

PROSIL ACQUISITION S.A.

(incorporated in the Grand Duchy of Luxembourg as a société anonyme with registered number B 208.112)
acting for the account of its compartment "Cell Number 5"

€170,000,000 Class A Asset-Backed Floating Rate Notes due 2039

€30,000,000 Class B Asset-Backed Floating Rate Notes due 2039

€15,000,000 Class J Asset-Backed Floating Rate Notes due 2039

€16,000,000 Class Z Asset-Backed Variable Return Notes due 2039

The €170,000,000 Class A Asset-Backed Floating Rate Notes due 2039 (the "**Class A Notes**"), the €30,000,000 Class B Asset-Backed Floating Rate Notes due 2039 (the "**Class B Notes**" and together with the Class A Notes, the "**Rated Notes**"), the €15,000,000 Class J Asset-Backed Floating Rate Notes due 2039 (the "**Class J Notes**") and the €16,000,000 Class Z Asset-Backed Variable Return Notes due 2039 (the "**Class Z Notes**" and, together with the Class J Notes and the Rated Notes, the "**Notes**") will be issued by ProSil Acquisition S.A., acting for the account of its compartment "Cell Number 5" (the "**Issuer**") on or about 29 July 2019 (the "**Issue Date**").

This offering circular (the "**Offering Circular**") is dated 26 July 2019 and comprises the listing particulars for the purposes of listing the Rated Notes on the Official List of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**"). Application has been made to Euronext Dublin for the Rated Notes to be admitted to the Official List (the "**Official List**") and trading on the Global Exchange Market (the "**Global Exchange Market**"). The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU. The Class J Notes and the Class Z Notes will not be listed or admitted to trading.

Interest on the Notes (other than the Class Z Notes) and the Class Z Return Amount is payable quarterly in arrears in euro on the last calendar day of January, April, July and October in each year (or, if such day is not a Business Day, the immediately preceding Business Day) (each, an "**Interest Payment Date**"). The first Interest Payment Date will be the Interest Payment Date falling in October 2019.

Interest on the Notes (other than the Class Z Notes) is payable in respect of each Interest Period at an annual rate equal to the sum of the European Interbank Offered Rate ("**EURIBOR**") for three-month euro deposits (except that, in relation to the Interest Determination Date for the first Interest Period, it shall be the result of the interpolation between the offered quotations of EURIBOR for three-month euro deposits and for six-month euro deposits), plus in relation to the Class A Notes, a margin of two per cent. per annum, in relation to the Class B Notes, a margin of six per cent. per annum and, in relation to the Class J Notes, a margin of twelve per cent. per annum. The holders of the Class Z Notes will be entitled to the Class Z Return Amount to the extent of available funds.

Payments on the Notes will be made in euro after any Tax Deduction. The Notes will not provide for additional payments by way of gross-up in the case that interest payable under the Notes (other than the Class Z Notes) or the Class Z Return Amount payable under the Class Z Notes is or becomes subject to income taxes (including withholding taxes) or other taxes. See "*Principal Features of the Notes – Taxes*".

Unless the Notes have previously been redeemed in full as described in Condition 10 (*Final Redemption, Mandatory Redemption in Part and Optional Redemption*), the Notes will be redeemed by the Issuer on the Final Maturity Date at their Principal Amount Outstanding.

Payments of principal on the Notes on any Interest Payment Date will be made sequentially by redeeming all principal due on the Class A Notes, thereafter by redeeming all principal due on the Class B Notes and thereafter by redeeming all principal due on the Class J Notes, with payments of principal on the Class Z Notes being made thereafter, to the extent and in the circumstances provided for in the relevant Payment Priorities.

The Notes will be subject to optional redemption (in whole but not in part) at their Principal Amount Outstanding (together with accrued interest) at the option of the Issuer on any Interest Payment Date following the occurrence of certain events, as detailed in Condition 10 (*Final Redemption, Mandatory Redemption in Part and Optional Redemption*).

The main source of funds for the payment of principal, interest and other amounts due under the Notes will be the right of the Issuer to receive payments in respect of receivables originated in Spain by Abanca Corporación Bancaria, S.A. and Abanca Corporación División Inmobiliaria S.L. (the "**Original Lenders**"), consisting primarily of defaulted and non-performing term loans (being term loans where one or more interest or principal payments was not made when due in accordance with Spanish law, which is the governing law of the term loans), granted by the Original Lenders to Borrowers, certain of which are secured, and all serviced by HipoGes Iberia S.L.U. (the "**Servicer**").

The Notes are limited recourse obligations and are obligations solely of the Issuer and are not the obligations of, or guaranteed by, and will not be the responsibility of the Arranger and Lead Manager or any other entity.

Important information relating to the use of this Offering Circular and sales or offers of securities generally

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arranger and Lead Manager, the Retention Holder and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary, no action has been taken by the Issuer, the Arranger and Lead Manager, the Retention Holder or the Trustee which would permit a public offer of any Notes in any country or jurisdiction where action for that purpose is required or distribution of this Offering Circular in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about and observe any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes.

The Notes referred to in this Offering Circular have not been registered under the US Securities Act 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States or to, or for the account or benefit of U.S. persons (other than distributors and as described in the section entitled "*Distribution and Sale*") unless the Notes are registered under the Securities Act, or are offered or sold pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined if this Offering Circular is accurate or complete. Any representation to the contrary is a criminal offense in the United States. Accordingly, the Notes have not been, and will not be, registered under the Securities Act and have been or are being offered and sold only outside the United States, in offshore transactions in compliance with Regulation S. The Notes are subject to certain restrictions on transfer in the United States, the European Economic Area and otherwise, as described in "*Distribution and Sale*".

Benchmark Regulation

Amounts payable under the Notes are calculated by reference to EURIBOR which is provided by the European Money Markets Institute ("**EMMI**"). As at the date of this Offering Circular, EMMI does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**"). As far as the Issuer is aware, the transitional provisions in article 51 of the Benchmark Regulation apply, such that EMMI is not currently required to obtain authorisation or registration.

MiFID II product governance

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional

clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast) (the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**"). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Credit Ratings

The Rated Notes are expected to be rated by DBRS Ratings Limited ("**DBRS**"), Moody's Investors Service Ltd. ("**Moody's**") and Scope Ratings GmbH ("**Scope**" and, together with DBRS and Moody's, the "**Rating Agencies**"), while the Junior Notes will be unrated. The Rated Notes are expected to receive the ratings set out below:

	DBRS	Moody's	Scope
Class A Notes	BBB(low) (sf)	Baa3 (sf)	BBB- (sf)
Class B Notes	Not rated	Ca (sf)	B- (sf)

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the Rating Agencies.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EC) No. 462/2013 of the European Parliament and of the Council of 21 May 2013 ("**CRA Regulation**") (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. DBRS, Moody's and Scope are established in the European Union and registered, at the date of this Offering Circular, under the CRA Regulation. The list of registered and certified rating agencies is published by the European Securities and Markets Authority ("**ESMA**") on its website (www.esma.europa.eu/) in accordance with the CRA Regulation.

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the Offering Circular and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions.

Nothing in this Offering Circular or electronic transmission thereof constitutes an offer to sell or the solicitation of an offer to buy the Notes in the United States or any other jurisdiction where it is unlawful to do so. The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or other jurisdiction and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from such registration requirements. This Offering Circular may not be forwarded or distributed to any other

person and may not be reproduced in any manner whatsoever, and in particular, may not be forwarded to any U.S. Person or to any U.S. address. Any forwarding, distribution or reproduction of this Offering Circular in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this Offering Circular is truthful or complete. Any representation to the contrary is a criminal offense.

The Issuer has been structured so as not to constitute a "covered fund" for the purposes of a final rule (the "**Final Rule**") implementing section 13 of the U.S. Bank Holding Company Act of 1956 (the "**U.S. Volcker Rule**").

You are reminded that the Offering Circular has been made available on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to the offering, such as this Offering Circular or any form of application, or other document or information in respect of the Notes, do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

By accessing the Offering Circular, you shall be deemed to have confirmed and represented that (a) you have understood and agree to the terms set out herein, (b) you consent to the access or delivery of the Offering Circular by electronic transmission, (c) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and any electronic mail address that you have given to us and to which this Offering Circular may have been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia, and (d) if you are a person in the United Kingdom, then you are a person who (i) is an investment professional within the meaning of article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FPO**") or (ii) is a high net worth entity falling within article 49(2)(a) to (d) of the FPO.

U.S. Risk Retention Rules

The Retention Holder intends to rely on an exemption provided for in Section 20 of the Dodd-Frank Act (the "**U.S. Risk Retention Rules**") regarding non-U.S. transactions that meet certain requirements. Consequently, without the express prior written consent of the Retention Holder (a "**U.S. Risk Retention Consent**"), the Notes may only be purchased on the Issue Date by persons that are not "U.S. persons" as defined in the U.S. Risk Retention Rules (the "**Risk Retention U.S. Person**"). Prospective investors should note that the definition of "U.S. person" in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of "U.S. person" in Regulation S. Certain investors may be required to execute a written certification of representation letter by the Retention Holder in respect of their status under the U.S. Risk Retention Rules. See "*Risk Factors – U.S. Risk Retention Requirements*".

EU risk retention and transparency requirements

The Retention Holder, being the originator for the purposes of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012, as amended (the "**Securitisation Regulation**"), will undertake to the Issuer and the Trustee, on behalf of the Noteholders, that it will retain on an ongoing basis a material net economic interest, until the Principal Amount Outstanding of the Notes is reduced to zero, of not less than five per cent. in the securitisation as required by article 6 of the Securitisation Regulation (the "**Retention Obligation**"). As at the Issue Date, such interest will comprise the retention of the Class Z Notes, as required by the text of paragraph (d) of article 6(3) of the Securitisation Regulation (the "**Retained Interest**"). The aggregate Principal Amount Outstanding of the Class Z Notes as at the Issue Date will be equal to at least five per cent. of the nominal value of the securitised exposures.

Among other undertakings, the Retention Holder has undertaken not to take any action which would reduce the Retention Holder's exposure to the economic risk of the Notes in such way that the Retention Holder ceases to hold the Retained Interest. The retained exposure may be reduced over time by amortisation and allocation of losses or defaults on the underlying Receivables. Any change to the manner in which the Retained Interest is held will be notified to the Issuer, the Trustee and the Cash Manager.

The Retention Holder has further acknowledged that quarterly confirmations that the Retention Holder's continued holding of the Retained Interest is equal to at least five per cent. of the nominal value of the securitised exposures will be made available to the Noteholders, to the competent authorities referred to in article 29 of the Securitisation Regulation and, upon request, to potential investors by means of the Investor Reports and Quarterly Transaction Reports, as provided for in article (7)(1)(e)(iii) of the Securitisation Regulation. The Investor Reports and the Quarterly Transaction Reports to be prepared by the Cash Manager (on behalf of the Issuer), to the extent the Cash Manager agrees, will be made available to the relevant recipients by the Issuer (or the Servicer on its behalf) in accordance with the provisions of article 7 and article 43(8) of the Securitisation Regulation. The Issuer has further undertaken that it will ensure that Noteholders and prospective investors have readily available access to all information as would be necessary to conduct comprehensive and well-informed stress tests and to fulfil their monitoring and due diligence duties under article 5 of the Securitisation Regulation, which does not form part of this Offering Circular following the Issue Date.

The Issuer has made available the documents required by article (7)(1)(b) of the Securitisation Regulation prior to the pricing date of the Notes by means of the website of EuroABS (<https://www.euroabs.com/IH.aspx?d=12561>), being a website that conforms to the requirement set out in article 7(2) of the Securitisation Regulation. The Issuer has been appointed as the designated entity under article 7(2) of the Securitisation Regulation. The Issuer has appointed the Servicer and the Cash Manager to assist the Issuer in complying with such requirements.

The Notes are not intended to be compliant with the "simple, transparent and standardised" criteria set forth in article 18 *et seq.* of the Securitisation Regulation.

The Arranger, Lead Manager, the Monitoring Agent and the Trustee do not accept any responsibility for the compliance of the Issuer, the Retention Holder, the Transferors or any other Transaction Party with the requirements of the Securitisation Regulation.

PARTICULAR ATTENTION IS DRAWN TO THE SECTION HEREIN ENTITLED "*RISK FACTORS*".

This Offering Circular will be made available on the website of EuroABS (<https://www.euroabs.com/IH.aspx?d=12561>). Notwithstanding the inclusion of information relating to the Class J Notes and the Class Z Notes, this Offering Circular pertains solely to the application made in respect of the Class A Notes and the Class B Notes. Therefore, this Offering Circular constitutes listing particulars issued in compliance with the "Listing and Admission to Trading Rules for Debt Securities" of Euronext's Global Exchange Market, with the purpose of providing information with regard to the Class A Notes and the Class B Notes only and not with regard to the Class J Notes and the Class Z Notes.

Particulars of the dates of, parties to and general nature of each document to which the Issuer is a party are set out in various sections of this Offering Circular.

This Offering Circular is made available in an electronic form. You are reminded that documents made available via this medium may be altered or changed during the process of electronic transmission or access and consequently none of the Issuer, the Arranger and Lead Manager nor the Transaction Parties or any person who controls any such person or any director, officer, employee or agent of any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and any hard copy version available to you on request from the Issuer and J.P. Morgan Securities plc.

DOCUMENTS INCORPORATED BY REFERENCE

Financial Statements

- (a) The audited financial statements of the Issuer for the financial year ending 31 December 2016; and
 - (b) the audited financial statements of the Issuer for the financial year ending 31 December 2017;
- (together, the "**Issuer Financial Statements**")

have been prepared in accordance with Luxembourg generally accepted accounting principles and filed with the Irish Stock Exchange, and are incorporated by reference via the website <https://www.euroabs.com/IH.aspx?d=12561>.

Other than the websites listed above under "*Documents incorporated by Reference*", websites referred to in this Offering Circular do not form part of this Offering Circular.

Arranger and Lead Manager
J.P. Morgan

The date of this Offering Circular is 26 July 2019

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RISK FACTORS

Prior to making an investment decision, prospective purchasers of the Notes should consider carefully, in light of the circumstances and their investment objectives, the information contained in this entire Offering Circular, including the documents incorporated by reference and reach their own views prior to making any investment decision. Prospective purchasers should nevertheless consider, among other things, the risk factors set out below.

The Issuer believes that the following risk factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under this Offering Circular are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Additional risks not currently known or which are currently deemed immaterial may also have a material adverse effect on the Receivables, the Notes, business, financial condition or results of operations of the Issuer or result in other events that could lead to a decline in the trading price and/or value of the Notes. Except as otherwise provided below, the risk factors below relate generally to all the Notes, including the Rated Notes, which are the only Classes of Notes in respect of which this Offering Circular has been approved for the admission to trading of such Classes of Notes on the Global Exchange Market of Euronext Dublin.

RISKS RELATING TO THE NOTES

Absence of a secondary market

There is currently no market for the Notes and there can be no assurance that a secondary market for the Notes will develop or, if it does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the entire life of the Notes. Consequently, any purchaser of the Notes must be prepared to hold the Notes until final redemption thereof. The market price of the Notes could be subject to fluctuation in response to, among other things, variations in the value of the relevant mortgage backed credits and properties, the market for similar securities, prevailing interest rates, changes in regulation and general market and economic conditions.

Noteholders should also be aware of the prevailing and widely reported global credit market conditions and the general lack of liquidity in the secondary market for instruments similar to the Notes. Since the referendum occurred on 23 June 2016, where the United Kingdom voted to leave the European Union ("**UK Referendum**"), there has been increased volatility and disruption of the capital, currency and credit markets, including the market for securities similar to the Notes.

Potential investors should be aware that these prevailing market conditions affecting securities similar to the Notes could lead to reductions in the market value and/or a severe lack of liquidity in the secondary market for instruments similar to the Notes. Such falls in market value and/or lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the securitised portfolio.

The Issuer cannot predict when these circumstances will change and whether, if and when they do change, there would be an increase in the market value and/or there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Restrictions on transfer under U.S. law

The Notes have not been, and will not be, registered under the U.S. Securities Act 1933, as amended ("**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The offering of the Notes will be made pursuant to exemptions from the registration provisions under Regulation S under the Securities Act ("**Regulation S**") and from state securities laws. No person is obliged or intends to register the Notes under the Securities Act or any state securities laws. Accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), as described under the section "*Distribution and Sale*". Investors

should take their own advice as to any restrictions on transfer that may apply under U.S. law in light of their investment intentions.

Liability under the Notes is solely of the Issuer

The Notes will be direct limited recourse obligations solely of the Issuer and do not establish any liability or other obligation of any other entity or any other compartment of ProSil Acquisition S.A. The Notes are not the obligations of, nor are they guaranteed by, any other person mentioned in this Offering Circular including but not limited to the Noteholders, the Trustee, the Principal Paying Agent, the Cash Manager, the Accounts Bank, the Cap Collateral Account Bank, the Servicer, the Monitoring Agent, the Cap Counterparty (together the "**Secured Creditors**"), the Original Lenders, the Transferor, the Sponsor, the Retention Holder or the Arranger and Lead Manager.

No holder of any Notes will be entitled to proceed directly or indirectly against any of the Transaction Parties (other than indirectly against the Issuer via the Trustee) under the Notes. No Transaction Party (other than the Issuer in respect of all of the Notes) or any other person has assumed any obligation in case the Issuer fails to make a payment due under any of the Notes.

Limited recourse nature of the Notes

The Notes will be direct limited recourse obligations solely of the Issuer in respect of the Receivables Portfolio and the Property Portfolio and the ability of the Issuer to meet its obligations in respect of the payment of principal, interest and other amounts due in respect of the Notes will be dependent upon, among other things, the receipt by the Issuer of the Collections made on its behalf by the Servicer, as applicable, from the Receivables Portfolio and the Property Portfolio and any other amounts received by the Issuer pursuant to the provisions of the other Transaction Documents to which it is a party. Other than the foregoing, the Issuer will not have any other funds available to it to make payments under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Payment Priorities. Consequently, there is no assurance that, over the life of the Notes or on the redemption date of the Notes (whether on maturity, or upon the early redemption in part or in whole as permitted under the Conditions, or upon redemption by acceleration of maturity following the service of an Enforcement Notice or otherwise), there will be sufficient funds to enable the Issuer to repay the Notes in full.

Therefore, the Noteholders will have a claim under the Notes against the Issuer only to the extent of the cash flows generated by the Receivables and the Properties and any other amounts paid to the Issuer pursuant to the Transaction Documents, subject to the payment of amounts ranking in priority to payment of amounts due in respect of the Notes.

If on realisation or enforcement of the Security and distribution of its proceeds in accordance with the relevant Payments Priorities, there are insufficient funds available to the Issuer to pay in full, after payment of all other claims ranking in priority in accordance with the applicable Payment Priorities, all principal, interest and other amounts due in respect of the Notes, then any such insufficiency will be borne by the Noteholders, subject to the applicable Payment Priorities, and the Noteholders will have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be deemed discharged in full. The Issuer will not be obliged to pay any amounts representing a shortfall and any claims in respect of such shortfall shall be extinguished. No recourse may be had for any amount due in respect of any Notes, or any other obligations of the Issuer against any officer, member, director, employee, security holder or incorporator of the Issuer or their respective successors or assigns.

None of the Transaction Parties (other than the Issuer), the Original Lender, the Retention Holder, the Arranger and Lead Manager or any other person has assumed any obligation in case the Issuer fails to make a payment due under any of the Notes.

Limited resources of the Issuer

The Notes will not be obligations or responsibilities of any of the parties to the Transaction Documents other than the Issuer and shall be limited recourse obligations to the Receivables and the Properties.

The obligations of the Issuer under the Notes are without recourse to any other assets of the Issuer (or any other compartment of ProSil Acquisition S.A.) pertaining to other issuances of securitisation notes by the Issuer or any other compartment of ProSil Acquisition S.A., or to the Issuer's own funds or to the Issuer's directors, officers, employees, managers or shareholders. None of such persons or entities has assumed or

will accept any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due on or in respect of the Notes.

