agent Agreement”**: means the management, Bond subscription and paying agency agreement to be entered into by the Manager, on behalf of the Fund, and the Lead Manager, and which dictates the obligations and responsibilities of Santander as Paying Agent and as Subscriber of one hundred per cent (100%) of the Bonds.

**“Subordinated Loan Agreement”**: means the subordinated loan agreement in the amount of SIX HUNDRED AND FIFTY THOUSAND EUROS (€650,000.00) to be entered into by the Management Company, for and on behalf of the Fund, and Santander, to be applied towards financing the expenses related to the incorporation of the Fund and issuance of the Bonds and partially financing the acquisition of the Assets.

**“Guaranteed Rate Reinvestment Agreement”**: means the guaranteed interest rate reinvestment agreement in respect of the Cash Account to be entered into by the Management Company, acting for and on behalf of the Fund, and Santander, whereby Santander will guarantee a variable yield on the amounts deposited by the Fund (through its Management Company) into the Cash Account.

**“Cash Account”**: means the account to be opened at Banco Santander, S.A. in the name of the Fund, by the Management Company, the operational aspects of which shall be the object of the Guaranteed Rate Reinvestment Agreement.

**“DBRS”**: means DBRS Ratings Limited.

**“Redemption Shortfall”**: means at each Payment Date, the difference, if any, between the Accrued Redemption Amount and the remaining of the Available Funds once deducted the amounts applied to the concepts of point 1 to 3 of the Order of Priority of Payments provided for in section 3.4.6.(b) of the Additional Building Block.

**“Debtors”**: means the individuals, having their domicile in Spain, to whom Santander has granted the Loans from which the Assets subject to securitization derive.

**“Business Day”**: Means any day except:

- (i) Saturday;
- (ii) Sunday;
- (iii) Holidays as per the TARGET 2 calendar (for the sole purpose of determining the Nominal Interest Rate applicable for each Interest Accrual Period). This includes, apart from the days stated in sections (i) and (ii) above, January 1, Good Friday, Easter Monday, May 1, December 25 and December 26; and
- (iv) Holidays in Madrid (for the purpose of determining the applicable Nominal Interest Rate for each Interest Accrual Period and for the remaining conditions of the issue).

**“Commercial Banking Division of Santander”**: means the part of Banco Santander, S.A. that deals with private clients and SMEs.

**“Registration Document”**: means the registration document included as Annex VII, as approved by the CNMV on November 11, 2014.

**“Lead Manager”**: means Banco Santander, S.A.

**“Subscriber”**: means Banco Santander, S.A.

**“Articles of Incorporation”**: means the Articles of Incorporation of the securitization fund Fondo de Titulización de Activos RMBS Santander 3, Assignment of Assets and Issuance of Securitization Bonds.

**“Incorporation Date”**: means the date on which the Articles of Constitution are executed. It is envisaged that the Incorporation Date will be November 17, 2014.

**“Disbursement Date”**: means November 19, 2014.

**“Final Maturity Date”**: means the last date of maturity of the Loans included in the preliminary portfolio, that is, November 1, 2061, or, if this is not a Business Day, the immediately following Business Day.

**“Legal Maturity Date”**: means November 18, 2064 or, if not a Business Day, the Business Day immediately thereafter.

**“Determination Dates”**: means the dates which coincide with the fifth (5th) Business Day preceding each Payment Date in which the Management Company will carry out the necessary calculations, on behalf of the Fund, for the distribution or withholding of the Available Funds at those dates, according with the Order of Priority of Payments set forth in section 3.4.6.(b) of the Additional Building Block.

**“Payment Dates”**: means February 18, May 18, August 18, and November 18 of each year or, if any of these dates is not a Business Day, the Business Day immediately thereafter.

**“Prospectus”**: means, collectively, the table of contents, the document describing the risk factors, the Registration Document, the Securities Note, the Additional Building Block and the document containing the definitions.

**“Fund” or “Issuer”**: means FONDO DE TITULIZACIÓN DE ACTIVOS, RMBS SANTANDER 2.

**“Reserve Fund”**: means the reserve fund to be funded by the Management Company, for and on behalf of the Fund, in accordance with the provisions of section 3.4.2 of the Additional Building Block.

**“Available Funds”**: means the amounts received by the Fund as principal and interest of the Assets, the return of the Cash Account, if applicable, the Reserve Fund, and any amounts which the Fund might receive, as established in section 3.4.6.a) of the Additional Building Block, which will be applied on each Payment Date to the payments established in the Order of Priority of Payment included in section 3.4.6.b) of the Additional Building Block.

**“Available Funds for Redemption”**: means the amount to be earmarked for redemption of the Series A and B Bonds on each Payment Date. The Liquid Funds for Redemption will be calculated in accordance with the provisions of section 4.9.4 of the Securities Note.

**“Liquid Funds for Settlement”**: means:

- a) The Funds Available; and
- b) The amounts which the Fund obtains due to the disposal of the Assets which remain and of any other assets, as the case may be, in the cases of advanced settlement of the Fund

in accordance with the requisites which are established in section 4.4.3.(3) of the Registration Document.