The Issuer will not have any assets available for the purpose of meeting its payment obligations under the Notes other than the Receivables, Collections thereunder, amounts arising under disposals of Properties by the Servicer on behalf of the Propcos, the Issuer's rights pursuant to the Transaction Documents and the amounts standing to the credit of certain of the Transaction Accounts and the Collection Accounts. The Issuer's ability to meet its obligations in respect of the Notes, its operating expenses and its administrative expenses is wholly dependent upon:

- (a) collections and recoveries made from the Receivables and the Properties by the Servicer;
- (b) arrangements made pursuant to the Transaction Accounts and the Collection Accounts; and
- (c) the performance by all of the parties to the Transaction Documents (other than the Issuer) of their respective obligations under the Transaction Documents.

The Issuer will not have any other funds available to meet its obligations under the Notes or any other payments ranking in priority to, or *pari passu* with, the Notes. There is no assurance that there will be sufficient funds to enable the Issuer to pay interest on any class of Notes (or the Class Z Return Amount) or, on the redemption date of any class of Notes (whether on the Final Maturity Date, upon acceleration following the delivery of an Enforcement Notice or upon early redemption in part or in whole as permitted under the Conditions) that there will be sufficient funds to enable the Issuer to repay principal in respect of such class of Notes in whole or in part.

Notes are subject to optional redemption

The Notes are subject to optional redemption in whole by the Issuer in certain events, as specified in Condition 10.2 (*Optional Redemption in Whole for Taxation Reasons*), Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*), Condition 10.4 (*Class Z Noteholder Call Option*) and Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean-up call)*). Such optional redemption feature of Notes may limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to the occurrence of the events allowing the Issuer to exercise such optional redemption. An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Ranking and status of the Rated Notes

In accordance with the Pre-Enforcement Payment Priorities, prior to (i) the delivery of an Enforcement Notice, (ii) a redemption in whole of the Notes for taxation reasons pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation Reasons*), (iii) a redemption in whole of the Notes due to a change in relation to the Retained Interest pursuant to Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*), (iv) an optional redemption pursuant to Condition 10.4 (*Class Z Noteholder Call Option*), (v) an optional redemption pursuant to Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean-up call)*) or (vi) redemption at their Final Maturity Date pursuant to Condition 10.6 (*Final Maturity Date*):

- (a) all payments of interest due on the Class A Notes will rank in priority to payments of interest due on the Class B Notes and the Class J Notes and payment of the Class Z Return Amount, all payments of interest due on the Class B Notes will rank in priority to payments of interest due on the Class J Notes and payment of the Class Z Return Amount and all payments of interest due on the Class J Notes will rank in priority to payment of the Class Z Return Amount; and
- (b) all payments of principal due on the Class A Notes will rank in priority to payments of principal due on the Class B Notes, the Class J Notes and the Class Z Notes, all payments of principal due on the Class B Notes will rank in priority to payments of principal due on the Class J Notes and the Class Z Notes and all payments of principal due on the Class J Notes will rank in priority to payments of principal due on the Class Z Notes.

In accordance with the Post-Enforcement Payment Priorities, (i) after the delivery of an Enforcement Notice, (ii) on a redemption in whole of the Notes for taxation reasons pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation Reasons*), (iii) on a redemption in whole of the Notes due to a change in relation to the Retained Interest pursuant to Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*), (iv) on an optional redemption pursuant to Condition 10.4 (*Class Z Noteholder Call Option*), (v) on an optional redemption pursuant to Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean-up call)*) or (vi) on redemption at their Final Maturity Date pursuant to Condition 10.6 (*Final Maturity Date*) any payments of interest and principal due on the Class A Notes will rank in priority to any payments of interest and principal due on the Class B Notes or the Class J Notes or any payments of the Class Z Return Amount and principal due on the Class Z Notes, any payments of interest and principal due on the Class B Notes will rank in priority to any payments of interest and principal due on the Class J Notes or any payments of the Class Z Return Amount and principal due on the Class Z Notes and any payments of interest and principal due on the Class J Notes will rank in priority to any payments of the Class Z Return Amount and principal due on the Class Z Notes.

Estimated weighted average lives of the Notes

The yield to maturity of the Notes will depend on, among other things, the amount and timing of payments of principal and interest (including sale proceeds arising on the enforcement of the Receivables and the disposal of any Properties and indemnity payments due to breaches of representations and warranties) on the Receivables and the Properties.

Upon payments being made or other amounts collected in respect of the Receivables and the disposal of the Properties earlier than expected for non-performing receivables of this nature the principal repayment of the Notes may be earlier than expected and, therefore, the yield on the Notes may be adversely affected. The timing and the amount in which collections will actually be received cannot be predicted and is influenced by a wide variety of economic and other factors, including the financial and other circumstances of the Borrowers and the dynamics of the property market. As a result of these factors no assurance can be given as to the level at which the Notes will be performing during their life.

Interest rate risk

There could be a rate mismatch between interest accruing on the Rated Notes and on the Receivables Portfolio due to the fact that interest on the Receivables is calculated at a different rate from the Rated Notes.

As a result of such mismatch, an increase in the level of three-month EURIBOR payable on the Rated Notes could adversely impact the ability of the Issuer to make payments on the Rated Notes. To reduce the effect of such interest rate mismatch, the Issuer has entered into the Cap Transaction whereby the Cap Counterparty is obliged to make payments to the Issuer if three-month EURIBOR exceeds the rate specified in the Cap Agreement.

The notional amount with respect to the Cap Transaction will be the notional amount set forth therein for the relevant Interest Period. Noteholders should be aware that entry by the Issuer into the Cap Transaction and the Cap Transaction does not completely eliminate the interest rate risk related to the Rated Notes described above.

See for further details "*Overview of Certain Transaction Documents – The Cap Transaction*".

Monies deposited in the Transaction Accounts may be subject to payment of negative interest rates by the Issuer

The Issuer will have monies deposited in the Transaction Accounts and the Issuer may be required to pay negative interest to the Accounts Bank and/or the Collections Accounts Bank, as applicable, from time to time instead of collecting positive interest from the Accounts Bank and/or the Collections Accounts Bank, as applicable, from time to time, as there are no assurances that a zero floor on interest applying to monies deposited in such accounts will apply. In result of the foregoing, or if for any other reason the Accounts Bank and/or the Collections Accounts Bank, as applicable, are not required or able to return to the Issuer the full amounts deposited in the relevant Transaction Accounts and/or Collection Accounts, when due, the Issuer may not be able to meet all its payment obligations.

Changes or uncertainty in respect of EURIBOR and/or other interest rate benchmarks may affect the value or payment of interest under the notes

Various interest rate benchmarks (including the Euro Interbank Offered Rate ("EURIBOR")) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented including the Benchmark Regulation.

In March 2017, the EMMI (formerly Euribor-EBF) published a position paper referring to certain proposed reforms to EURIBOR, which reforms aim to clarify the EURIBOR specification, to develop a transaction-based methodology for EURIBOR and to align the relevant methodology with the Benchmark Regulation, the IOSCO Principles for Financial Benchmarks and other regulatory recommendations. The EMMI has since indicated that there has been a "change in market activity as a result of the current regulatory requirements and a negative interest rate environment" and "under the current market conditions it will not be feasible to evolve the current EURIBOR methodology to a fully transaction-based methodology following a seamless transition path". It is the current intention of the EMMI to develop a hybrid methodology for EURIBOR.

These reforms and other pressures may cause one or more interest rate benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

Based on the foregoing, prospective investors should in particular be aware that:

- (a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including EURIBOR) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be;
- (b) if EURIBOR or any other relevant interest rate benchmark is discontinued or is otherwise unavailable, then the rate of interest on the Notes will be determined for a period by relevant the fall-back provisions, although such provisions, being dependent in part upon the provision by reference banks of offered quotations for leading banks (in the Euro-zone interbank market in the case of EURIBOR), may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time); and
- (c) if EURIBOR or any other relevant interest rate benchmark is discontinued, there can be no assurance that the applicable fall-back provisions under the Cap Transaction would operate to allow the transactions under the Cap Transaction to effectively mitigate interest rate risk in respect of the Notes.

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between the Notes and/or the Cap Transaction due to applicable fall-back provisions or other matters and the effects of this are uncertain but could include a reduction in the amounts available to the issuer to meet its payment obligations in respect of the Notes. It should be noted that if under Condition 20.2(e) an Alternative Benchmark Rate becomes effective in relation to the Notes, this would constitute an early termination event under the Cap Transaction.

Moreover, any of the above matters or any other significant change to the setting or existence of EURIBOR or any other relevant interest rate benchmark could affect the ability of the Issuer to meet its obligations under the Notes and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. Changes in the manner of administration of EURIBOR or any other relevant interest rate benchmark could result in adjustment to the Conditions, early redemption, discretionary valuation by the calculation agent, delisting or other consequences in relation to the Notes. No assurance may be provided that relevant changes will not occur with respect to EURIBOR or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the notes.

Pursuant to article 20 of the Benchmark Regulation and to Regulation (EU) 2016/1368 of 11 August 2016, EURIBOR has been considered a critical benchmark, and it is therefore subject to mandatory administration, in accordance with article 21 of the Benchmark Regulation. Accordingly, the administrator of EURIBOR shall become part of the register of benchmark administrators referred to in article 36 of the

Benchmark Regulation. However, as at the date of this Offering Circular, the administrators of EURIBOR are not included in ESMA's register of administrators under article 36 of the Benchmark Regulation. As far as the Issuer is aware, the transitional provisions in article 51 including its paragraphs 1 and 3, of the Benchmark Regulation apply, such that the administrators of EURIBOR are not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence). Without prejudice to the foregoing, the administrators of EURIBOR shall apply for authorisation or registration as an administrator by 1 January 2020 in accordance with articles 51 and 34 of the Benchmark Regulation.

Interest payable on the Notes may rank below other payments under Payment Priorities

Payments to Noteholders of each Class are made in accordance with the relevant Payment Priorities, in particular the Pre-Enforcement Payment Priorities or the Post-Enforcement Payment Priorities, as applicable on the relevant Interest Payment Date or other payment date (see "*Overview of the Transaction – Pre-Enforcement Payment Priorities*" and "*Overview of the Transaction – Post-Enforcement Payment Priorities*").

For instance, on any Interest Payment Date, payments of interest to be made to the Class A Noteholders will always rank below the Issuer's Tax liability payments, Trustee's Fees and Liabilities and other Issuer Expenses.

Furthermore, interest shall accrue on any unpaid interest amount on the Notes (other than the Class Z Notes) at the Interest Rate applicable from time to time to the relevant Class of Notes until such unpaid amount is paid in full. If, on any Interest Payment Date (other than the Final Maturity Date or on the date on which all of the Notes are subject to an early redemption in full), there are insufficient funds to pay interest in respect of any Class of Notes (other than Class A Notes), the interest in respect of such Class of Notes will not then be regarded as payable but will instead be deferred until the next Interest Payment Date or such date as interest in respect of such Class of Notes becomes due and repayable.

If the funds available are not sufficient, the Issuer may not be able, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes.

Ratings are not recommendations and ratings may be lowered, withdrawn or qualified

There is no obligation on the part of any of the Transaction Parties under the Notes or the Transaction Documents to maintain any rating for itself or the Rated Notes. None of the Transaction Parties or any other person has assumed any obligation in case the Issuer fails to meet payments due under the Notes. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each securities rating should be evaluated independently of any other securities rating. In the event that the ratings initially assigned to the Rated Notes are subsequently lowered, withdrawn or qualified for any reason, no person will be obliged to provide any credit facilities or credit enhancement to the Issuer for the original ratings to be restored. Any such lowering, withdrawal or qualification of a rating may have an adverse effect on the liquidity and market price of the Rated Notes.

The Rating Agencies' ratings address the credit risks associated with the transaction. The rating addresses the expected loss posed to investors by the legal final maturity of the Notes.

Please refer to Moody's *Rating Symbols & Definitions*, which is available at www.moody's.com, for the meaning of Moody's rating(s).

DBRS's rating on the Class A Notes addresses timely payment of interest on the Class A Notes and ultimate payment of principal with respect to the Class A Notes by the Final Maturity Date. DBRS's rating on the Class B Notes addresses ultimate payment of interest on the Class B Notes and ultimate payment of principal with respect to the Class B Notes by the Final Maturity Date.

Scope's Structural Finance Ratings constitute an opinion about the relative credit risks and reflect the expected loss associated with the payments contractually promised by an instrument on a particular payment date or by its legal maturity.

The Issuer notes that:

- (a) the Class A Notes have been assigned a rating of "BBB(low) (sf)" by DBRS, a rating of "Baa3 (sf)" by Moody's and a rating of "BBB- (sf)" by Scope; and
- (b) the Class B Notes have been assigned a rating of "Ca (sf)" by Moody's and a rating of "B- (sf)" by Scope.

The Class B Notes are not rated by DBRS.

The ratings take into consideration the characteristics of the Receivables Portfolio and the Property Portfolio and the structural, legal and tax aspects associated with the Rated Notes. However, the ratings assigned to the Rated Notes do not represent any assessment of the likelihood or rate of principal prepayments. The ratings do not address the possibility that the holders of the Rated Notes might suffer a lower than expected yield due to earlier collections being obtained under the Receivables.

The Issuer has not requested a rating of the Rated Notes by any rating agency other than the Rating Agencies; there can be no assurance, however, as to whether any other rating agency will rate the Rated Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned by such other rating agency to the Rated Notes could be lower than the respective ratings assigned by the Rating Agencies.

The Class J Notes and the Class Z Notes are unrated.

RISKS RELATING TO THE ISSUER

Liquidity risk for the Issuer and the Notes

The Issuer will be subject to the risk of delays (as compared to expected timings for receivables of this nature and any underlying assets securing such receivables) in the receipt of collections under the Receivables, including arising under disposal of Properties originally securing such Receivables (when applicable). Even though the Issuer has the ability to (and will do so if and when directed by the Monitoring Agent following the receipt by the latter of an instruction for such purpose from the Servicing Committee) invest sums standing to the credit of the Issuer Payment Account in Authorised Investments and to use the amounts standing to the credit of the Cash Reserve Account to make interest payments on the Class A Notes (although, it should be noted that amounts available to the Issuer under the Cash Reserve Account are limited to a maximum amount), there can be no assurance that the levels or timeliness of payments of Collections (including those that may arise out of the disposal of Properties by the Servicer) and other recoveries received from the Receivables will be adequate to ensure fulfilment of the Issuer's obligations in respect of the Notes on each Interest Payment Date or on the Final Maturity Date.

There is also a risk of mismatch between interest due on the Receivables and other recoveries received from the Receivables being determined on different bases than that on which the interest rate payable on the Notes is determined.

Additionally, the rate of return on any cash held by or on behalf of the Issuer may be lower than the rate of interest payable on the Notes.

Even though the Issuer has entered into the Cap Transaction to hedge interest rate exposure in relation to the Rated Notes, such hedging will not completely eliminate the interest rate risk related to the Rated Notes, and an increase in the level of the three-month EURIBOR could also adversely impact the ability of the Issuer to make payments on the Notes.

Ranking of Claims of Secured Creditors and Noteholders

Both before and after an Event of Default (which includes the occurrence of an Insolvency Event in relation to the Issuer), amounts deriving from the Transaction Assets will be available for the purposes of satisfying the Issuer Obligations to the Secured Creditors and Noteholders in priority to the Issuer's obligations to any other creditor.

In addition, pursuant to the Trust Deed, the Agency Agreement, the Cash Management Agreement and the Conditions, the claims of certain Secured Creditors will rank senior to the claims of the Noteholders in

accordance with the relevant Payment Priorities (see "*Overview of the Transaction – Pre-Enforcement Payment Priorities*" and "*Overview of the Transaction – Post-Enforcement Payment Priorities*").

Both before and after an Event of Default (which includes the occurrence of an Insolvency Event in relation to the Issuer) and the delivery of an Enforcement Notice, amounts deriving from the assets of the Issuer other than the Transaction Assets will not be available for purposes of satisfying the Issuer's Obligations to the Noteholders and the other Secured Creditors as they are legally segregated from the Transaction Assets.

Centre of main interests is expected to be Luxembourg, but if not, then Luxembourg insolvency proceedings do not apply to the Issuer

The Issuer has its registered office in Luxembourg. Accordingly, Luxembourg courts should have, in principle, jurisdiction to open main insolvency proceedings with respect to the Issuer, as entity having its registered office and central administration (*administration centrale*) and centre of main interests ("COMI"), as used in Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) (the "**EU Insolvency Regulation**"), in the Grand Duchy of Luxembourg, such proceedings to be governed by Luxembourg insolvency laws. According to article 3(1) of the EU Insolvency Regulation, there is a rebuttable presumption that a company has its COMI in the jurisdiction in which it has the place of its registered if the registered office has not moved to another member state within 3 months prior to the request for the opening of insolvency proceedings. As a result, there is a rebuttable presumption that the Issuer's COMI is in Luxembourg and consequently that any "main insolvency proceedings" (as defined in the EU Insolvency Regulation) would be opened by a Luxembourg court and would be governed by Luxembourg law. However, the determination of where the Issuer has its COMI is a question of fact, which may change from time to time. Article 3(1) of the EU Insolvency Regulation provides that the COMI of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is ascertainable by third parties. In that respect, the courts have to take a number of factors into consideration, such as the place where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its COMI. The point at which a company's COMI is determined is at the time that the relevant insolvency proceedings are opened. If the Issuer's COMI is not located in Luxembourg, and is held to be in a different jurisdiction within the European Union, Luxembourg insolvency proceedings may not be applicable to the Issuer.

Issuer is a Luxembourg Securitisation company

The Issuer is established as a special purpose vehicle structured so as to be a securitisation company for the purposes of the Luxembourg Securitisation Law. In this regard, the Notes will be issued by the Issuer acting on account of its compartment "Cell Number 5" and all of the assets reallocated to the Issuer by the Transferor pursuant to the terms of the Reallocation Agreement will be allocated to the Issuer's compartment "Cell Number 5". Pursuant to article 5 of the Luxembourg Securitisation Law, each compartment corresponds to a separate part of a company's estate and article 62(3) of the Luxembourg Securitisation Law provides that the assets of a compartment of a securitisation vehicle are exclusively available to satisfy the rights of investors in relation to that compartment and the rights of creditors whose claims have arisen in connection with the creation, operation or liquidation of that compartment.

However, if judicial insolvency proceedings are opened with respect to Prosil Acquisition S.A., such proceedings would be in respect of all compartments and not just the Issuer compartment "Cell Number 5". In such circumstances, the assets of each compartment will be distributed to the creditors of that compartment in accordance with rules of the Luxembourg Securitisation Law described above. The opening of such proceedings would not affect the Security granted by the Issuer to the Secured Creditors.

In addition to the Issuer compartment "Cell Number 5" and the Transferor Compartments "Cell Number 1", "Cell Number 2" and "Cell Number 3", as of the Issue Date, Prosil Acquisition S.A. also has a compartment "Cell Number 4" pursuant to which it has acquired and financed a portfolio of non-performing loans. The transaction within "Cell Number 4" has been structured in accordance with typical bankruptcy remoteness principles and the parties to that transaction have entered into limited recourse and non-petition undertakings with respect to "Cell Number 4". It is also possible that following the Issue Date, additional compartments of Prosil Acquisition S.A. are created for the purposes of acquiring and financing other portfolios of receivables although each such future transaction, if any, would be structured as a limited recourse transaction.

RISKS RELATING TO THE TRANSACTION PARTIES AND THE TRANSACTION

Credit Risk of the Transaction Parties

The ability of the Issuer to meet its payment obligations in respect of the Notes depends partially on the full and timely payments by the parties to the Transaction Documents of the amounts due to be paid thereby including, in particular, amounts arising under disposals of Properties by the Servicer and on the non-existence of unforeseen extraordinary expenses to be borne by the Issuer which are not already accounted for by the Rating Agencies in relation to the Transaction Documents. If any of the parties to the Transaction Documents fails to meet its payment obligations or if the Issuer has to bear the referred unforeseen extraordinary expenses, there is no assurance that the ability of the Issuer to meet its payment obligations under the Notes will not be adversely affected or that the rating initially assigned to the Rated Notes is subsequently lowered, withdrawn or qualified.

No Fiduciary Role

None of the Issuer, the Arranger, the Lead Manager, the Trustee or any of the other parties to the Transaction Documents or any of their respective affiliates is acting as an investment advisor and none of them (other than the Trustee) assumes any fiduciary obligation to any purchaser of the Notes.

None of the Issuer, the Arranger, the Lead Manager, the Trustee or any of the other parties to the Transaction Documents or any of their respective affiliates assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, credit-worthiness, status and/or affairs of any other Transaction Party nor makes any representation or warranty, express or implied, as to any of these matters.

Limited rights of the Trustee under the Transaction Documents

The Trustee has entered into the Trust Deed in order to exercise, following the occurrence of an Event of Default, certain rights on behalf of the Issuer and the Secured Creditors in accordance with the terms of the Transaction Documents for the benefit of the Noteholders and the other Secured Creditors and to give certain directions and make certain requests in accordance with the terms and subject to the conditions of the Transaction Documents.

The Trustee will not be granted the benefit of any contractual rights or any representations, warranties or covenants by the Transferor or the Servicer under the Reallocation Agreement or the Servicing Agreements but will acquire the benefit of such rights from the Issuer through the Luxembourg Security Documents and the Spanish Pledge over Credit Rights. Accordingly, although the Trustee may give certain directions and make certain requests to the Transferor and the Servicer as pledgee of the Issuer's rights under the terms of the Reallocation Agreement and the Servicing Agreements, the exercise of any action by the Transferor and the Servicer, in response to any such directions and requests, will be made, respectively, to and with the Issuer only and not with the Trustee. Therefore, if an Event of Default has occurred (which includes the occurrence of an Insolvency Event in relation to the Issuer), the Trustee may not be able to circumvent the involvement of the Issuer in this transaction by, for example, pursuing actions directly against the Transferor or the Servicer under the Reallocation Agreement or the Servicing Agreements. Although the Notes have the benefit of the segregation provided for by the Securitisation Law, the above may impair the ability of the Noteholders and the Secured Creditors to be repaid amounts due to them in respect of the Notes and under the Transaction Documents.

The Trustee is not obliged to act in certain circumstances

The Trustee may, at any time, at its absolute discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents after the occurrence of an Event of Default as the Trustee may think fit to enforce its rights in respect of the Notes and under the other Transaction Documents, as well as at any time, at its absolute discretion and without notice, deliver an Enforcement Notice to the Issuer.

However, the Trustee shall not be bound to take any such proceedings, actions or steps (including, but not limited to, the giving of an Enforcement Notice in accordance with Condition 13 (*Events of Default and Enforcement*)) unless it shall have been directed to do so (i) by a Resolution of the holders of the Most Senior Class of Notes outstanding or (ii) in writing by the holders of at least 25% (twenty five per cent.) of the Principal Amount Outstanding of the Most Senior Class of Notes outstanding and, provided that, in each

case, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby become liable or to which it may incur by so doing.

In certain events, the applicable order of Payment Priorities will be set out under a post-enforcement waterfall

The terms of the Notes provide that, (i) after the delivery of an Enforcement Notice, (ii) on a redemption in whole of the Notes for taxation reasons pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation Reasons*), (iii) on a redemption in whole of the Notes due to a change in relation to the Retained Interest pursuant to Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*), (iv) on an optional redemption pursuant to Condition 10.4 (*Class Z Noteholder Call Option*), (v) on an optional redemption pursuant to Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean-up call)*) or (vi) on redemption at their Final Maturity Date pursuant to Condition 10.6 (*Final Maturity Date*) payments will rank in order of priority set out under the heading "*Overview of the Transaction – Post-Enforcement Payment Priorities*". In the event that the Issuer's obligations are enforced, no amount will be paid in respect of any Class of Notes until all amounts owing in respect of any Class of Notes ranking in priority to such Notes (if any) and any other amounts ranking in priority to payments in respect of such Notes have been paid in full.

Termination of the Cap Transaction may expose the Issuer to interest rate fluctuations or require additional costs in replacing the Cap Agreement

The benefits of the Cap Transaction may not be achieved in the event of the early termination of the Cap Transaction, including termination upon the failure of the Cap Counterparty to perform its obligations thereunder.

The Cap Agreement contains certain limited termination events and events of default which will entitle either party to terminate the Cap Transaction (see for further details "*Overview of Certain Transaction Documents – The Cap Transaction*"). In case of an early termination of the Cap Transaction, unless one or more comparable interest rate caps are entered into, the Issuer may have insufficient funds to make payments under the Notes and this may result in a downgrading of the rating of the Rated Notes.

Any collateral transferred to the Issuer by the Cap Counterparty pursuant to the Cap Transaction and any amount payable by the Issuer to the replacement cap counterparty or by the replacement cap counterparty to the Issuer (as the case may be) in order to enter into a replacement cap agreement to replace or novate the Cap Agreement (the "**Replacement Cap Premium**") will not generally be available to the Issuer to make payments to the Noteholders and the Secured Creditors and shall only be paid or transferred (as applicable) in accordance with the Cap Collateral Account Payment Priorities.

In the event of the insolvency of the Cap Counterparty, the Issuer will be treated as a general and unsecured creditor in respect of any claim it has for a termination amount due to it under the Cap Transaction. Consequently, the Issuer will be subject to the credit risk of the Cap Counterparty in addition to the risk of the debtors of the Receivables.

The Cap Counterparty (or its guarantor or credit support provider) is required to have certain ratings. Although contractual remedies are provided in the event of a downgrading of the Cap Counterparty, any replacement arrangement with a third party may not be as favourable as the current Cap Agreement and the Noteholders may therefore be adversely affected.

If the Cap Transaction is terminated, the Issuer will be exposed to changes in associated interest rates, and the Issuer as a result may have insufficient funds to make payments due on the Notes.

See for further details "*Overview of Certain Transaction Documents – The Cap Transaction*".

Non-performing nature of the Receivables

As substantially all of the Receivables are currently non-performing loans and may be subject to insolvency or recovery proceedings, Collections arising from the Receivables may have to be pursued in the Spanish courts under such proceedings which may involve significant delay, expenses and negotiations with the Borrowers, each of which may result in lower than anticipated recoveries. To the extent that there are lower than anticipated recoveries, the ability of the Issuer to pay the Notes in full may be adversely affected.

The recovery of overdue amounts in respect of the Receivables will be affected by the length of enforcement proceedings in respect of the Receivables, which in Spain can take a considerable amount of time depending on the type of action required and where such action is taken. The length of the judicial proceedings together with the relevant increased legal and judicial costs negatively affect the amount of cash flow available to meet payment obligations under the Notes.

Recoveries under the Receivables are uncertain and contingent on various factors that are not controlled by the Issuer

Among the specific factors that may result in the amounts and timing of actual Collections differing from the expected recovery amounts is the unpredictability of the amount of and timing of recoveries on the Receivables, as mentioned. Since the Receivables are non-performing, the Borrowers are not making regular payments or any payments at all but the Receivables are immediately due for repayment in full because of their legal maturity or because they have been legally terminated after the occurrence of a default or event of default under the terms of the loan contract or agreement, including any agreement or document related to such contract or agreement, entered into by and between the Transferor and a Borrower by which the Transferor has granted the Borrower a Receivable, as amended or supplemented from time to time (each, a "**Receivables Agreement**").

The amount of and timing of Collections is in part a function of the ability to negotiate restructurings or discounted pay-offs with the Borrowers or, in the case of Borrowers who are unwilling or unable to enter into and perform such transactions, the ability to enforce the underlying security (or to enforce on other available assets of the Borrowers), the timing of foreclosure proceedings in Spanish courts and the market circumstances under which any Properties (or other Borrower assets) are sold in the context of such proceedings or in the context of market sales of the Properties. Such actions will involve significant periods of time and expense that are difficult to predict and quantify and, particularly in respect of the Properties market sales, there is no assurance on whether such sale will be completed and under which amount. Resolution costs and the administrative and operating expenses related to servicing the Receivables will depend in part on the actual resolution strategy adopted by the Servicer and any enforcement through court proceedings or forced administration will increase the related resolution costs.

In addition to existing mortgages (in the case of the Receivables), there may be other prior-ranking interests such as the rights of tenants or other third-party rights, including retention rights, which may have an adverse effect on the value of the Properties or which may affect the amount for which the Properties can be sold. It is also likely that there will be certain Receivables with respect to which there will be limited, if any, Collections.

For all the reasons described herein, a significant deterioration or delay of the expected cash flow to arise under the respective Receivables may occur, which in turn might adversely affect the ability of the Issuer to make payments on the Notes.

Uncertainty of net cash flows

The Servicer has made a business plan in respect of the Receivables included in the Receivables Portfolio and the Properties included in the Property Portfolio (see "*Business Plan for the Portfolio*"). This business plan has been prepared by the Servicer taking into account, among other things, the Receivables amount, the value of the underlying real estate assets and Properties, the status of any relevant judicial proceedings and the legal costs that may be incurred in the recovery and disposal process and certain other specific costs related to the Receivables and the Properties.

However, there could be other costs which may be incurred in respect of the Receivables Properties and which have not been taken into account for the purpose of preparing this business plan.

The business plan is based on certain judgments, assumptions and estimates about, *inter alia*, future economic events, prospects for the property market, the amounts recoverable on the Receivables and the Properties, the time it takes to such recoveries, the assumed continued operations of the Servicer and the disposal strategies projected by the Servicer and has been prepared exclusively in order to constitute a base for the calculation of the Servicer's fees and any other calculation set forth in the Transaction Documents. Such assumptions relate to a complex series of independent events and are to a significant degree subjective. Actual results will be affected by many factors outside the control of the Servicer or the Issuer so that none of the Issuer, the Servicer, the Trustee, the Arranger and Lead Manager nor any other Transaction Party

will make any representation or warranties on the collectability of the Receivables. The business plan should not be construed as either projections or predictions on the performance of the Receivables Portfolio or the Property Portfolio or as legal, tax, financial, investment or accounting advice. The performance of the Receivables Portfolio or the Property Portfolio cannot be predicted, because a large number of factors cannot be determined.

In addition, recoveries in respect of the Receivables depend primarily on the timing of foreclosure actions, the ability of the Servicer to effect out of court settlements and/or assignments of the Receivables, the timing and ability to make disposals of Properties, the conditions of the Spanish real estate market and of the Spanish economy generally.

These events, alone or in combination, may result in lower than anticipated recoveries and/or net cash flows which in turn may adversely affect the ability of the Issuer to meet, in time and/or in the respective actual or expected amount, its payment obligations or other distributions under the Notes.

No independent investigation in relation to the Receivables or Properties

None of the Issuer, the Arranger and Lead Manager, the Cash Manager, the Trustee or any other Transaction Party (other than the Transferor, the Servicer and, only to the extent of its specific attributions under the Monitoring Agent Appointment Agreement and to the period as from the Issue Date, the Monitoring Agent – see "*Overview of Certain Transaction Documents – Monitoring Agent Appointment Agreement*") has undertaken or will undertake any investigations, searches or other actions in respect of any Borrower, the Receivables, the Properties or any historical information relating to the Receivables or Properties and each will rely instead on the representations and warranties made by the Transferor in relation thereto set out in the Reallocation Agreement.

In accordance with the Monitoring Agent Appointment Agreement, the Monitoring Agent will have limited obligations to examine and monitor the servicing and performance of the Receivables and the Properties. Any such obligations apply only as from the Issue Date and will therefore not comprise any investigation, searches or other actions prior to the Issue Date. The examination and monitoring activities of the Monitoring Agent in respect of the Receivables and Properties include, *inter alia*, (i) verify a sample of invoices of costs and expenses incurred by the Servicer in the recovery activities of the Receivables and Properties and by real estate brokers in the recovery activities; (ii) verify a sample of Receivables deemed material, in order to verify if there are any irregularities or inconsistencies which would lead to stop taking further enforcement or collection actions by the Servicer; (iii) verify a sample of Receivables in order to verify if the enforcement or collection actions have stopped where required and the irregularities or inconsistencies identified have been submitted to the Servicing Committee; (iv) calculations relating to the Cumulative Collection Ratio, the NPV Cumulative Profitability Ratio and the interest paid on the Class A Notes, for the purposes of the assessing the potential trigger of a Subordination Event; and (v) examination of the Servicer Report and the Quarterly Transaction Report produced by the Servicer.

Receivables or Properties which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title, validity and enforceability which may have been remedied or, if incapable of remedy, may have resulted, in the Receivables not being accepted as Receivables or Properties not being accepted as Properties under the Transaction, had such matters been revealed.

In the case of a breach of any of the representations or warranties given by the Transferor in the Reallocation Agreement which is not capable of remedy or is not remedied within 30 Business Days of the Sponsor being notified of the same by the Issuer, the Issuer's sole remedies in respect of a breach of any such Sponsor Representations and Warranties will be to claim an indemnity payment from the Sponsor in respect of breach of that Sponsor Representation and Warranty.

Real estate investments

Certain of the Receivables are secured by real estate assets and, together with the Properties, are subject to the risks inherent in investments in or secured by real property. Such risks include adverse changes in national, regional or local economic and demographic conditions in Spain and in real estate values generally as well as in interest rates, real estate tax rates, other operating expenses, inflation, the supply of and demand for properties of the type involved, governmental rules and policies (including environmental restrictions and changes in land use) and competitive conditions (including construction of new competing properties)

all of which may affect the value of the real estate assets and the collections and recoveries generated by them. There can be no assurance as to the amount of time it will take for a foreclosure process with respect to a real estate asset to be completed or as to the timing of collections in respect of the Receivables and the Properties. There is the risk that an enforcement proceeding may take several years to be completed or settled, which may adversely affect the ability of the Issuer to meet in time its payment obligations or other distributions under the Notes.

The performance of investments in real estate has historically been cyclical. In addition, the purchase price of a real estate asset in the context of a foreclosure procedure is typically significantly lower than the relevant market value, so there can be no assurance that the market value of the Properties and the sale of the Properties by the Servicer correspond to the amount owed by the Borrowers under the corresponding loan agreement. If the market value of the Properties and the sale of the Properties by the Servicer is less than the amount owed by the Borrowers under the corresponding loan agreement it may adversely affect the ability of the Issuer to meet, in time and/or in the respective actual or expected amount, its payment obligations or other distributions under the Notes.

Geographical concentration of the Receivables and Properties

The security for the Notes may be affected by, among other things, a decline in real estate values. No assurance can be given that the values of the properties that secure the Receivables or the Properties have remained, will remain or will increase from their levels on the dates of acquisition by the Issuer of the Receivables and the Properties. The real estate market in Spain in general or in any particular region may from time to time experience a decline in economic conditions and housing markets than in other regions and, consequently, may experience higher rates of loss and delinquency on mortgage loans generally. Although the Borrowers and Properties are located throughout Spain, the Borrowers and Properties may be concentrated in certain locations, such as densely populated areas. Any deterioration in the economic condition of the areas in which the Borrowers are located, or any deterioration in the economic condition of other areas that causes an adverse effect on the ability of the Borrowers to repay the Receivables could increase the risk of losses on the Transaction Assets. A concentration of Borrowers in such areas may therefore result in a greater risk of loss than would be the case if such concentration had not been present. Such losses, if they occur, could have an adverse effect on the yield to maturity of the Notes as well as on the repayment of principal and interest due on the Notes.

Reliance on liquidation and sale proceeds for payments on the Notes

As described herein, certain Receivables are secured by mortgages over real estate assets, which will either be sold in the context of the foreclosure procedures as market conditions permit or acquired by the creditor in the proceeding for onwards disposal in the market.

As a result, payments on the Notes are to a very significant extent expected to come from liquidation and sale proceeds of real estate assets. The cash flow realised on the sale of the real estate assets depends, among several other factors, on the Servicer's skill and diligence in servicing the Receivables secured by real estate assets and managing the foreclosure and disposition process, the local real estate market for each such real estate asset and the value of the related real estate assets. In addition, as referred herein, current market conditions and other factors (such as the length of the relevant foreclosure procedure) may cause substantial delays in the ability to foreclose upon the real estate assets and may adversely affect the amount of proceeds received in respect of a real estate asset.

There can be no assurance as to the amount of time it will take for the Servicer to complete the foreclosure process with respect to a real estate asset or as to the timing of collections in respect of the Receivables secured by a real estate asset.

Procedural expenses may be disproportionate and will reduce proceeds available for payments on the Notes

Liquidation expenses with respect to Receivables do not necessarily vary directly with the unpaid principal balance of the Receivables. Therefore, assuming that the Servicer took the same steps in foreclosing or collecting/recovering a Receivable having a small remaining unpaid principal balance as it would have taken in the case of a Receivable having a large remaining unpaid principal balance, the amount realized after expenses of foreclosure or collection/recovery process would be smaller as a percentage of the unpaid principal balance or value of real estate asset backing the Receivable having a small remaining unpaid

principal balance or value than would be the case with the Receivable or real estate asset backing the Receivable having a large remaining unpaid principal balance or value, as applicable, which may not be the case.

Such expenses such as judicial and legal fees, real estate taxes, real estate broker fees and maintenance and preservation expenses will reduce the portion of liquidation proceeds available for payment on the Notes.

Knowledge of matters represented in the Receivables Representations and Warranties

Neither the Sponsor nor the Transferor was the originator of the Receivables comprised in the Receivables Portfolio, and the Transferor has acquired its interest in the Receivables from the Original Lender.

In relation to the Receivables originated by the Original Lender, no assurance can be given that the lending criteria of the Original Lender in respect of the Receivable (the "**Lending Criteria**") were applied at the time of origination of the Receivables or that different criteria were applied. Accordingly, since the Transferor does not have direct knowledge as to matters relating to the actual origination of the Receivables, although the Transferor has conducted limited due diligence on the relevant Receivables certain warranties relating to among other things the origination process are necessarily qualified by reference to the awareness of the Transferor. It may be practically difficult for the Transferor to detect a breach of warranty in respect of the Receivables to the extent that the same relates to a matter outside of the immediate knowledge of the Transferor. The Servicer will have limited obligations to monitor compliance with the Asset Representations and Warranties following the Issue Date.

Limited Liquidity of the Receivables and Properties

In the event of the occurrence of an Event of Default and the delivery of an Enforcement Notice, or if for other reasons the Notes are to be redeemed in whole prior to the final Legal Maturity Date, in accordance with Condition 10 (*Final Redemption, Mandatory Redemption in Part and Optional Redemption*), a disposal of the Receivables and the Properties, may be necessary. Generally, the Sponsor will not be obliged to acquire any such assets and there can be no certainty that any other purchaser could be found as there is not, at present, and the Issuer believes it is unlikely to develop, an active and liquid secondary market for receivables and properties of this type in Spain. In addition, even if a purchaser could be found for the Receivables and Properties, the amount realised by the Issuer in respect of their disposal to such purchaser in such circumstances may not be sufficient to redeem all of the Notes in full at their then Principal Amount Outstanding together with accrued interest.

Change of counterparties for criteria ceasing to be met

Certain parties to the Transaction Documents who receive and hold monies pursuant to the terms of such documents (such as the Accounts Bank and the Cap Collateral Accounts Bank) are required to satisfy certain criteria in order to continue to receive and hold such monies.

These criteria include requirements in relation to the short-term, unguaranteed and unsecured ratings ascribed to such party by the Rating Agencies.

If the concerned party ceases to satisfy the applicable criteria, including such ratings criteria, then the rights and obligations of that party may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Transaction Documents.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Noteholders may not be required in relation to such amendments and/or waivers.

If the requirements of the Rating Agencies in relation to the short-term, unguaranteed and unsecured ratings ascribed to a party to the Transaction Documents are not met, that could potentially adversely affect the rating of the Rated Notes.

Transaction Party and Rating Trigger Risk

The Issuer faces the possibility that a counterparty will be unable to meet its contractual obligations to it. These parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, operational failure or other reasons.