**“Iberclear”**: means Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (securities registration, clearing and settlement management company).

**“V.A.T.”**: means Value Added Tax.

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**“Law 19/1992”**: means Law 19/1992, of July 7, on the system governing real estate investment companies and funds and mortgage securitization funds.

**“Law 37/1992”**: means Law 37/1992, of December 28, on Value Added Tax.

**“Law 3/1994”**: means Law 3/1994, of April 14, on Adaptation to Second Banking Directive.

**“Law 1/2013”**: means Law 1/2013, of May 14, on measures to strengthen the protection to mortgage debtors, debt restructuring and social rent.

**“Law 10/2014”**: means Law 10/2014, of June 26, on the organization, supervision and solvency of credit entities.

**“Insolvency Procedures Law”**: means Law 22/2003, of July 9, on insolvency procedures.

**“Civil Procedure Law”**: means Law 1/2000, of January 7, on civil procedure.

**“Securities Market Law”** or **“Law 24/1988”**: means Law 24/1988, of July 28, regulating the securities market in its current wording.

**“Early Settlement”**: means the settlement of the Fund before November 18, 2064, and therefore the Early Redemption of the whole Bond issue in the circumstances and subject to the procedure established in section 4.4.3 of the Registration Document.

**“LTV”**: means the ratio, expressed as a percentage, between the amount of outstanding principal of the Mortgage Loans selected on a specific date and the appraised value of the properties mortgaged as security for the Mortgage Loans selected at that date.

**“Additional Building Block”**: means the additional building block to the securities note relating to the Bond issue, as prepared in accordance with Annex VIII of (EC) Regulation 809/2004, as approved by the CNMV on November 11, 2014.

**“Rate Setting Time”**: means the second (2nd) Business Day as per the TARGET 2 calendar (Transeuropean Automated Real-time Gross Settlement Express Transfer System 2) preceding each Payment Date, at 11:00 a.m. (Madrid time) on said day. Exceptionally, the Rate Setting Time for the first Interest Accrual Period will coincide with the Incorporation Date.

**“Moody’s”**: means Moody’s Investors Service España, S.A.

**“Required Level of the Reserve Fund”**: means the amount which the Reserve Fund must have on each Payment Date according to section 3.4.2.2 of the Additional Building Block.

**“International Financial Reporting Standards”**: means the International Financial Reporting Standards applicable to the information provided by Santander in accordance with Regulation (EC) 1606/2002 and Circular 4/2004 of the Bank of Spain.

**“Securities Note”**: means the securities note relating to the Bond issue, as prepared in accordance with Annex XIII of Regulation (EC) 809/2004, as approved by the CNMV on November 11, 2014 and which forms part of this Prospectus.

**“Order of Priority of Payment”**: means the order of priority for the application of the payment or deduction obligations as regards the application of the Funds Available on each Payment Date.

**“Order of Priority of Liquidation Payments”**: means the order of priority of the payment or deduction obligations of the Fund as regards the application of the Available Settlement Funds on the Date of Liquidation.

**“Order ECO/805/2003”**: means Order ECO/805/2003, of March 27, of the Ministry of Economy on norms of evaluation of real estate and certain rights for financial purposes.

**“Order 3537/2005 of the Spanish Ministry of the Economy and Finance”**: means Order EHA/3537/2005, whereby article 27.4 of Law 24/1988, of July 28, on the Stock Market, was developed.

**“Ordinary Part”**: means the Nominal Interest Rate applicable to the Series C Bonds for each Interest Accrual Period (equal to the result of: (i) the Benchmark Interest Rate, common to all Bond Series, plus (ii) a margin of zero point six five per cent (0.65%), calculated in accordance with the provisions of section 4.8 of the Securities Note.

**“Extraordinary Part”**: means, on each Payment Date on which the Fund has sufficient Available Funds, the extraordinary interest on the Series C Bonds, of a variable amount equal to the excess of liquidity existing once the concepts that hold a prominent position in the Order of Priority of Payments have been paid.

**“Subscription Period”**: means November 19, 2014 between ten a.m. (10:00) and midday (12:00), the date on which the Bond issue will be wholly subscribed by Santander.

**“Determination Periods”**: means the period spanning two consecutive Calculation Dates, excluding the initial Calculation Date and including the final Calculation Date. The term of the first Determination Period will be between the Incorporation Date and the Determination Date prior to the first Payment Date.

**“Interest Accrual Periods”**: means each of the periods into which the Bond issue is divided, comprising the days effectively elapsed between each Payment Date, including in each Interest Accrual Period the initial Payment Date of the corresponding period and excluding the final Payment Date of the corresponding period. The first Interest Accrual Period will have a duration of less than three months, equivalent to the time between the Disbursement Date (November 19, 2014) and the first Payment Date (February 18, 2015).

**“Loans” or “Mortgage Loans”**: means the loans secured by a mortgage, from which derive the Assets that are assigned to the Fund, granted by the Commercial Banking Division of Banco Santander, S.A. and Banesto to individuals (clients), resident in Spain, for the acquisition, construction or renovation of housing in Spain, or to subrogations by individuals of financing granted to developers for the construction of housing in Spain to be sold.