While certain Transaction Documents provide for rating triggers to address the insolvency risk of counterparties, such rating triggers may be ineffective in certain situations. Rating triggers may require counterparties, *inter alia*, to arrange for a new counterparty to become a party to the relevant Transaction Document upon a rating downgrade or withdrawal of the original counterparty. It may, however, occur that a counterparty having a requisite rating becomes insolvent before a rating downgrade or withdrawal occurs or that insolvency occurs immediately upon such rating downgrade or withdrawal or that the relevant counterparty does not have sufficient liquidity for implementing the measures required upon a rating downgrade or withdrawal.

Termination of Appointment of the Cash Manager may require increase of costs in replacing the Cash Manager

In the event of the termination of the appointment of the Cash Manager, for any events so specified in the Cash Management Agreement or any other reason, it would be necessary for the Issuer to appoint a substitute Cash Manager. The appointment of the substitute Cash Manager is subject to the condition that, *inter alia*, such substitute Cash Manager is capable of administering the relevant Transaction Accounts of the Issuer.

There is no certainty that it would be possible to find a substitute or a substitute of satisfactory standing and experience, who would be willing to act as Cash Manager under the terms of the Cash Management Agreement or that a substitute Cash Manager would be willing to comply with the obligations of the retiring Cash Manager as set out in the Cash Management Agreement on the same terms and remuneration as the retiring Cash Manager.

In order to appoint a substitute Cash Manager, it may be necessary to pay higher fees than those paid to the Cash Manager and depending on the level of fees payable to any substitute, the payment of such fees could potentially adversely affect the rating of the Rated Notes.

Reliance on third parties

The ability of the Issuer to meet its obligations under the Notes will be dependent upon the performance of duties owed by a number of third parties that will agree to perform services in relation to the Notes. For example, the Cash Manager will provide calculation and management services and the Principal Paying Agent will provide payment services in connection with the Notes under the Cash Management Agreement and the Agency Agreement respectively.

In the event that any of these third parties fails to perform its obligations under the respective agreements to which it is a party, or the creditworthiness of these third parties deteriorates, the Noteholders may be adversely affected.

Reliance on the Transferor's Representations and Warranties

The Transferor will on the Issue Date represent to the Issuer the Asset Representations and Warranties pursuant to the Reallocation Agreement as more fully described in the section entitled "*Overview of Certain Transaction Documents – Reallocation Agreement*" below.

If any of the Receivables or Properties fails to comply with any of the Asset Representations and Warranties as a result of the falsity, inaccuracy, imprecision or omission in respect of such Asset Representations and Warranties, subject to the limitations set out in the Reallocation Agreement regarding loss of earnings, lost profits or indirect damages, the Transferor is obliged to indemnify the Issuer in respect of any losses the Issuer may suffer as a result of such breach of Asset Representation or Warranty.

However, the Issuer can only claim such indemnification within the 12 month period commencing on the date of the Reallocation Agreement and therefore if the Issuer becomes aware of a breach of an Asset Representation or Warranty following such 12 month period, the Issuer will not be entitled to claim any indemnification from the Transferor.

The Reallocation Agreement also contains certain limitations as to the liability of the Transferor to indemnify the Issuer for a breach of an Asset Representation and Warranty as follows:

- (a) the Transferor will not be liable in respect of any individual indemnification amount unless the amount of such claim exceeds EUR 40,000;
- (b) the maximum aggregate liability of the Transferor in respect of all indemnification amounts is capped at 25 per cent. of the Purchase Price;
- (c) the maximum liability of Transferor in respect of an indemnification amount for any Receivable or Property will be capped at the Allocated Purchase Price in respect of that Receivable or Property; and
- (d) the Transferor will not be liable in respect of any individual indemnification amount until the aggregate of all indemnification amounts exceeds 3 per cent. of the Purchase Price (in which case the Transferor will be liable for all indemnification amounts and not just the excess amount over 3 per cent. of the Purchase Price).

In addition, where an indemnification claim is made against the Transferor, the Sponsor has agreed to ensure that it will indemnify the Transferor in respect of the amount of such indemnity claim to ensure the Transferor can meet its obligation to indemnify the Issuer. Therefore the ability of the Transferor to meet its indemnification obligations to the Issuer will be dependent on the Sponsor honouring and paying any such amounts to the Transferor. There can be no assurance that the Sponsor will honour or have the financial resources to meet its obligations to pay any such indemnification amounts.

Reallocation of Receivables, Propco Shares and Propco Debt may be affected by the Transferor's insolvency

Liability of a Luxembourg company in respect of the Notes or the Receivables will, in the event of a liquidation of that Luxembourg company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and any claims that are preferred under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- remuneration owed to employees;
- social security contributions;
- certain amounts owed to the Luxembourg tax administration; and
- value added tax and other taxes and duties owed to the tax administration.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realised).

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended and, other than with respect to financial collateral arrangements falling within the scope of the Luxembourg law of 5 August 2005 on financial collateral arrangements as amended (the "**2005 Law**"), the ability of certain secured creditors to enforce their security interest may also be limited, in particular, in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization judgment given by the court. A reorganization judgment requires the prior approval by more than 50% of the creditors, representing via their claims which have not been challenged more than 50% of the relevant Luxembourg company's liabilities, and the court's approval in order to take effect.

Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Save with respect to financial collateral arrangements falling within the scope of 2005 Law, Luxembourg insolvency laws may also affect transactions entered into or payments made by a Luxembourg company during the hardening period (*période suspecte*) which is a maximum of six months preceding the judgment

declaring bankruptcy, except that in certain specific situations a Luxembourg court may set the start of the hardening period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg Code of Commerce, some specific transactions (such as, in particular, the granting of a security interest for prior existing debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the hardening period (or the ten preceding days) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions entered into for consideration during the hardening period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were entered into with the knowledge of the bankrupt party's cessation of payments;
- pursuant to article 447 of the Luxembourg Code of Commerce, the bankruptcy receiver may challenge and initiate nullity actions against mortgages and privileges that have been granted either ten days prior to or after the date of the cessation of payments if more than 15 days have elapsed between the granting of the mortgage or privilege and its registration; and
- pursuant to article 448 of the Luxembourg Code of Commerce and article 1167 of the Luxembourg Civil Code, (*action paulienne*), the bankruptcy receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy judgment rendered by a Luxembourg court does not result in automatic termination of contracts, except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial (such as employment agreements and powers of attorney).

The contracts, therefore, subsist after the bankruptcy judgment. However, the insolvency receiver may choose to terminate certain contracts in order to avoid the worsening of the financial condition of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. The bankruptcy judgment provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters.

Reliance on performance by Servicer

The Issuer and the Propcos have engaged HipoGes Iberia S.L.U. as servicer to administer the Receivables Portfolio and the Property Portfolio pursuant to the Servicing Agreements. While the Servicer is bound to perform certain services under the Servicing Agreements, there can be no assurance that it will be willing or able to perform such services in the future. Since the Receivables are non-performing, the recoveries depend largely on the ability of the Servicer to manage such Receivables and to implement any necessary actions in accordance with the Servicing Agreements, for instance, in implementing any modification and amendment to the terms of the Receivables. In addition, the disposal of the Properties will be dependent on the ability to implement any necessary actions in accordance with the Servicing Agreements. Neither the Transferor nor the Sponsor will not perform any servicing activities in respect of the Receivables Portfolio or the Property Portfolio and will not have any direct or indirect ability to influence the servicing and management of the Receivables or the Properties under this Transaction.

In the event the appointment of the Servicer is terminated by reason of the occurrence of a Servicer Termination Event in respect of the Servicer, there can be no assurance that the transition of servicing will occur without adverse effect on investors or that an equivalent level of performance on collections and administration of the Receivables and Properties can be maintained by a successor servicer after any replacement of the Servicer, as many of the servicing and collections techniques currently employed were developed by the Servicer. Given that the Receivables are non-performing, a failure to timely appoint a replacement servicer may have a materially adverse impact on the amount and timing of recoveries with respect to the Receivables and the Properties and a reduction of the amounts available for payments on the Notes.

If the appointment of the Servicer is terminated, the Issuer shall endeavour to appoint a substitute servicer, subject to resolution of the Servicing Committee in accordance with the Servicing Committee Rules. No assurances can be made as to the availability of, and the time necessary to engage, such a substitute servicer.

The Servicer may not resign its appointment as Servicer, without a justified reason and furthermore, pursuant to the Servicing Agreements, such resignation shall only be effective if the Issuer has appointed a substitute servicer.

See for further details "*Overview of Certain Transaction Documents*".

Accordingly, and absent of due cause for termination, Noteholders face the risk of the Issuer not being able to replace the Servicer for another servicer, even though such a replacement would be in their interest or for a servicer offering different conditions or recovery prospects.

Servicing Committee represents the interest of Class B Noteholders, Class J Noteholders and Class Z Noteholders and may make directions on certain aspects of the servicing that may not be aligned or consistent with the interests of the Class A Noteholders

Prospective investors should be aware that the Class B Noteholders, Class J Noteholders and the Class Z Noteholders have the entitlement to appoint a committee (the "**Servicing Committee**") which shall exercise powers, authorities, and discretion in relation to certain specific matters related to the servicing of the Receivables Portfolio and the Property Portfolio, including, *inter alia*, resolving on: the approval, in relation to a given Receivable or Property, of any enforcement, settlement or disposal which does not comply with the applicable requirements set out in the Servicing Agreements, but which are deemed to be acceptable by the Servicer; the authorisation for the Issuer to terminate the appointment of the Servicer; the appointment of a Successor Servicer; the approval of the organisation of a Bid Process for the sale of the Receivables Portfolio or the Property Portfolio or any Receivable or Property that shall take place under the terms of the Conditions; the approval of the sale, assignment or transfer of any Receivables or Properties by the Servicer to third parties whenever certain eligibility conditions are not met; the approval of any enforcement, settlement or Disposal in respect of a given Receivable or Property which does not comply with the applicable Set of Procedures (as specified in the Servicing Agreement), the authorisation for the Servicer to incur in additional legal costs and expenses in respect of a given Receivable or Property in case 70 per cent. of the permitted maximum fees, costs and expenses specified in the Servicing Agreements has been reached and the determination of a given Debt Relationship as an Exhausted Debt Relationship. In addition, the Servicing Committee will resolve on matters related to fees or termination of appointment of certain Transaction Parties, such as the Agents and the Cash Manager, as well as to the amendment of the Servicing Agreements or the Monitoring Agent Appointment Agreement, provided the Class A Noteholders are notified and do not oppose the decision. See "*Overview of Certain Transaction Documents – Servicing Committee Rules*".

Furthermore, in accordance with Condition 16 (*Servicing Committee*), the Noteholders of each Class and the other Transaction Parties agree that any action or decision that is a matter within the scope of the Servicing Committee as described in the relevant Transaction Documents, to the extent that the Servicing Committee passes a resolution in respect of such matter in accordance with the Servicing Committee Rules, each of the Noteholders and the other Transaction Parties, subject to the terms and conditions of the Transaction Documents, shall be bound by such resolution of the Servicing Committee.

There are, however, certain limited attributions (i.e. competences) of the Servicing Committee that, in accordance with the Servicing Committee Rules, the relevant Transaction Documents and the Conditions, are subject to the approval (by negative consent) of the Class A Noteholders; such matters are as follows, a proposal to oppose to any decision taken by the Servicing Committee regarding the termination of the Servicer (other than in respect of Underperformance) or the Monitoring Agent, the appointment of any replacement Transaction Party and any amendments to the Servicing Agreement or the Monitoring Agent Appointment Agreement (other than the Servicing Committee Rules). Where such a decision is made by the Servicing Committee, the Issuer shall issue a notice to the Class A Noteholders in accordance with Condition 23 (*Notices*). If within three months from the Class A Noteholders having been notified by the Issuer of any such decision by the Servicing Committee; holders of Notes outstanding constituting 50 per cent. or more in aggregate Principal Amount Outstanding of the Class A Notes then outstanding have not informed the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) of their objection to such decision, then the relevant

decisions of the Servicing Committee on the matter will be fully effective (see "*Overview of Certain Transaction Documents – Servicing Committee Rules*").

Prospective investors should be aware that each member of the Servicing Committee will represent the interest of the relevant Class B Noteholders, Class J Noteholders or Class Z Noteholders by which it has been appointed (and not the interests of the Class A Noteholders or the Noteholders as a whole), and accordingly the decisions taken by the Servicing Committee may differ from those which would apply if the Servicing Committee members would have regard to the interests of the holders of the Notes as a whole, of the Rated Notes or of the Class A Notes only. Furthermore, prospective Noteholders should be aware that certain matters in respect of the servicing of the Receivables, such as, among other things, the sale of Receivables that do not meet certain criteria, the classification of Debt Relationship as Exhausted Debt Relationships or the entering into settlement or granting extensions in respect to a given Receivable will be subject to the resolutions taken by the Servicing Committee, which will take into consideration the interests of the Class B Noteholders, the Class J Noteholders and the Class Z Noteholders only. This may, *inter alia*, adversely impact the timing in which the Issuer meets its payment obligations or other distributions under the Notes and the Transaction Documents.

Noteholders' interests may be affected as a result of certain resolutions passed in Meetings of Noteholders or modifications and waivers agreed without such Noteholders' consent

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally or otherwise to pass resolutions. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

In addition, subject to Condition 19 (*Modification and Waiver*) and the terms of the Trust Deed, the Trustee and the Issuer (and any other relevant parties) may agree, without the consent of the Noteholders, to:

- (a) any modification (other than in respect of a Reserved Matter described in Condition 18.8(a)-(g) only, a Retained Matter or any provisions of the Conditions, the Notes or the other Transaction Documents referred to in the definition of a Reserved Matter described in Condition 18.8(a)-(g) only or a Retained Matter) to the Notes and/or the Conditions which is not materially prejudicial to the interests of the Most Senior Class of Notes then outstanding; or
- (b) any modification (other than in respect of a Reserved Matter described in Condition 18.8(a)-(g) only, a Retained Matter or any provisions of the Conditions, the Notes or the other Transaction Documents referred to in the definition of a Reserved Matter described in Condition 18.8(a)-(g) only or a Retained Matter) that is of a formal, minor, administrative or technical nature or is made to correct a manifest error; or
- (c) to authorise or waive any proposed breach or breach of the Issuer of any of the covenants or provisions contained in the Notes, the Trust Deed or other Transaction Documents (other than in respect of a Reserved Matter described in Condition 18.8(a)-(g) only, a Retained Matter or any provisions of the Conditions, the Notes or the other Transaction Documents referred to in the definition of a Reserved Matter described in Condition 18.8(a)-(g) only or a Retained Matter) which is not materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding.

Any such modification shall be binding on the Noteholders and the other Secured Creditors.

Payment Interruption Risk

In the event of the Servicer becoming insolvent, it cannot be excluded that cash transfers from the Issuer Collections Accounts and the Propco Collections Accounts into the Issuer Payment Account may be interrupted immediately thereafter while alternative payment arrangements are made, the effect of which could be a short-term lack of liquidity that may lead to an interruption of payments to the Noteholders.

Authorised Investments by the Issuer may have a negative return or be unrecoverable and therefore the assets of the Issuer may be adversely affected

The Issuer has the right to instruct the Cash Manager to, on behalf of the Issuer, make certain interim investments of money standing to the credit of the Issuer Payment Account, and the Issuer will do so if and

when such Authorised Investments have been duly approved by a prior resolution of the Servicing Committee. The investments must comply with the requirements set out in the definition of Authorised Investments and meet such other requirements, including appropriate ratings, as set out in the Cash Management Agreement, depending on the term of the investment and the term of the investment instrument. However, it may be that, irrespective of any such rating, such investments will be irrecoverable due to insolvency of the debtor under the investment or of a financial institution involved or due to the loss of an investment amount during the transfer thereof. Additionally, the return on an investment may not be sufficient to cover fully interest payment obligations due from the investing entity in respect of its corresponding payment obligations. In this case, the Issuer may not be able to meet all its payment obligations. No Transaction Party other than the Issuer will be responsible for any such loss or shortfall.

The value of Collateral posted to the Issuer under the Cap Transaction may decline and may not be available for distribution to the Noteholders

Under the terms of the Cap Transaction entered into between the Issuer and the Cap Counterparty in respect of the Notes, the Cap Counterparty is required in certain circumstances to provide collateral to the Issuer in respect of its obligations thereunder (See for further details "*Overview of certain Transaction Documents – The Cap Transaction*"). There is a risk that the value of any collateral provided by the Cap Counterparty may decline between dates on which further transfers of collateral are required or may be incorrectly determined or monitored. Only the Cap Counterparty and not the Issuer will be required to post collateral, and any collateral shall be transferred by the Cap Counterparty to the Cap Collateral Account. Any funds standing to the credit of the Cap Collateral Account will not form part of the Available Distribution Amount and will therefore not be available for distribution to the Noteholders or other Transaction Parties and any transfer of funds out of the Cap Collateral Account will exclusively be made in accordance with the Cap Collateral Account Payment Priorities.

The Cap Collateral Account is subject to Luxembourg law governed security in favour of the Cap Counterparty pursuant to the Cap Collateral Account Pledge.

Ratings confirmation in relation to the Notes in respect of certain actions

The terms of certain Transaction Documents require the Rating Agencies to be notified in relation to certain actions proposed to be taken by the Issuer and/or the Trustee and/or other Transaction Parties and such actions may only be effected if there is no reduction, qualification or withdrawal by the Rating Agencies of the then current rating of the Rated Notes.

Any such confirmation to be provided by the Rating Agencies may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide such confirmation in the time available or at all, and the Rating Agency is likely to state that it is not responsible for the consequences thereof. If a confirmation is given by a Rating Agency, it will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction. Such confirmation represents only a restatement of the opinions given as at the Issue Date and cannot be construed as advice for the benefit of any parties to the transaction.

Certain Rating Agencies have indicated that they will no longer provide such confirmations as a matter of policy. To the extent that a confirmation cannot be obtained from a Rating Agency, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and the Conditions, in particular Condition 20 (*Non-Responsive Rating Agency*).

Non-payment by the Borrowers

The Transferor assumes no liability for non-payment by the Borrowers, whether for principal, interest or any other amount owed by virtue of the Receivables.

The Noteholders will bear the risk of non-payment by the Borrowers or any guarantors of security providers.

Risks linked to litigious claims

Article 1,535 of the Spanish Civil Code entitles a Borrower to unwind the assignment of a 'litigious claim' (*crédito litigioso*) by paying to the transferee the price paid for it, plus any costs it may have incurred and

the interest on the purchase price. Spanish courts have established that a claim is considered litigious when a dispute has been raised on its existence and enforceability. Therefore, there is a risk that a Borrower may use its right to redeem the loan within nine days following the date when the transferee claims payment for it.

It is increasingly being found on claiming payment that debtors are seeking to redeem the loans bought by investors. It is not uncommon, however, for these attempts by debtors to release themselves of debts by paying investors the price they paid for the loans not to achieve their goal, either because the debtor lets the nine-day limit expire, or because the loan is not litigious by any means, or because it is found that the loan was transferred in a transaction to sell a portfolio at an overall price without itemising the price paid for each individual loan that it comprised. In this regard, Spanish courts have mostly been holding that the debtors of the assigned 'litigious claims' could not exercise the right of redemption when the assignment had been made as a bulk sale or pursuant to a universal succession.

It should be noted that the assigning or purchasing of consumers' debt, without giving the consumer prior notice of that assignment, without his consent and without giving the relevant debtor the opportunity to buy back (redeem) and thereby extinguish his debt is fully consistent with European law. In this regard, it should also be noted that Directive 93/13 on unfair terms in consumer contracts is not applicable to the assignment or purchase of debts or to domestic provisions such as article 1,535 of the Spanish Civil Code as stated in the Judgment of the European Court of Justice dated 7 August 2018, cases C-96/16 and C-94/17.

Risk of annulment of clauses allocating expenses on Borrowers

Recent case law (e.g. the Spanish Supreme Court judgements dated 23 December 2015 (the ("**December Judgement**") and 4 July 2017) have considered to be unfair several clauses allocating expenses on borrowers in connection with (i) the granting and registration of the mortgage deeds; (ii) taxes derived from the granting of the mortgage deeds (being the lender the tax obligor); and/or (iii) any costs and expenses related to the recovery of any due amount under the mortgage loans, including those derived from the foreclosure of the mortgages.

The obligation to reimburse was clear from the beginning concerning certain costs, such as the notarial and registration fees. Additionally, certain other costs such as the valuation costs of the asset or the agency fees (*gastos de gestión*) were also included between the amounts to be reimbursed by minor Courts.

The real controversy in this matter arose around the necessity to reimburse or not the Stamp Duty to the consumer. The Spanish Supreme Court decided to hold a plenary to discuss on this issue. That meeting took place on 5 and 6 November 2018. After lengthy discussions, the Spanish Supreme Court decided that the taxpayer must be the borrower, in line with the previously existing doctrine.

Immediately after, the Spanish Government announced that it was its intention to clarify the current legislative framework to make it clear that the taxpayer must be the lender under the mortgage loan. Accordingly, the Royal Decree-Law 17/2018 was enacted and published in the Spanish Official Gazette (BOE) on 9 November and was confirmed by the Spanish Congress next 22 November.

On 23 January 2019, the Spanish Supreme Court issued a new judgement confirming the exclusion of the Stamp Duty from the reimbursement to the consumers and including the notarial fees, (of the constitution and of the amendments) the registry fees and the agency fees. Notwithstanding this, pursuant to the approval of Royal Decree-Law 17/2018, this judgement shall not be applicable to mortgage loans entered into after the entry into force of Royal Decree-Law 17/2018 (i.e. 10 November 2018). The Spanish Supreme Court has confirmed that, while the notarial fees and the agency fees have to be paid by halves (i.e. the financial entity should only reimburse a 50% thereof), the registry fees have to be paid in full by the financial entity (i.e. it should reimburse the 100% of these fees).

As a result of this, it is possible that certain Borrowers may claim to be reimbursed the amounts paid as a consequence of the application of these clauses although as far as the Issuer is aware, during the period of ownership of the Receivables by the Transferor, there have been no instances of Borrowers seeking such reimbursement.

Risk or (i) annulment/declaration of unfairness of certain clauses of the mortgage loans and/or (ii) limitation of certain enforcement alternatives

There is an increasing tendency in recent years for Spanish borrowers (mostly individuals who have financed the acquisition of their home and qualify as consumers) to file claims alleging that certain provisions included in their mortgage loans are unfair/abusive (*abusivas*). In addition, there is a strong trend in Spanish case law that leans towards declaring the unfairness of many standard clauses regularly used by financial institutions in the residential mortgage market (specifically those listing the events of default).

The legal consequence of a clause being declared abusive is the nullity of the clause. This means the agreement will have to be interpreted as if the clause had never existed. That said, where the nullity of a clause would prevent ongoing operation of the mortgage loan, such clause would be regulated going forward by general default/supplementary legal regulations (eg Civil Code or Commercial Code) (See Judgment of the European Court of Justice dated 14 June 2012, case C-618/2010). In particular, many of these clauses are analysed in the December Judgement. Thus, there exists a significant risk that, should the Issuer be faced with a claim alleging the abusiveness of any of these clauses, they end up being declared unfair by the Spanish courts.

The above may have an impact on the ability to collect/recover in full the contractual amounts due under certain mortgage loan agreements or to enforce certain provisions of a mortgage loan in accordance with its contractual terms. This, in turn, may have an impact on the available funds of the Issuer or on the ability to recover on a timely manner the amounts due under the mortgage loans and service the amounts due under the Notes.

Clauses under challenge can be divided into two main groups: (i) clauses with financial content (the "**Financial Clauses**"); and (ii) clauses that trigger an event of default (the "**Events of Default**").

Challenges on the Financial Clauses generally affect the loan's ability to generate income (or the amount thereof) to the Issuer, whilst Events of Default are likely to affect the lender's ability to accelerate the loan and recover amounts due through a specific foreclosure or enforcement proceeding. Amongst the list of Financial Clauses that have been challenged in the recent times are, inter alia, interest rounding-up clauses, default interest rate clauses (meaning clauses setting a default interest rate in excess of 3 times the legal interest rate), 365/360 interest calculation method (which may result in lower interests being collected on the mortgage loans).

If a clause generating income for the Issuer (e.g. a Financial Clause) is declared null and void, the Issuer will no longer be allowed to apply such clause and it will be required to return to the debtor/borrower all amounts unduly collected by the Issuer as a result of application of such Financial Clause. On the other hand, if an Event of Default is declared null and void, the Issuer will forego (or limit) its rights to access foreclosure or enforcement proceeding following such Event of Default.

As a general principle, any Event of Default which does not consist of a payment default (in certain cases, subject to materiality thresholds) may not be recognised by the Spanish courts as a valid cause for initiating a foreclosure or enforcement proceeding. In particular, some examples of Events of Default rejected by Spanish courts as acceleration events are, inter alia: (i) acceleration following failure to pay by the borrower of one (1) principal instalment (acceleration only being possible in case of the failure to pay by the borrower of three (3) principal instalments, as further described in the risk factor entitled "*Recent case law regarding acceleration clauses consisting on the non payment of less than three (3) monthly instalments or equivalent*", (ii) failure to register the mortgage within a given time frame, (iii) borrower's misrepresentation or delivery of inaccurate information, (iv) breach of certain non-payment-related covenants, e.g. maintenance, insurance, delivery of periodic financial information, (v) seizure or expropriation of the asset, (vi) borrower's insolvency and (vii) prohibition to sell the property.

In addition, the early termination of loan agreements has been declared valid by the Spanish Supreme Court. However, the Spanish Supreme Court has subjected the validity of such provisions to stringent requirements. In particular, in order to be valid, an early termination clause must: (i) modulate the severity of the breach that triggers the default according to the term and amount of the loan (i.e. the breach must be proportionate to the term and amount of the loan); and (ii) allow the consumer to avoid the early termination by carrying out diligent actions aimed to remedy the breach.

Recent case law regarding default interest clauses

According to Article 114 of the Decree, of 8 February 1946, approving the official drafting of the Spanish Mortgage Law (*Decreto de 8 de febrero de 1946 por el que se aprueba la nueva redacción oficial de la Ley Hipotecaria*), as amended by Law 1/2013 (the "**Spanish Mortgage Law**"), default interest on mortgage loans granted for the acquisition of debtor's principal residence and secured by a mortgage on such property, shall not exceed three (3) times the legal interest rate (*interés legal del dinero*) and will only accrue on the principal pending payment.

However, if a debtor provides evidence of being at risk of social exclusion, the above three (3) times limitation shall not apply and shall be replaced by the aggregate of the ordinary interest rate under the relevant mortgage loan plus 2% (i.e. the maximum default interest set forth in Article 4 of Royal Decree 6/2012, of 9 March 2012, on urgent measures to protect mortgagors without resources, as amended by Law 1/2013, and as amended by Royal Decree 1/2015, of 27 February, on the second opportunity mechanism, the reduction of financial burden and other labour measures, and as amended in the future (including Law 25/2015) (the "**Royal Decree 6/2012**")).

Legal interest rate is a rate published by the Bank of Spain for the purpose of calculating the amount which must be paid in relation to the default of payment obligations (by the borrowers), generally applicable in cases where such rate has not been agreed between the parties.

Therefore, mortgage loans granted after the enactment of Law 1/2013 (i.e. 15 May 2013) should include the said limitation on the default interest (and, on the contrary, mortgage loans granted before said date may contain default interest provisions in contravention of the above limitation). The three (3) times limitation will also apply to mortgage loans granted before 15 May 2013, provided that: (i) interest was agreed before 15 May 2013 but it accrued after 15 May 2013; and that (ii) although the interest accrued before 15 May 2013, it had not been paid by 15 May 2013.

Recent case law has ruled that clauses breaching the three (3) times legal interest rate limitation were unfair in loans entered into by consumers (as the term consumers is defined in Article 3 of the Royal Legislative Decree 1/2007, of 16 November, approving the Consolidated Text of the General Consumer and user protection law and other complementary laws (*Real Decreto Legislativo 1/2007, de 16 de noviembre, por el que se aprueba el texto refundido de la Ley General para la Defensa de los Consumidores y Usuarios y otras leyes complementarias*) (the "**Consumers and Users Protection Law**")). The Spanish Supreme Court declared null and void these clauses in, amongst others, its judgments of 22 April 2015, 23 December 2015 and 18 February 2016.

Furthermore, the Supreme Court in a judgement of 3 June 2016 has analysed the abusiveness of a clause included in a mortgage loan granted to a consumer which provided for a 19% default interest. The Supreme Court applied the EU Court of Justice criteria according to which the mandatory limit set out in article 114 of the Spanish Mortgage Law is not a parameter to judge whether a clause is unfair or not. Besides, the Supreme Court extends to mortgage loans the criteria set out in the Supreme Court judgement of 22 April 2015 on default interest for personal loans, according to which a clause setting a default interest higher than 2 points over the ordinary interest agreed is unfair (*abusiva*).

The consequence of these interest provisions being declared null and void is that the lender is not entitled to collect any default interest whatsoever and any defaulted interest already collected must be returned to the debtors.

There is a risk that the debtor challenges the validity of the default interest clause in a declaratory procedure (*juicio declarativo*) and achieves a judgment declaring the clause as unfair therefore forcing the Issuer to return the relevant amounts.

It is also worth noting that the Spanish Supreme Court, in its judgment dated 13 January 2015 as well as the Section 18th of the Regional Court of Madrid (*Audiencia Provincial de Madrid*), in its decision of 13 July 2015, decided not to consider unfair a clause which, being unfair according to the Spanish law, had never been applied in practice.

Notwithstanding the foregoing, please note that the European Court of Justice in its judgement dated 26 January 2017 (case C-421/14) declared that it is not possible to decide not to consider unfair a clause which,

being unfair, had never been applied in practice. Since this judgement, certain rulings by the Spanish courts have applied the criteria set out in the above-mentioned European Court of Justice judgement.

The investors should be aware that the unfairness of these default interest clauses is being analysed by the Spanish courts on a case by case basis. Therefore, there is a risk that a judge might declare any of these clauses as unfair.

In addition, it should be noted that the Law 5/2019 on Real Estate Credit Contracts (*Ley de Contratos de Crédito Inmobiliario*) (the "**Real Estate Credit Contract Law**") has been approved by the Spanish Congress on 21 February 2019 after passing through the approval of the Spanish Senate. This new Law was published in the Spanish Official Gazette on 16 March 2019 and entered into force three months after its publication in the Spanish Official Gazette (BOE), it is to say, on 16 June 2019, and should only be applicable to loans originated after such date.

According to the definitive drafting of the Real Estate Credit Contract Law, default interests are limited to the ordinary interest plus 3%. These interests can only accrue from the principal amount of the loan and cannot be capitalized. This rule cannot be amended by agreement from the parties.

This would apply to any mortgage loan originated after 16 June 2019 secured with mortgages over residential real estate properties, no matter if it qualifies as main residence of the borrower

Recent case law regarding acceleration clauses consisting on the non-payment of less than three (3) monthly instalments or equivalent

According to Article 693.2 of the Law 1/2000, of 7 January, the Civil Procedure Law (*Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil*) (the "**Civil Procedure Law**"), amended by Law 1/2013, as of 15 May 2013 in order for a lender to accelerate a loan in full, the borrower must have failed to pay, at least, three (3) monthly instalments or equivalent.

Therefore, there is a risk related to the validity of acceleration provisions of mortgage loans granted before the coming into force of Law 1/2013 (i.e. before 15 May 2013). These loans usually foresee the lender's right to accelerate the loan in full if the Debtor fails to pay less than three (3) monthly instalments. Accordingly, the acceleration provision in the mortgage loans granted before Law 1/2013 entered into force might be considered unfair (*declaradas abusiva*) by the Spanish courts, where the debtors are "consumers" (as defined in Article 3 of the Consumers and Users Protection Law).

If this provision is declared unfair, the creditor may not be entitled to accelerate the mortgage loan in full (but rather be required to enforce on a payment default-by-payment default basis) or be required to wait more than three (3) payment defaults in order to enforce which, in turn, may impact/delay the ability of the Issuer to collect and recover in full the amounts due under the mortgage loans.

In order to mitigate this risk, it is worth noting that, in practice, none of the mortgage loans is accelerated until debtors fail to pay, at least, three (3) monthly instalments. In fact, the Spanish Supreme Court, in its judgment dated 13 January 2015 as well as the Section 18th of the Regional Court of Madrid (*Audiencia Provincial de Madrid*), in its decision of 13 July 2015, decided not to consider unfair a clause which, being unfair according to the Spanish law, had never been applied in practice.

Notwithstanding the foregoing, please note that the European Court of Justice in its judgement dated 26 January 2017 (case C-421/14) declared that all clauses which foresee the lender's right to accelerate a loan agreement in full if the borrower fails to pay less than three (3) monthly instalments shall be considered unfair no matter if such clauses had never been applied in practice. Since this judgement, certain rulings by the Spanish courts have applied the criteria set out in the above-mentioned European Court of Justice judgement (e.g. decision of 7 September 2017 of the Court number 101 Bis in Madrid (*Juzgado de Primera Instancia nº101 bis de Madrid*)). In this regard, as far as the Issuer is aware, as part of the servicing of the Receivables since acquisition by the Transferor, no acceleration has taken place where on the basis that a Borrower had failed to pay fewer than three monthly instalments.

In February 2017 the Spanish Supreme Court submitted two preliminary question to the European Court of Justice in order it to confirm (cases C-70/17 y C-179/17), amongst other, whether a national court, upon declaration of the unfairness of the acceleration clause, could apply subsidiarity a national regulation for commencing or continuing a mortgage enforcement proceeding in relation to a consumer. The Spanish Supreme Court has alleged before the European Court of Justice that it could be more favourable to the

consumer to stay in the mortgage enforcement proceeding than to go through a declarative proceeding and, then, to a subsequent enforcement of the ruling, without the protections granted to the consumer in the mortgage enforcement proceeding.

That said, upon submission of this preliminary question to the European Court of Justice in February 2017, some Provincial Audiencias (*Audiencias Provinciales*) decided the temporary suspension of the enforcement proceedings linked to consumers where the unfairness of the acceleration clauses is under review. As a result of this, both First Instance Courts and Provincial Audiencias have put on hold the proceedings where this issue is being discussed. First Instance Courts and Provincial Courts not following this criterion of the suspension are opting for a direct dismissal of the entire enforcement.

On 26 March 2019, the European Court of Justice issued its preliminary ruling on the questions deferred to it by the Spanish Supreme Court.

The ruling confirms the unfairness of the clause when it includes any breach as a termination event. Additionally, it prohibits the judges to use the "blue pencil rule" to delete those sections of the clause that may be considered null in order to seek partial validity thereof.

However, the European Court of Justice opens the door to applying the rule of the three (3) unpaid monthly repayment amounts to terminate the affected agreements, if the declaration of unfairness entails an invalidity of the entire mortgage loan. On the contrary (i.e. if the mortgage loan can survive without this clause), the European Court of Justice instructs the Spanish Supreme Court to not integrate the contract, forbidding access to the mortgage foreclosure process (unless the consumer gives its approval).

The rationale behind the European Court of Justice's decision is to avoid forcing the lenders to abide by a general enforcement against the consumer, which is allegedly less protective of them, since it would encompass the consumers' entire estate.

The European Court of Justice defers the final decision on this issue to the Spanish Supreme Court. Now, the Supreme Court must decide whether the abusiveness of an early termination clause triggers the nullity of the loan agreement as a whole. In this regard it should be noted that there are increasing precedents in minor Courts which decide a full dismissal of the foreclosure as a result of a pro-debtor interpretation of the Judgment of the European Court of Justice dated 26 March 2019. There is a recent ruling from the Court of First Instance of Barcelona that declared the termination of the enforcement proceeding after consulting with the enforced party if he preferred to continue with the mortgage foreclosure proceeding despite the unfairness of the early termination clause. It is reasonable to consider that most borrowers will prefer to terminate the mortgage foreclosure proceeding rather than continue with it even if it may be more favourable to their interests in order to gain time.

Some Provincial Audiencias and First Instance Courts, which had suspended proceedings considering the Spanish Supreme Court petition of preliminary ruling to the European Court of Justice, are now giving the floor to the parties in the enforcement to make allegations regarding the European Court of Justice ruling. However, there is not expected to be a large-scale reactivation of the enforcements until the Spanish Supreme Court publishes its final decision.

On another issue, the Real Estate Credit Contract Law offers a solution for mortgage-secured loans and loans for the acquisition of real estate (in both cases, when the collateral or the asset is a residential property) that have not been accelerated before its entry into force (even if they were formalised before).

For those cases, lenders will be able to fully accelerate the loans, if: (i) during the first half of the loan's term, there are twelve (12) defaults on monthly repayments due (or 3% of the total amount loaned); or (ii) during the second half of the loan's term, there are fifteen (15) defaults on monthly repayments due (or 7% of the total amount loaned).

These new criteria will apply, unless (i) the lender has decided to accelerate the loan before the entry into force of the new Act (regardless of whether it has decided to commence legal proceedings or not); and (ii) the consumer alleges that the current wording is more beneficial.

In any case, the unfairness of these acceleration clauses is analysed by the Spanish courts on a case by case basis. Therefore, there is a risk that more rulings are issued in the same direction and, consequently, any of these clauses is declared as unfair.

Impact of Law 1/2013

Law 1/2013, of 14 May, on measures to strengthen the protection of mortgagors, debt restructuring and housing rental (*Ley 1/2013, de 14 de mayo, de medidas para reforzar la protección a los deudores hipotecarios, reestructuración de deuda y alquiler social*), in its current wording ("**Law 1/2013**"), as amended by Law 25/2015, of 28 July, on the second chance mechanism, reduction of financial burden and other social measures (*Ley 25/2015, de 28 de julio, de mecanismo de segunda oportunidad, reducción de la carga financiera y otras medidas de orden social*) ("**Law 25/2015**") and by Royal Decree 5/2017, of 17 March, on the amendment of Royal Decree 6/2012, of 9 March 2012, on urgent measures to protect mortgagors without resources and Law 1/2013, of 14 May, on measures to strengthen the protection of mortgagors, debt restructuring and housing rental (*Real Decreto-ley 5/2017, de 17 de marzo, por el que se modifica el Real Decreto-ley 6/2012, de 9 de marzo, de medidas urgentes de protección de deudores hipotecarios sin recursos, y la Ley 1/2013, de 14 de mayo, de medidas para reforzar la protección a los deudores hipotecarios, reestructuración de deuda y alquiler social*) ("**Royal Decree 5/2017**") consists of four chapters that introduce a set of measures that may affect the mortgage loans.

As a result of the foregoing, the Issuer, as the holder of credit rights deriving from the mortgage loans, may be affected by among other things, (i) a delay for up to seven (7) years as from 15 March 2013 in the delivery of possession of the adjudicated common property by the interruption 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 in such foreclosure processes amounts lower than those that have been usually recovered until the enactment of such legislation as a consequence of, among other things, the limitation imposed on the maximum default interest rate applicable.

In connection with section IV of Law 1/2013, as far as the Transferor is aware, the Original Lender has acted in good faith and in accordance with good practices in the financial sector in compliance with the provisions of Law 7/1995 on Consumer Credit, new Law 16/2011 on Consumer Loan Contracts, Law 7/1998, of 13 April, on General Conditions of Contract, and in general, the applicable legislation on consumer and user protection and prevention of money laundering, as that legislation was generally construed by Spanish case law at the date of formalisation of the non-performing loans. The Code of Best Practices (*Código de Buenas Prácticas*), as amended, includes a set of measures that can affect the recovery of the defaulted mortgage loans as follows:

- The restructuring of the debt provided in the Code of Best Practices (*Código de Buenas Prácticas*) can delay the repayment of the debt in the event that a grace period for repayment is established or the period of repayment of principal is extended. Likewise, in the event that the interest rate is reduced during the grace period, the amount to be paid to the Issuer will be reduced.
- Where the restructuring of the debt set forth above is not feasible for the debtor (taking into account his/ her financial situation), then the debtor may request a release (*quita*) on the outstanding principal amount of the mortgage loans in accordance with the Code of Best Practices (*Código de Buenas Prácticas*) which will, accordingly, reduce the amounts to be collected by the Issuer.
- The assignment of the main house as payment (*dación en pago*) as an alternative to the foreclosure proceeding, in accordance with the Code of Best Practices (*Código de Buenas Prácticas*) entails the total release of the debt guaranteed by the mortgages and of the personal responsibility of the debtors and related third parties therefore potentially reducing the amounts that may be collected by the Issuer.
- The debtor against which a mortgage foreclosure proceeding has been initiated and the delivery of possession of the adjudicated main property has been stayed in accordance with the provisions of Law 1/2013, will be entitled to request the lease of such main property for a maximum annual rent of 3% of its value at the time of approval of the winning bid (*remate*), as determined by the appraisal (*tasación*) of an homologated valuer in accordance with the provisions of Law 2/1981.