**“Non-Performing Loans”**: means those Loans whose debt Santander considers will not be recovered or those Loans which have installments pending for periods equal to or greater than eighteen (18) months.

**“Defaulted loans”**: means the Loans that have a higher delinquency date of more than ninety 90 days of lateness in due payments, excluding Failed Loans.

**“Performing Loan”**: means those Loans not classified as Non-performing Loans.

**“Royal Decree 926/1998”**: means Royal Decree 926/1998, of May 14, regulating asset securitization funds and securitization fund managers.

**“Royal Decree 1777/2004”**: means Royal Decree 1777/2004, of July 30, approving the Corporate Income Tax Regulations.

**“Royal Decree 1310/2005”**: means Royal Decree 1310/2005, of November 4, partially implementing Law 24/1988, of July 28, on the securities market, regarding admission to trading of securities in secondary official markets, public offerings or subscriptions and the applicable prospectus.

**“Royal Decree 1065/2007”**: means Royal Legislative Decree 1065/2007, of July 27, which approves the General Regulation governing the actions and procedures of tax management and inspection and develops the common rules for the application of taxes.

**“Royal Decree 1514/2007”**: means Royal Decree 1514/2007, of November 16, approving the General Accounting Plan.

**“Royal Decree 716/2009”**: means Royal Decree 716/2009, of April 24, which implemented some aspects of Law 2/1981, of March 25, regulating the mortgage market, and other rules of the mortgage and financial systems.

**“Royal Legislative Decree 1/1993”**: means Royal Legislative Decree 1/1993, of September 24, approving the revised text of the Spanish Transfer Tax/Stamp Duty Law.

**“Royal Legislative Decree 4/2004”**: means Royal Legislative Decree 4/2004, of March 5, approving the ordered text of the Law on Corporate Tax.

**“Regulation (EC) no. 809/2004”**: means Regulation (EC) no. 809/2004, of the European Commission, 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.

**“Regulation 575/2013”**: means Regulation (EC) no. 575/2013 of the European Parliament and of the Council, of June 26, 2013, on the prudent requirements of credit institutions and investment entities and amending Regulation (EC) no. 648/2012.

**“Balance of Principal Pending Redemption of the Bonds”**: means the total of outstanding balances of the Bonds of all the Series (that is, the amount of principal of the Bonds pending redemption).

**“Balance of Principal Pending of the Series”**: means the total of outstanding balances of the Bonds that make up the Series (that is, the amount of principal of the Bonds that make up the Series, pending redemption).

**“Outstanding Balance of the Assets” or “Outstanding Balance”**: means the amounts of principal due and unpaid together with amounts of principal still not due and pending maturity of the Assets, that is to say, including the amounts due and unpaid.

**“Santander”**: means Banco Santander, S.A.

**“Damages Insurance”**: means the damage insurance held on some Assets on which have been constituted the mortgages in guarantee of the Mortgage Loans under with the provisions of the Order ECO 805/2003.

**“Series”**: means each of the three (3) series into which the total amount of the Bond issue is divided.

**“Series A”**: means the Series with a total nominal amount of FIVE BILLION THREE HUNDRED AND NINETY-FIVE MILLION EUROS (€5,395,000,000.00), constituted by FIFTY-THREE THOUSAND NINE HUNDRED AND FIFTY (53,950) Bonds of a nominal value of ONE HUNDRED THOUSAND EUROS (€100,000.00) each;

**“Series B”**: means the Series with a total nominal amount of ONE BILLION ONE HUNDRED AND FIVE MILLION EUROS (€1,105,000,000.00), constituted by ELEVEN THOUSAND AND FIFTY (11,050) Bonds of a nominal value of ONE HUNDRED THOUSAND EUROS (€100,000.00) each;

**“Series C”**: means the Series with a total nominal amount of NINE HUNDRED AND SEVENTY FIVE MILLION EUROS (€975,000,000.00), is constituted by NINE THOUSAND SEVEN HUNDRED AND FIFTY (9,750) Bonds of a nominal value of ONE HUNDRED THOUSAND EUROS (€100,000.00) each, charged against which it will provide the Reserve Fund;

**“The Series”** means together Series A, Series B, and Series C

**“Manager”**: means Santander de Titulización, S.G.F.T., S.A.

**“Annual CPR”**: means the annual Constant Prepayment Rate.

**“IRR”**: means the internal rate of return for the holders of each Bond Series.

**“Nominal Interest Rate”**: means the nominal interest rate variable quarterly to which the Bonds will accrue interests according to section 4.8.2 of the Securities note and concordants.

**“Reference Interest Rate”**: means the reference interest rate used to calculate the Nominal Interest Rate and that will be Euribor to three (3) months or, in case it is necessary, its substitute, as determined as described in section 4.8.3 of the Securities Note. EURIBOR is the reference rate in the euro money market.

**“CAU”**: means, regarding the risk policy followed by the Banco Santander, S.A., provided in section 2.2.7 of the Additional Building Block to the Securities Note, the Companies Analysis Unit (“Unidad de Decisión de Operaciones”, or U.D.O.).