SPANISH LEGAL RISKS

The Security in the Security Documents has been granted in favour of the Secured Creditors acting through the Trustee. Enforcement of security interests may be affected by the granting of security to the Trustee

The Spanish Law Security that secures the obligations of the Issuer under the Spanish law governed Security Documents has been granted in favour of, *inter alios*, the Noteholders acting through the relevant Trustee who has accepted the relevant security in its name and for the benefit of, *inter alios*, the Noteholders. The Noteholders will not have any individual powers to enforce the security interests granted in respect of the Notes, except through the Trustee, who shall enforce them following the instructions of the Most Senior Class of Noteholders, subject to being indemnified and/or secured and/or prefunded to its satisfaction in accordance with Condition 13.6 (*Proceedings*) and the terms of the Trust Deed and the Security Documents. Since Spanish law does not contemplate the concept of "security agent" or "trustee", there is some uncertainty as to whether a Spanish Court would recognise its authority and whether this could eventually cause delays in the enforcement of security or prevent its enforcement in the terms stated in the Spanish Security Documents.

Some legal scholars argue that a security agent would only be entitled to enforce its portion, if any, of the secured obligation but not that of the other secured parties. Therefore, the validity and enforceability of security interests granted in favour of the Noteholders through the Trustee and its subsequent enforcement through the Trustee may be subject to certain limitations.

Notwithstanding the foregoing, if enforcement of any security interest in Spain is to be carried out by the Trustee in Spain, as applicable, it may be necessary to prove that the Trustee is duly and expressly empowered for such purpose by means of duly notarised powers of attorney granted in favour of the Trustee by each of the actual Secured Creditors or future Secured Creditors, if necessary, with the Apostille of The Hague Convention dated 5 October 1961. Therefore, there could be a delay in the execution of the Security in Spain while such powers are obtained.

The Notes and the Security are limited by applicable laws and are subject to certain limitations on enforcement or defences

Under Spanish law, any guarantee, pledge or mortgage generally must guarantee or secure a primary obligation to which it is ancillary. This implies that the primary obligation must be clearly identified in the guarantee or security agreement and the nullity or termination of the primary obligation entails the nullity or termination of the ancillary guarantee or security interest. Consequently, if the primary obligation is deemed null and void, the ancillary guarantee or security interest will also be deemed null and void.

The obligations under guarantees or securities granted by any company incorporated under Spanish law shall not extend to any use of the proceeds of the Notes for the purpose of acquiring shares representing the share capital of such company or shares representing the share capital of its controlling company, or refinancing a previous debt incurred for the acquisition of shares representing the share capital of such company or shares representing the share capital of its holding company or of companies of the group and all provisions of such guarantees or securities shall be construed accordingly in the sense that, in no case can any guarantee or security given by such guarantor secure repayment of the above-mentioned funds, in light of articles 150 (for Spanish public limited companies (*sociedades anónimas*)) and 143 (for Spanish private limited companies (*sociedades de responsabilidad limitada*)) of the Spanish Capital Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) (the "**Spanish Capital Companies Act**"), as applicable.

Enforcement of the Spanish Law Security will be subject to the provisions of Spanish Procedural Law and Spanish Law 22/2003 of 9 July (the "**Spanish Insolvency Law**") (*Ley Concursal*) (where applicable) and this may entail delays in the enforcement.

Under Spanish law, claims may become time-barred or may be or become subject to the defence of set-off or counterclaim.

If any of the Issuer Security Documents is a registrable guarantee, it may not be registered if granted only in favour of the Trustee. However, it is not foreseen in the scope of the Transaction that any registrable guarantee (*garantías inscribibles*) is granted to the Trustee.

The terms "enforceable", "enforceability", "valid", "legal", "binding" and "effective" or any combination thereof mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; these terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement in the courts will in any event be subject to:

- (a) the nature of the remedies available in the courts; and
- (b) the availability of defences such as, without limitation, set-off (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

The Spanish Capital Companies Act foresees a pre-emption right in favour of the shareholders in the context of enforcement proceedings. In particular, in the case of Spanish private limited companies (*sociedades de responsabilidad limitada*), if not exercised by the quotaholders, such pre-emption right is granted to the company provided that it has been expressly foreseen in its by-laws. This may disincentive potential bidders to participate in execution proceedings of pledges of this type of securities.

The Security may not be enforced based on a breach by the Issuer of an obligation under the Notes which is considered ancillary or complementary to the main payment obligation

Spanish law, as applied by competent authorities, may preclude any security being enforced in respect of an agreement (including the Notes), irrespective of its governing law, which is terminated or accelerated, (i) based on the breach of obligations, undertakings or covenants which are merely ancillary or complementary to the main payment obligations, or (ii) based on the unreasonable, inequitable or bad faith interpretation of one of its events of default.

In addition, a Spanish court may, at the time of enforcing the security, through the ordinary (non-summary) enforcement proceedings refuse to carry out such enforcement when based on such terms of the Conditions that are deemed contrary to the principles of Spanish law referred to above.

Credit Risk of the Propcos

On the Issue Date, the Propcos will own the Properties listed in Schedule 2 to the Reallocation Agreement. In addition, following the Issue Date, where properties are awarded to the Propcos pursuant to the completion of enforcement action in respect of Receivables. In both cases, the Propcos will be the legal owners of such Properties. The Propcos will not grant any security over their interests in the Properties in favour of the Secured Creditors.

However, each of the Propcos has been structured to be a bankruptcy remote special purpose vehicle, whose activities are limited to holding the Properties and performing only those functions as set out in the Transaction Documents. In addition, under the Transaction Documents each Propco undertakes not to:

- (a) carry on any business or enter into any documents other than those contemplated under the Transaction Documents;
- (b) sell, convey, transfer, lease, assign or otherwise dispose of or agree or attempt to purport to sell, convey, transfer lease or otherwise dispose of or use, invest or otherwise deal with any of its properties, assets or undertaking or grant any option or right to acquire the same;
- (c) grant, create or permit to exist any Encumbrance over (including the grant of security or trust over or the occurrence of execution or diligence in respect of) the Properties or any of its assets save pursuant to Transaction Security Document;
- (d) incur or permit to subsist any indebtedness whatsoever;
- (e) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation to any other person;
- (f) consolidate or merge with any other person;

- (g) have any employees or premises or have any subsidiaries (other than, in the case of Butepala Servicios y Gestiones S.L., Vetapana Servicios y Gestiones S.L.) or become a director of any person;
- (h) have any interest in any bank account other than the Propco Accounts unless such account is pledged or charged to the Trustee; or
- (i) issue any shares or grant any voting rights in or over the relevant Propco (other than those issued or granted to the Issuer on or prior to the Issue Date.

Enforcement of the Pledges may be affected by restrictions under Spanish Insolvency Law

The Fourth Additional Provision (*Disposición Adicional Cuarta*) of the Spanish Insolvency Law deals with the possibility of refinancing agreements (broadly similar to the English schemes of arrangement) entered into by the debtor and creditors holding at least 51 per cent. of the financial indebtedness of the debtor being approved by the Courts, when such refinancing agreements fulfil certain conditions provided therein.

Any such refinancing agreement will be binding on all of the unsecured financial creditors of the debtor and secured financial creditors (in respect of that part of their secured claim not covered by their security interest), if approved by the following majorities: (i) creditors holding 60 per cent. of financial indebtedness where the agreement contemplates a deferral for a term less than five years and conversion of debt into a participating loan during that time; and (ii) creditors holding 75 per cent. of financial indebtedness where the agreement contemplates a deferral between five and ten years, conversion of debt into a participating loan or similar instrument for an equal term, converting the debt into capital or a participating loan or assignment of assets, or write-off.

Moreover, they will also be binding on all of the secured financial creditors of the debtor if approved by: (i) creditors holding 65 per cent. of secured financial indebtedness (the amount of each claim being regarded as nine tenths of the reasonable value of the collateral up to the face amount of the claim) where the agreement contemplates a deferral for a term less than five years and conversion of debt into a participating loan during that time; or (ii) creditors holding 80 per cent. of secured financial indebtedness (the amount of each claim being regarded as nine tenths of the reasonable value of the collateral up to the face amount of the claim) where the agreement contemplates a deferral between five and ten years, conversion of debt into a participating loan or similar instrument for an equal term, converting the debt into capital or a participating loan or assignment of assets, or write-off.

Article 5bis of the Spanish Insolvency Law states that if a debtor notifies the commercial court (*Juzgado de lo Mercantil*) that it has started negotiating with its creditors in order to obtain their approval regarding: (i) a refinancing agreement as referred to under article 71.bis.1 of the Spanish Insolvency Law; (ii) a refinancing agreement as referred to under the Fourth Additional Provision of the Spanish Insolvency Law; or (iii) an advance proposal of arrangement between creditors (*propuesta anticipada de convenio*), its obligation to file an application for volunteer insolvency shall be suspended for three months. Following those three months, the debtor will have an additional period of one month to submit such application.

As from the date of such notice and during such pre-insolvency period, no court or out-of-court enforcement proceedings of securities over any assets or rights of the debtor that are necessary for the continuity of its business may be initiated, and those legal proceedings initiated prior to such notice shall be suspended. Nevertheless, public law claims shall not be subject to this enforcement limitation.

In addition, no individual financial creditor may initiate enforcement actions against the debtor (and those already initiated shall be suspended) if creditors holding at least 51 per cent. of the financial liabilities against the debtor have expressly agreed to start negotiating with the debtor in order to arrange a refinancing agreement and have also agreed not to file or continue enforcement actions against the debtor while the debtor and its creditors are still negotiating.

Despite the foregoing, secured parties will still be entitled to bring court or out-of-court enforcement proceedings against the corresponding secured assets. However, once proceedings have been initiated, they shall be immediately suspended for as long as the conditions previously indicated have not come to an end or the term indicated above has not elapsed.

Pursuant to Article 56 of the Spanish Insolvency Law, once the debtor is declared insolvent, enforcement of security over any assets of the debtor which are necessary for the continuity of its business may not be

commenced (and the procedures already initiated before the declaration opening insolvency proceedings shall be suspended) until the earliest of the following occurs: (i) the approval of an arrangement between creditors, unless such agreement is binding on those secured parties, in which case the provisions under such agreement will apply; and (ii) in case the liquidation period has not been initiated, the first anniversary of the declaration of insolvency. Enforcement shall be suspended even if, at the time of the declaration of insolvency, the relevant notices of public auction have been published. The suspension may be lifted or the commencement of enforcement proceedings may be possible if a court resolution which considers that the charged asset is not necessary for the continuity of the debtor's business is obtained from the judge in charge of the debtor's insolvency proceedings. Although, for the purposes of such declaration, the Spanish Insolvency Law points out that those shares or participations in companies whose only activity is the holding of one asset and the liabilities deemed necessary for its financing shall not be deemed necessary for the continuity of the debtor's business, provided that the enforcement of securities over those shares or participations does not lead to a termination event or an amending event that allows the insolvent debtor to maintain development of the relevant asset, the interpretation of the corresponding Article of the Spanish Insolvency Law is controversial and there are multiple interpretations between scholars and the existing case law. Finally, the enforcement of the Security shall be subject to Spanish law and, in particular, to the Spanish Insolvency Law, when applicable, which may lead to delays in enforcement. However, it is worth noting that such delays may be mitigated when the security qualifies as a 'financial collateral' subject to both Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements and Spanish Royal Decree 5/2005 of 11 March. In this regard, holders of such 'financial collaterals' can immediately realise the collateral, in or outside insolvency proceedings.

TAX RELATED RISKS

Withholding Taxes (No Gross up for Taxes)

Should any withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by any government or state with authority to tax or any political subdivision or any authority thereof or therein having power to tax be required to be made from any payment in respect of the Notes (as to which see "*Taxation*" below), neither the Issuer, the Trustee nor the Principal Paying Agent will be obliged to make any additional payments to Noteholders to compensate them for the reduction in the amounts that they will receive as a result of such withholding or deduction. If payments made by any party under the Reallocation Agreement or the Servicing Agreement are subject to a Tax Deduction required by law, there will be no obligation on such party to increase the payment to leave an amount equal to the payment which would have been due if no Tax Deduction would have been required. Consequently, Noteholders may end up receiving an amount lower than that which they would have received if no Tax Deduction had applied.

Payments on the Notes may be subject to U.S. withholding under FATCA

The United States has enacted rules, commonly referred to as "**FATCA**", that generally impose a new reporting and withholding regime of 30 (thirty) per cent. with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends made on or after 1 January 2019 and certain payments made on or after 1 January 2019 (at the earliest) by entities that are classified as financial institutions under FATCA. As a general matter, the new rules are designed to require U.S. persons' direct and indirect ownership of non-U.S. accounts and non-U.S. entities to be reported to the U.S. Internal Revenue Service ("**IRS**").

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the Notes, the Issuer would have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer, the Trustee, the Accounts Bank or any other party as a result of the deduction or withholding of such amount. As a result, if FATCA withholding is imposed on these payments, investors may receive less interest or principal than expected.

Prospective investors should consult their own advisers about the potential impact and application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

Noteholders may be subject to tax reporting requirements under the Common Reporting Standard

The Organisation for Economic Co-operation and Development ("**OECD**") approved, in July 2014, a Common Reporting Standard ("**CRS**") with the aim of providing comprehensive and multilateral automatic

exchange of financial account information on a global basis. This goal is achieved through an annual exchange of information between the governments of 104 jurisdictions ("participating jurisdictions") that have already adopted the CRS.

On 9 December 2014, Council Directive 2014/107/EU, amending Council Directive 2011/16/EU, introduced the CRS among the EU Member States.

Investors who are in any doubt as to their position should consult their professional advisers.

Notes may be subject to Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to its approval and any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Moreover, once the proposed Directive has been adopted (the "**FTT Directive**"), it will need to be implemented into the respective domestic laws of the participating Member States and the domestic provisions implementing the FTT Directive might deviate from the FTT Directive itself.

Prospective holders of the Notes should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

Servicing Fee may be subject to VAT

From and including the Issue Date, the Servicer will not charge VAT on the Servicing Fees whenever these are not related to immovable properties for the purposes of Article 47 of the Council Directive 2006/112/EC, of 28 November 2006, of the common system of the Value Added Tax. The Servicer will charge VAT on the Asset Management Services that are related to immovable properties according to the Council Implementing Regulation (EU) No 1042/2013. If any such challenge is acceptable and the Issuer is obliged to pay additional VAT on the Servicing Fee pursuant to the Servicing Agreements, this would have the effect of reducing the amount of Collections available to the Issuer for application as Available Distribution Amount.

ADDITIONAL REGULATORY RISKS

Regulatory requirements under the Credit Rating Agencies Regulation and under the Securitisation Regulation may be changed or developed which may impact the Issuer, related third parties or the Noteholders

Transparency requirements under the Credit Rating Agencies Regulation and under the Securitisation Regulation

On 31 May 2013, the finalised text of Regulation (EU) No. 462/2013, of 21 May 2013 (the "**CRA III**") of the European Parliament and of the European Council amending Regulation (EC) No. 1060/2009 (the "**CRA**") on credit rating agencies was published in the Official Journal of the European Union. The majority of the CRA III rules became effective on 20 June 2013 although certain provisions not applied until later. CRA III provides for certain additional disclosure requirements which are applicable in relation to

structured finance instruments. Such disclosures will need to be made via a website (the "**SFI Website**") to be set up by the European Securities and Markets Authority ("**ESMA**"). The precise scope and manner of such disclosure is subject to regulatory technical standards under Commission Delegated Regulation (EU) 2015/3, of 30 September 2014 (the "**CRA III RTS**"), which came into force on 26 January 2015 and which became applicable from 1 January 2017.

The Securitisation Regulation, which lays down a general framework for securitisation and creates a specific framework for simple, transparent and standard securitisation, entered into force on 1 January 2019 the provisions of which apply to several parties of this transaction. Among others, it contains a set of high-level transparency requirements in its article 7, which must be met by reporting entities (i.e. the entity designated among the securitisation originator, sponsor, and securitisation special purpose entity to fulfil these requirements) in relation to securitisations the securities of which have been issued on or after 1 January 2019. Notwithstanding, the details and standardised templates to be used to fulfil these requirements are still to be further specified in a Commission Delegated Regulation using as a basis a set of draft regulatory and implementing technical standards developed by ESMA (the "**ESMA disclosure templates**"). As the date of this Offering Circular, these templates have not been adopted and, as a result, the transitional provision contained in article 43(8) of the Securitisation Regulation will apply. As such, until the regulatory technical standards are adopted by the Commission pursuant to article 7(3) of the Securitisation Regulation, the draft ESMA disclosure templates shall be used. In this context, the Joint Committee of the European Supervisory Authorities have issued on 30 November 2018 a statement on disclosure requirements for EU securitisations and consolidated application of securitisation rules for EU credit institutions whereby it were acknowledged, among others, the severe operational challenges for reporting entities in complying with the aforementioned transitional provisions, in particular for the reporting entities that have never provided information according to CRA III templates. As such, competent authorities are expected to apply their supervisory powers in their day-to-day supervision and enforcement of applicable legislation in a proportionate and risk-based manner. At the date of this Offering Circular, it is still unclear how the competent authorities intend to monitor and enforce compliance of the above requirements.

Until the regulatory technical standards are adopted by the Commission pursuant to article 7(3) of the Securitisation Regulation, the templates in the CRA III RTS are therefore applicable to the Rated Notes and the Issuer has been appointed as the designated entity under article 7(2) of the Securitisation Regulation to fulfil the requirements set out in article 7(1) of the Securitisation Regulation. The Issuer has appointed the Servicer and the Cash Manager to assist the Issuer in complying with such requirements.

At the date of this Offering Circular, and notably until the regulatory technical standards are adopted by the Commission pursuant to article 7(3) of the Securitisation Regulation, there remains uncertainty as to what the consequences would be for the Issuer, related third parties and investors resulting from any potential non-compliance by the Issuer with CRA III upon application of the reporting obligations. According to article 32 of the Securitisation Regulation, Member States shall lay down rules establishing appropriate administrative sanctions, in the case of negligence or intentional infringement, and remedial measures, such as: (i) a public statement which indicates the identity of the natural or legal person and the nature of the infringement; (ii) a temporary ban preventing any member of the originator's, sponsor's or securitisation special purpose entity's (SSPE's) management body or any other natural person held responsible for the infringement from exercising management functions in such undertakings; and (iii) in the case of a natural person, maximum administrative pecuniary sanctions of at least EUR 5,000,000.00.

As required under article 7(2) of the Securitisation Regulation, the Investor Reports, the Quarterly Servicer Reports and the Quarterly Transaction Reports to be prepared by the Servicer and the Investor Report to be prepared by the Cash Manager (on behalf of the Issuer), to the extent the Cash Manager agrees, and by the Servicer, as applicable, will be made available by the Issuer (or by the Servicer on its behalf) to the relevant recipients by means of the website (the "**SR Website**") of the EuroABS (<https://www.euroabs.com/IH.aspx?d=12561>), being a website that conforms to the requirement set out in article 7(2) of the Securitisation Regulation. The information via the website will be available to the Noteholders, relevant competent authorities and, upon request, to potential investors.

Prior to the pricing date of the Notes, the Issuer has made available the documents required by article 7(1)(b) of the Securitisation Regulation to be made available prior to such date by means of the website of the EuroABS (<https://www.euroabs.com/IH.aspx?d=12561>), being a website that conforms to the requirement set out in article 7(2) of the Securitisation Regulation.

Credit ratings' endorsement

ESMA has published a consultation paper ("CP") on updating the guidelines (Update of the guidelines on the application of the endorsement regime under article 4(3) of the Credit Rating Agencies Regulation) on 4 April 2017 on the application of the endorsement regime under the CRA Regulation. Endorsement is a regime under the CRA Regulation, which allows credit ratings issued by a third-country CRA, and endorsed by an EU CRA, to be used for regulatory purposes in the EU. A credit rating that has been endorsed is considered to have been issued by the endorsing EU CRA. The endorsement regime is available for CRAs of systemic importance with global networks of affiliates.

The CP sets out a number of changes and clarifications to the existing guidelines focusing, in particular, on the obligations of the endorsing CRA and ESMA's supervisory powers over endorsed credit ratings.

On 1 June 2018, the new requirements under CRA III have entered into force, for the purposes of endorsement and equivalence, and by updating the Guidelines now, ESMA is able to revise its methodological framework for assessing third-country legal and supervisory frameworks in advance of this deadline. The consultation period closed on 3 July 2017.

In general, European regulated investors are restricted under the CRA III from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA III (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA III (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

Credit rating agencies

Credit ratings included or referred to in this Offering Circular have been or, as applicable, may be issued by Moody's, DBRS and Scope, each of which as at the date of this Offering Circular is a credit rating agency established in the European Community and registered under the CRA III.

Additionally, CRA III has introduced a requirement that where an issuer or related third parties (which term includes sponsors and originators) intend to solicit a credit rating of a structured finance instrument it will appoint at least two credit rating agencies to provide ratings independently of each other; and should consider appointing at least one rating agency having not more than a 10 (ten) per cent. total market share (as measured in accordance with article 8(d)(3) of the CRA (as amended by CRA III)) (a small CRA), provided that a small CRA is capable of rating the relevant issuance or entity. In order to give effect to those provisions of article 8(d) of CRA III, the European Securities and Markets Authority (ESMA) is required to annually publish a list of registered CRAs, their total market share, and the types of credit rating they issue. According to ESMA's 2017 market share calculations for the purposes of article 8(d) of the CRA III, each of DBRS and Scope is a small CRA with less than 10 (ten) per cent. market share (1.87% Market Share for DBRS and 0.46% market share for Scope).

Changes to European Securitisation Framework may result in additional costs for the transaction parties

As noted above, (i) Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (the "**Securitisation Regulation**") and (ii) Regulation (EU) 2017/2401 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (the "**Regulation 2017/2401**") have become applicable to securitisations the securities of which have been issued on or after 1 January 2019.

Amongst other differences, the above-mentioned regulations implement the revised securitisation framework developed by Basel Committee on Banking Supervision (with adjustments) and harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. There are material differences between the new requirements and the former requirements including with respect to the matters to be

verified under the due diligence requirements, as well as with respect to the application approach under the retention requirements and the originator entities eligible to retain the required interest. Further differences may arise under the corresponding guidance which will apply under the new risk retention requirements, which guidance is still to be made through new technical standards.

As to the impact of these regulations on Luxembourg national legislation, it should be noted that these EU regulations must be applied directly in its entirety across the EU Member States (including in Luxembourg) and existing national provisions that may be deemed contrary to its provisions shall not apply from thereon.

As of the date hereof, no other securitisation falling under the scope of the Securitisation Regulation has been approved in Luxembourg. On the other hand, the European Commission has been empowered under the Securitisation Regulation to adopt implementing technical standards on matters relating to, among others, (i) the templates for the provision of information, (ii) the templates to be used to provide information to the securitisation repository and (iii) the risk retention obligations. However, several of the regulatory technical standards mentioned under the Securitisation Regulation, and under which the relevant obligations and requirements should be densified in greater extent, are still to be approved by the European Commission. The entry into force of any such implementing technical standards may result in additional costs for the transaction parties.

The Issuer may be considered a covered fund pursuant to the Volcker Rule

Section 619 of the Dodd-Frank Act (the "**Volcker Rule**") prevents "banking entities" (a term which includes affiliates of a U.S. banking organisation as well as affiliates of a foreign banking organisation that has a branch or agency office in the U.S., regardless where such affiliates are located) from (i) engaging in proprietary trading in financial instruments, or (ii) acquiring or retaining any "ownership interest" in, or in "sponsoring", a "covered fund," subject to certain exemptions.

An "ownership interest" is defined widely and may arise through a holder's exposure to the profits and losses of the "covered fund", as well as through certain rights of the holder to participate in the selection or removal of an investment advisor, investment manager, or general partner, trustee, or member of the board of directors of the "covered fund". A "covered fund" is defined widely, and includes any issuer which would be an investment company under the Investment Company Act of 1940 (the "ICA") but is exempt from registration solely in reliance on section 3(c)(1) or 3(c)(7) of that Act, subject to certain exemptions found in the Volcker Rule's implementing regulations..

The Issuer has structured its operations with the intention of being excluded from being considered a "covered fund" within the meaning of the Volcker Rule. However, if the Issuer is deemed to be a "covered fund", then in the absence of regulatory relief, the provisions of the Volcker Rule and its related regulatory provisions, will severely limit the ability of "banking entities" to hold an "ownership interest" in the Issuer or enter into certain credit related financial transactions with the Issuer. "Ownership interest" is defined to include, among other things, interests arising through a holder's exposure to profits and losses in the covered fund or through any right of the holder to participate in the selection of an investment manager or advisor or the board of directors of such covered fund. The Class J and Class Z Notes may be characterised as ownership interests in the Issuer for this purpose and it is uncertain whether any of the Rated Notes may be similarly characterised as ownership interests.

The Volcker Rule and any similar measures introduced in another relevant jurisdiction may restrict the ability of relevant individual prospective purchasers to invest in the Notes and, in addition, may have a negative impact on the price and liquidity of the Notes in the secondary market. There is limited interpretive guidance regarding the Volcker Rule, and implementation of the regulatory framework for the Volcker Rule is still evolving. The Volcker Rule's prohibitions and lack of interpretive guidance could negatively impact the liquidity and value of the Notes. Any entity that is a "banking entity" as defined under the Volcker Rule and is considering an investment in "ownership interests" of the Issuer should consult its own legal advisors and consider the potential impact of the Volcker Rule in respect of such investment and on its portfolio generally. Each purchaser must determine for itself whether it is a "banking entity" subject to regulation under the Volcker Rule. If investment by "banking entities" in the Notes of any Class is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Notes. None of the Issuer, the Arranger, the Trustee or the Retention Holder makes any representation regarding

(i) the status of the Issuer under the Volcker Rule or (ii) the ability of any purchaser to acquire or hold the Notes, now or at any time in the future.

Requirements under the U.S. Risk Retention Rules

The Credit Risk Retention regulations implemented by U.S. Federal regulatory agencies including the SEC pursuant to Section 15G of the Exchange Act of 1934, as amended from time to time, including as amended by section 941 of the Dodd-Frank Act (the "**U.S. Risk Retention Rules**") came into effect with respect to residential mortgage backed securities on 24 December 2015 and other classes of asset-backed securities on 24 December 2016 and generally require the "sponsor" of a "securitization transaction" to retain at least 5 (five) per cent. of the "credit risk" of "securitized assets", as such terms are defined for purposes of that statute, and generally prohibit a sponsor from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the sponsor is required to retain. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The Retention Holder does not intend to retain at least 5 (five) per cent. of the credit risk of the Issuer for the purposes of the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the securitization transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 (ten) per cent. of the dollar value (or equivalent amount in the currency in which the securities are issued) of all classes of securities issued in the securitisation transaction are sold or transferred to U.S. persons (in each case, as defined in the U.S. Risk Retention Rules) or for the account or benefit of U.S. persons (as defined in the U.S. Risk Retention Rules and referred to herein as "**Risk Retention U.S. Persons**"); (3) neither the sponsor nor the issuer is organised under U.S. law, is a branch organized under U.S. law, or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 (twenty-five) per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer that is organised or located in the United States.

The Retention Holder has undertaken to the Issuer that it will comply with all requirements of Section 20 of the U.S. Risk Retention Rules as at the Issue Date.

Prospective investors should note that the definition of "U.S. person" in the U.S. Risk Retention Rules is different from the definition of "U.S. person" under Regulation S. The definition of U.S. person in the U.S. Risk Retention Rules is excerpted below. Particular attention should be paid to clauses (b) and (h), which are different than comparable provisions from Regulation S.

Under the U.S. Risk Retention Rules, and subject to limited exceptions, "U.S. person" (and "Risk Retention U.S. Person" as used in this Offering Circular) means any of the following:

- (a) any natural person resident in the United States;
- (b) any partnership, corporation, limited liability company, or other organisation or entity organised or incorporated under the laws of any State or of the United States;¹
- (c) any estate of which any executor or administrator is a U.S. person (as defined under any other clause of this definition);
- (d) any trust of which any trustee is a U.S. person (as defined under any other clause of this definition);
- (e) any agency or branch of a foreign entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person (as defined under any other clause of this definition);
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and

¹ The comparable provision from Regulation S is "(ii) any partnership or corporation organised or incorporated under the laws of the United States."

- (h) any partnership, corporation, limited liability company, or other organisation or entity if:
 - (i) organised or incorporated under the laws of any foreign jurisdiction; and
 - (ii) formed by a U.S. person (as defined under any other clause of this definition) principally for the purpose of investing in securities not registered under the Securities Act.²

The Retention Holder has advised the Issuer that it will not provide a waiver (U.S. Risk Retention Waiver) to any investor if such investor's purchase would result in more than 10 per cent. of the dollar value (as determined by fair value under US GAAP) of all classes of Notes to be sold or transferred to Risk Retention U.S. Persons on the Issue Date. Consequently, the Notes may not be purchased by any person except for persons that are not Risk Retention U.S. Persons. Each holder of a Note or a beneficial interest acquired in the initial distribution of the Notes, by its acquisition of a Note or a beneficial interest in a Note, will be deemed and in certain circumstances will be required to have made certain representations to the Issuer and the Retention Holder, including that it (1) is not a Risk Retention U.S. Person, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 (ten) per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section_20 of the U.S. Risk Retention Rules described herein).

The Retention Holder and the Issuer are relying on the representations made by purchasers of the Notes as to whether or not such purchasers are Risk Retention U.S. Persons and may not be able to determine the proper characterisation of potential investors for determining the availability of the exemption provided for in Section_20 of the U.S. Risk Retention Rules, and neither the Retention Holder, the Issuer nor the Arranger and Lead Manager nor any director, officer, employee, agent or affiliate of them accepts any liability or responsibility whatsoever for any such determination or characterisation.

There can be no assurance that the exemption provided for in Section_20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. Failure on the part of the Retention Holder to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) could give rise to regulatory action against the Retention Holder which may adversely affect the Notes and the ability of the Retention Holder to perform its obligations under the Transaction Documents. Furthermore, a failure by the Retention Holder to comply with the U.S. Risk Retention Rules could negatively affect the value and secondary market liquidity of the Notes.

The Retention Holder, the Issuer and the Arranger and Lead Manager have agreed that none of the Arranger and Lead Manager or any person who controls any of them or any director, officer, employee, agent or affiliate of the Arranger and Lead Manager shall have any responsibility for determining the proper characterisation of potential investors for such restriction or for determining the availability of the exemption provided for in Section 20 of the U.S. Risk Retention Rules, and none of the Arranger and Lead Manager or any person who controls any of them or any director, officer, employee, agent or affiliate of the Arranger and Lead Manager accepts any liability or responsibility whatsoever for any such determination.

None of the Issuer, the Trustee nor any of the other Transaction Parties or any of their respective affiliates makes any representation to any prospective investor or purchaser of the Notes as to whether the transaction described in this Offering Circular complies with the U.S. Risk Retention Rules on the Issue Date or at any time in the future. Investors should consult their own advisers as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

² The comparable provision from Regulation S "(vii)(B) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in 17 CFR 230.501(a)) who are not natural persons, estates or trusts."

Non-compliance by the Retention Holder with article 6 of the Securitisation Regulation may adversely affect the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market

The Retention Holder, being the originator for the purposes of the Securitisation Regulation, has undertaken in the Risk Retention Commitment Letter to retain on an ongoing basis a material net economic interest of not less than five per cent. in the securitisation (the "**Retention Obligation**"). As at the Issue Date, such interest will comprise the retention of the Class Z Notes, as required by the text of paragraph (d) of article 6(3) of the Securitisation Regulation (the "**Retained Interest**"). The aggregate Principal Amount Outstanding of the Class Z Notes as at the Issue Date will be equal to at least five per cent. of the nominal value of the securitised exposures.

Among other undertakings, the Retention Holder has undertaken not to take any action which would reduce the Retention Holder's exposure to the economic risk of the Notes in such way that the Retention Holder ceases to hold the Retained Interest in compliance with the Securitisation Regulation. The retained exposure may be reduced over time by amortisation and allocation of losses or defaults on the underlying Receivables. Any change to the manner in which the Retained Interest is held will be notified to the Issuer, the Trustee and the Cash Manager.

The Retention Holder has further acknowledged that quarterly confirmations that the Retention Holder's continued holding of the Retained Interest is equal to at least five per cent. of the nominal value of the securitised exposures will be made available to the Noteholders, to the competent authorities referred to in article 29 of the Securitisation Regulation and, upon request, to potential investors by means of the Investor Reports and Quarterly Transaction Reports, as provided for in article (7)(1)(e)(iii) of the Securitisation Regulation.

Various parties to the transaction are subject to the requirements of the Securitisation Regulation. Although the Issuer believes that the transaction is in compliance with the requirements of the Securitisation Regulation, as discussed above, there is at present some uncertainty in relation to some of these requirements, including in particular with regard to the transparency obligations under article 7 of the Securitisation Regulation (as better detailed below in the risk factor entitled "*Non-compliance by the Issuer with article 5 of the Securitisation Regulation may adversely affect the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market*").

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Issuer as to the Retention Holder's ability to comply with any obligation, including the Retention Obligation and the Retained Interest. In this respect, please see the statements made in relation to the Retention Holder in the section entitled "*Responsibility Statements*" and the EU Risk Retention requirements described in the section entitled "*EU risk retention and transparency requirements*" above.

If the Retention Holder does not comply with its undertakings, the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market may be adversely affected. Additionally, non-compliance by the Retention Holder with article 6 of the Securitisation Regulation may trigger the application of criminal and administrative sanctions by the relevant competent authorities as foreseen under the Securitisation Regulation which may adversely affect the ability of the Retention Holder, as Transferor, to indemnify the Issuer, as Purchaser, as a result of any breach of the Reallocation Agreement.

Non-compliance by the Noteholders with article 5 of the Securitisation Regulation may adversely affect the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market

Article 5 of the Securitisation Regulation also places an obligation on institutional investors, before investing in a securitisation transaction and thereafter, to analyse, understand and stress test their securitisation positions, and monitor on an ongoing basis and in a timely manner performance information on the exposures underlying their securitisation positions. The Issuer has undertaken to provide to the Trustee and the Cash Manager such information as may be reasonably required by the Noteholders to be included in the Cash Manager's Investor Report (to the extent the Cash Manager agrees) to enable such Noteholders to comply with their obligations pursuant to the Securitisation Regulation. Where the relevant requirements of article 5 of the Securitisation Regulation are not complied with in any material respect and there is negligence or omission in the fulfilment of its due diligence obligations on the part of an institutional investor that is investing in the Notes, the institutional investor may be subject to regulatory sanctions

including fines, public censure and (where applicable) a proportionate additional risk weight of no less than 250% (two hundred and fifty per cent.) of the risk weight (with the total risk weight capped at 1250% (one thousand two hundred and fifty per cent.) which would otherwise apply to the relevant securitisation position, progressively increasing with each subsequent infringement of the due diligence provisions. Additionally, non-compliance with the requirements of article 5 of the Securitisation Regulation may adversely affect the price and liquidity of the Notes. Noteholders should make themselves aware of the provisions of the Securitisation Regulation and make their own investigation and analysis as to the impact of the Securitisation Regulation on any holding of Notes.

In accordance with the provisions of article 17 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation), the Issuer shall ensure that the inside information is made public in a manner which enables fast access and complete, correct and timely assessment of the information by the public and, where applicable, in the officially appointed mechanism referred to in article 21 of Directive 2004/109/EC of the European Parliament and the Council

Noteholders should take their own advice on compliance with, and in the application of, the provisions of articles 5 and 6 of the Securitisation Regulation.

Without prejudice to the various duties and requirements each Transaction Parties may be required to comply under the Securitisation Regulation, each prospective investor is required independently to assess and determine the sufficiency of the information described above and in this Offering Circular generally for the purposes of complying with article 5 of the Securitisation Regulation and any relevant national measures and none of the Issuer, the Arranger and Lead Manager or any other transaction party: (i) makes any representation that the information described above or in this Offering Circular is sufficient in all circumstances for such purposes, (ii) should have any liability to any prospective investor or any other person for any insufficiency of such information or any failure of the transactions contemplated herein to comply with or otherwise satisfy the requirements of the Securitisation Regulation or any other applicable legal, regulatory or other requirements, or (iii) shall have any obligation to enable compliance with the requirements of the Securitisation Regulation or any other applicable legal, regulatory or other requirements. In addition, each prospective investor should ensure that they comply with the implementing provisions in respect of the Retention Obligation in their relevant jurisdiction. Investors, who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator. The matters described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

Additionally, if any changes to the Conditions or the Transaction Documents are required or other actions are required from the Issuer as a result of the implementation of any such legal or regulatory changes, the Issuer may be required to bear the costs of making such changes (to be paid through the applicable Payment Priorities).

Non-compliance by the Issuer with article 7 of the Securitisation Regulation may adversely affect the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market

As to the transparency requirements set forth under article 7 of the Securitisation Regulation, article 7 of the Securitisation Regulation places reporting and transparency requirements, such as the need to make available certain information and documentation to Noteholders, competent authorities and potential investors on originators, sponsors and securitisation special purpose entities (SSPEs) of securitisations. In this context, the Issuer has been appointed as the designated entity under article 7(2) of the Securitisation Regulation. The Issuer has appointed the Servicer and, to the extent it agrees, the Cash Manager, to assist the Issuer in complying with its obligations under article 7 of the Securitisation Regulation. The Quarterly Transaction Report to be prepared by the Servicer and the Investor Reports to be prepared by the Cash Manager (to the extent the Cash Manager agrees) will be made available by the Issuer (or by the Servicer on its behalf) to the relevant recipients by means of the SR Website, being a website that conforms to the requirement set out in article 7(2) of the Securitisation Regulation. The information via the website will be available to the Noteholders, relevant competent authorities and, upon request, to potential investors. It should be noted that there is no certainty that references to the Retention Obligation and the Retained Interest in this Offering Circular or the undertakings of the Retention Holder will constitute adequate due

diligence (on the part of the Noteholders) or explicit disclosure (on the part of the Retention Holder) for the purposes of article 5 of the Securitisation Regulation. The Issuer has made available the documents required by article (7)(1)(b) of the Securitisation Regulation prior to the pricing date of the Notes by means of the website of EuroABS (<https://www.euroabs.com/IH.aspx?d=12561>), being a website that conforms to the requirement set out in article 7(2) of the Securitisation Regulation.

If the Issuer, as designated entity under article 7(2) of the Securitisation Regulation, fails to perform its reporting obligation in accordance with article 7 of the Securitisation Regulation, then this may potentially lead to non-compliance of each of the Issuer and the Transferor with the transparency requirements under article 7 of the Securitisation Regulation. Non-compliance with article 7(2) of the Securitisation Regulation may adversely affect the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market. Additionally, non-compliance with article 7 of the Securitisation Regulation may trigger the application of criminal and administrative sanctions by the relevant competent authorities as foreseen under the Securitisation Regulation which may adversely affect the ability of the Issuer to make payments of principal and/or interest under the Notes.

Non-compliance by the Transferor with article 9 of the Securitisation Regulation may adversely affect the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market

The Transferor was not the originator of the Receivables comprised in the Receivables Portfolio and has acquired its interest in the Receivables from the Original Lender.

The Retention Holder has represented and warranted to the Issuer under the Risk Retention Commitment Letter that it has performed and complied with its obligations pursuant to article 9 of the Securitisation Regulation.

If the Retention Holder, as an originator which purchases a third party's exposures for its own account and then securitises them for the purposes of article 9 of the Securitisation Regulation, does not comply with its undertakings, and without prejudice to any administrative sanctions and remedial measures that may be imposed to the Retention Holder in accordance with article 32 of the Securitisation Regulation, the ability of the Noteholders to sell and/or the price investors receive for, the Notes in the secondary market may also be adversely affected. Additionally, non-compliance by the Transferor with article 9 of the Securitisation Regulation may trigger the application of criminal and administrative sanctions by the relevant competent authorities as foreseen under the Securitisation Regulation which may adversely affect not only the ability of the Retention Holder to comply with the Retention Obligation, but also the ability of the Sponsor to indemnify the Issuer, as Purchaser, as a result of any breach of the Reallocation Agreement.

Changes to the European Market Infrastructure Regulation may give rise to additional costs and expenses for the Issuer

The European Market Infrastructure Regulation (EU) No 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories ("**EMIR**") came into force on 16 August 2012. EMIR and the requirements under it impose certain obligations on parties to "over the counter" ("**OTC**") derivative contracts including a mandatory clearing obligation ("**Clearing Obligation**"), margin posting (the "**Collateral Obligation**"), the requirement to report derivative transactions to a trade repository or to the European Securities and Market Authority ("**ESMA**") (the "**Reporting Obligation**") and other risk-mitigation techniques (the "**Risk Mitigation Requirements**") for OTC derivatives contracts not cleared by a central counterparty, and other record-keeping requirements.

Under EMIR, (i) certain financial counterparties ("**FCs**") and (ii) non-financial counterparties whose positions, together with the positions of all other non-financial counterparties in its "group" (as defined in EMIR), in OTC derivatives (excluding hedging positions) exceed a specified clearing threshold (such nonfinancial counterparties to which EMIR applies are known as "**NFC+s**") must clear via an authorised or recognised central counterparty ("**CCP**") OTC derivatives contracts that are entered into on or after the effective date for the Clearing Obligation for that counterparty pair and class of derivatives (the "**Clearing Start Date**"). Unless an exemption applies, FCs and NFC+s must clear any such OTC derivative contracts entered into between each other and with certain third country equivalent entities (i.e. those that would have been subject to the Clearing Obligation if they were established in the EU). The process for implementing the Clearing Obligation is under way and a timeframe for compliance has been established for the first class of transactions (which include interest rate derivative contracts in USD, EUR, GBP and JPY), with the

Clearing Start Date for such contracts with NFC+s being 21 December 2018. Timeframes for mandatory clearing of certain other classes of OTC derivatives transactions have also been established.

On the basis that the Issuer currently has the counterparty status of a non-financial counterparty that is not an NFC+ ("**NFC-s**"), neither the Clearing Obligation nor the Collateral Obligation will not apply to it. If the Issuer's counterparty status as an NFC- changes to NFC+ or FC then certain OTC derivatives contracts that are entered into by the Issuer may become subject to the Clearing Obligation or the Collateral Obligation.

The Cap Counterparty has agreed to provide hedging to the Issuer and investors should be aware that, further to EMIR, the Issuer is subject to the Risk Mitigation Requirements, the Reporting Obligation and other record keeping requirements under EMIR.

The Issuer will be required to continually comply with EMIR while it is party to any Cap Transaction, including any additional provisions or technical standards which may come into force after the Closing Date.

The Risk Mitigation Requirements include requirements for timely confirmation, portfolio reconciliation, and dispute resolution. The EMIR Reporting Agent will provide services to the Issuer pursuant to the terms of an EMIR reporting agreement to be entered into between the EMIR Reporting Agent and the Issuer on or about the Issue Date which are required in order for the Issuer to comply with its reporting and portfolio reconciliation obligations under EMIR, to the extent that they may be delegated. If the Issuer enters into with a replacement Cap Transaction under a replacement Cap Agreement with a replacement Cap Counterparty then the Issuer will be required to enter into alternative arrangements to ensure it remains in compliance with EMIR.

Pursuant to the Receivables Servicing Agreement, the Issuer has appointed HipoGes Iberia S.L.U. as its agent in order to perform the reconciliation activity required to be performed by the Issuer under the Cap Transaction and such agent has agreed and acknowledged such appointment and has agreed to cooperate with the Issuer in any administrative activities which the latter is required to perform in order to be compliant with EMIR (without prejudice to the duties of the EMIR Reporting Agent pursuant to EMIR Reporting Agreement).

It should also be noted that further changes are made to the EMIR framework following the publication of Regulation (EU) 2019/384 which amends EMIR and is in force with effect from 17 June 2019, including in respect of EMIR counterparty classification. Such changes will not impact the Issuer's classification as an NFC-.

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR but also by the proposals to amend the existing Markets in Financial Instruments Directive. The official texts of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("**MiFID II**") and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ("**MiFIR**" together with MiFID II "**MiFID II/MiFIR**") were published in the EU Official Journal on 12 June 2014 and entered into force on 2 July 2014. MiFIR is a Level -1 regulation and requires secondary rules for full implementation of all elements. The implementing measures that supplement MiFIR will take the form of delegated acts and technical standards. On 23 April 2014 the Commission asked ESMA to produce technical advice on the necessary delegated acts.

Member States were required to adopt and publish their laws, regulations and administrative provisions transposing MiFID II into national law by 3 July 2017, and to apply those measures from 3 January 2018. As an EU Regulation, MiFIR automatically forms part of the national law of each Member State, so does not require implementing legislation. MiFIR came into effect on 3 January 2018. Amongst other requirements, MiFIR requires certain standardised derivatives to be traded on exchanges and electronic platforms (the "**Trading Obligation**"). The Issuer is not currently subject to the Trading Obligation based on its NFC- status under EMIR. Regulatory technical standards will be developed to determine which

derivatives will be subject to the Trading Obligation. In this respect, it is difficult to predict the full impact of these regulatory requirements on the Issuer.

Prospective investors should be aware that the regulatory changes arising from EMIR and MiFID II/MiFIR may in due course significantly raise the costs of entering into derivative contracts and may adversely affect the Issuer's ability to engage in transactions in OTC derivatives. As a result of such increased costs or increased regulatory requirements, investors may receive less interest or return, as the case may be. Investors should be aware that such risks are material and that the Issuer could be materially and adversely affected thereby. As such, investors should consult their own independent advisers and make their own assessment about the potential risks posed by EMIR, technical standards made thereunder (including currently adopted technical standards) and MiFID II/MiFIR, in making any investment decision in respect of the Notes.

MiFID II and MiFIR may require changes to Transaction Documents or additional requirements for the Issuer which may increase costs to be borne by the Issuer

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR (as referred to above) but also by Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (as amended, "**MiFID II**") and Regulation (EU) No. 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 ("**MiFIR**"), together with the relevant secondary and supplementing legislation. From 3 January 2018, MiFID II and MiFIR has become applicable in EU Member States.

Amongst other requirements, MiFIR requires certain standardised derivatives to be traded on exchanges and electronic platforms (the "**Trading Obligation**"). In this respect, it is difficult to predict the full impact of these regulatory requirements on the Issuer.

Prospective investors should be aware that the regulatory changes arising from MiFID II/MiFIR may in due course significantly raise the costs of entering into derivative contracts and may adversely affect the Issuer's ability to engage transactions in OTC derivatives. As a result of such increased costs or increased regulatory requirements, investors may receive less interest or return, as the case may be. Investors should be aware that such risks are material and that the Issuer could be materially and adversely affected thereby. As such, investors should consult their own independent advisers and make their own assessment about the potential risks posed by MiFID II/MiFIR, and technical standards made thereunder, in making any investment decision in respect of the Notes.

In addition to the above, please note that given the prospective dates of entry into force of certain requirements (which, as detailed above, could impact the financial conditions of the Issuer), of MiFID II and MiFIR, certain amendments may be required to be made to the Transaction Documents in order to ensure compliance with such requirements.

MiFID II and MiFIR may pose additional requirements in the future for the Issuer to comply with, which the Issuer cannot foresee as at the date of this Offering Circular and is not aware as at the date of this Offering Circular.

The Basel Capital Accord ("Basel III**") may affect risk weighting of the Notes for the Noteholders**

The original Basel Accord was agreed in 1988 by the Basel Committee on Banking Supervision (the "**Committee**"). The 1988 Accord, now referred to as Basel I, helped to strengthen the soundness and stability of the international banking system as a result of the higher capital ratios that it required. The Committee published the text of the new capital accord under the title: "*Basel II; International Convergence on Capital Measurement and Capital Standards: a revised framework*" (the "**Framework**") in June 2004. In November 2005, the Committee issued an updated version of the Framework. On 4 July 2006, the Committee issued a comprehensive version of the framework. This Framework places enhanced emphasis on market discipline and sensitivity to risk and serves as a basis for national and supranational rule-making and approval processes for banking organisations. The Framework was put into effect for credit institutions and investment firms in Europe via the recasting of a number of prior directives, which Member States were required to transpose, and the financial industry services to apply, by 1 January 2007, particularly Directive 2006/48/EC and Directive 2006/49/EC, formally adopted by the Council and the European

Parliament on 14 June 2006 ("**CRD**"). The CRD is not self-implementing, implementation dates in participating countries being dependent on the relevant national implementation process in those countries.

Several amendments and developments were announced by the Basel Committee since 2008 to strengthen certain aspects of the Framework, including general information in respect of the supplier and the financial service, contractual terms and conditions, whether or not there is a right of cancellation and strengthening of existing capital requirements.

On 12 September 2010, existing capital requirements were strengthened, the minimum common equity requirement being increased from 2% (two per cent.) to 4.5% (four point five per cent.). In addition, banks were required to hold a capital conservation buffer of 2.5% (two point five per cent.) to withstand future periods of stress bringing the total common equity requirements to 7% (seven per cent.). This reinforced the stronger definition of capital agreed by Governors and Heads of Supervision in July that year and the higher capital requirements for trading, derivative and securitisation activities introduced at the end of 2011.

On 26 October 2011, the European Banking Authority ("**EBA**") issued a methodological note, in accordance with which, by June 2012, the core Tier 1 capital ratio is assessed after the removal of the prudential filters on sovereign assets in the Available-for-Sale portfolio and prudent valuation of the exposure to sovereign debt, reflecting current market prices.

More recently, the Committee has developed a comprehensive set of reform measures known as "**Basel III**" in order to further strengthen the regulation, supervision and risk management of the banking sector. These measures aim, notably, at improving the banking sector's ability to absorb shocks arising from financial and economic stress, improving risk management and governance and strengthening banks' transparency and disclosures.

The new capital reserve rules should have been implemented in stages, between 1 January 2014 and 1 January 2019 (and subsequently transposed into the national laws), with a phase-in period beginning in 2014, the common equity requirements coming into force in 2014, and the completing measures in 2019.

The first stage of the Basel III measures has been put in place on 1 January 2014 by Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 ("**CRD IV**", generally required to be transposed by Member States by 31 December 2013 in accordance with article 162 thereof), complemented by the CRR. The CRD has been repealed by the entry into force of CRD IV and CRR. Additionally, European credit institutions are also subject to an annual Supervisory Review and Evaluation Process ("**SREP**") assessment, which takes into account the general framework and principles defined in the CRD IV. The SREP assessments include capital assessment, business model analysis, assessment of internal governance and institution-wide risk controls, assessment of risks to liquidity and funding, SREP liquidity assessment and broader stress testing. The SREP annual review under which the banking supervisors assess the adequacy of capital of an entity, identify risks that are not covered by own funds requirements and the need of 'Pillar 2' capital requirements. Where the SREP for an institution identifies risks or elements of risk that are not covered by the 'Pillar 1' capital requirements or the combined buffer requirement, competent authorities can determine the appropriate level of the institution's own funds under CRD IV and assess whether additional own funds shall be required.

The Basel framework affects risk weighting of the Notes for investors subject to the new framework following implementation (via EU or non-EU regulators). Consequently, Noteholders should consult their own advisers as to the consequences to and effect on them of the application of the framework, as implemented by their own regulator, to their holding of Notes. The Issuer is not responsible for informing Noteholders of the effects of the changes to risk weighting which will result for investors from the adoption by their own regulator of the framework (whether or not implemented by them in its current form or otherwise). The new capital adequacy requirements may impact existing business models. In addition, there can be no assurances that breaches of legislation or regulations by the Issuer will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred.

Certain Transaction Parties may be subject to preventive measures, supervisory intervention and resolution tools under the Bank Recovery and Resolution Directive, which may impact the performance of their respective obligations under the Transaction Documents

In May 2014, the EU Council and the EU Parliament approved a Directive establishing a framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/UE of the

European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms, the "**BRRD**"). The aim of the BRRD is to equip national authorities with harmonised tools and powers to tackle crises at banks and certain investment firms at the earliest possible moment and to minimise costs for taxpayers. The tools and powers include:

- (a) preparatory and preventive measures (including the requirement for banks to have recovery and resolution plans);
- (b) early supervisory intervention (including powers for authorities to take early action to address emerging problems); and
- (c) resolution tools, which are intended to ensure the continuity of essential services and to manage the failure of a credit institution in an orderly way.

EU Member States were required to implement the BRRD in national law by 1 January 2015, save that the bail in tool (which will enable the recapitalisation of a failed or failing credit institution through the imposition of losses on certain of its creditors through the write-down of their claims or the conversion of the claims into the failed or failing credit institution's equity) were to apply from 1 January 2016. The bail-in tool as proposed in the BRRD applies to all "eligible liabilities" (as defined in the BRRD) irrespective of when they were issued.

Investment firms and credit institutions, such as the Accounts Bank, are thus subject to the BRRD regime as implemented in the relevant EU Member States. If investment firms or credit institutions are part of contracts in a securitisation and one or more of the above-mentioned actions under the BRRD is taken in respect of such investment firms or credit institutions, this may impact the performance of their respective obligations under the relevant contracts.

OTHER RISKS

Risk arising from Spanish Economic Situation

In 2018 the deficit in Spain stood at 2.6% of gross domestic product ("**GDP**") (source: Bank of Spain) and high public deficits have pushed public debt to 97.2% of GDP in 2018 (source: Bank of Spain), but despite the adverse dynamics, the level of public debt in Spain is not far from the Euro area average.

The Spanish economy could be negatively affected by several risks, both external and internal.

External risks include the possibilities of a greater slowdown in the emerging economies and another episode of financial volatility and several political and geopolitical risks. Other existing risks to the Spanish economy include a potential increase of the interest rates, the variation of the EUR-USD exchange rate or the implementation of protectionist measures in both foreign and European economic systems. In addition, while the probability of country defaults has decreased since 2012, the possibility of a European sovereign default still exists.

An internal risk to the Spanish economy arises from political fragmentation and uncertainties arising from the political situation within Spain, which may slow the pace of reform and fiscal adjustments or result in changes to laws, regulations and policies or impact economic growth in Spain. This applies not only to specific Spanish regions such as Catalonia (where considerable uncertainty exists regarding the outcome of political tensions between Spain's central government and the regional government of Catalonia that could start to weigh on business confidence and investment, and could weaken Spain's current good growth prospects) but also to central government where, after the April 2019 Spanish general election result, further instability cannot be ruled out during the legislature. An increase in political uncertainties in Spain could have adverse economic effects. Furthermore, there is consensus that, despite the expected improvement in the labour market, the unemployment rate will remain high in the months to come in Spain.

Given the current uncertainties and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the recoverability of the NPLs, the market value of the Properties, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Risks arising from economic conditions in the eurozone

Concerns relating to credit risks (including those of sovereigns and those of entities which are exposed to sovereigns) continue. In particular, concerns have been raised with respect to current economic, monetary and political conditions in the eurozone. If such concerns persist and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more states or institutions and/or any changes to, including any break-up of, the eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect one or more of the Transaction Parties (including the Transferor and/or the Servicer) and/or any Borrower in respect of the Receivables. Given the current uncertainties and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

United Kingdom's exit from the European Union

On 23 June 2016, the United Kingdom ("UK") held the UK Referendum. As mentioned above, the result of the referendum's vote was to leave the EU, which creates several uncertainties within the UK, and regarding its relationship with the EU. On 29 March 2017, the UK served notice in accordance with article 50 of the Treaty on European Union of its intention to withdraw from the EU. The notification of withdrawal started a two-year process during which the terms of the UK's exit will be negotiated, although this period may be extended in certain circumstances. The departure of the United Kingdom is expected to occur on 31 of October of 2019.

The result and the resulting negotiations are likely to generate further increased volatility in the markets and economic uncertainty which could adversely affect one or more of the Transaction Parties (including the Transferor) and the level of recoveries from the Receivables or any Properties. Until the terms and timing of the UK's exit from the EU are confirmed, it is not possible to determine the full impact that the referendum, the UK's departure from the EU and/or any related matters may have on general economic conditions in the UK or the rest of the EU.

Given the current uncertainties and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and ratings assigned to the Rated Notes are based on law, tax rules, rates, procedures and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given that law, tax rules, rates, procedures or administration practice will not change after the date of this Offering Circular or that such change will not adversely impact the structure of the transaction and the treatment of the Notes including the expected payments of interest and repayment of principal in respect of the Notes.

Limited Provision of Information

Except if otherwise specifically provided in the Transaction Documents, the Issuer will not be under any obligation to disclose to the Noteholders any financial or other information received by it in relation to the Receivables or to notify them of the contents of any notice received by it in respect of the Receivables, which includes no obligation to keep any Noteholder or any other person informed as to matters arising in relation to the Receivables, except for the information provided in the Investor Report concerning the Receivables and the Notes which will be made available to the Noteholders on or about each Interest Payment Date.

Projections, forecasts and estimates are forward-looking statements and do not assure projected or forecasted results to be attained

Forward looking statements, including estimates, any other projections and forecasts in this document are necessarily speculative in nature and some or all of the assumptions underlying the forward-looking statements may not materialise or may vary significantly from actual results. Accordingly, the projections

are only an estimate and there can be no assurance that any projected or forecasted results will be attained. Actual results may vary from the projections, and the variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates; market, financial or legal uncertainties; and political changes, among others. Consequently, the inclusion of forward looking statements in this Offering Circular should not be regarded as a representation by the Issuer, the Retention Holder, the Arranger and Lead Manager, the Servicer, or any of their respective affiliates or any other person or entity, of the results that actually will be achieved by the Issuer.

None of the Issuer, the Retention Holder, the Arranger and Lead Manager, the Servicer, or any of their respective affiliates, has any obligation to update or otherwise revise any projections, forecasts or estimates, including any revisions to reflect changes in economic conditions or other circumstances arising after the date of this Offering Circular or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not hold true.

Potential Conflict of Interest

Each of the Transaction Parties (other than the Issuer), the Arranger and Lead Manager and its affiliates in the course of each of their respective businesses may provide services to other Transaction Parties, to the Arranger and Lead Manager and to third parties and in the course of the provision of such services it is possible that conflicts of interest may arise between such Transaction Parties, the Arranger and Lead Manager and its affiliates or between such Transaction Parties, the Arranger and Lead Manager and its affiliates and third parties. Each of the Transaction Parties (other than the Issuer), the Arranger and Lead Manager and its affiliates may provide such services and enter into arrangements with any person without regard to or constraint as a result of any such conflicts of interest arising as a result of it being a Transaction Party or Arranger and Lead Manager in respect of the transaction. In particular, the Arranger and Lead Manager and its affiliates may provide financing secured by the Portfolio held by the Transferors which may be refinanced with the proceeds of the issue of the Notes.

There can be no assurance that no conflicts of interest will arise or that, when any conflicts of interest arise, the Transaction Parties (other than the Issuer), the Arranger and Lead Manager and its affiliates will act in the best interests of the Issuer or that conflicts of interest will be resolved in the favour of the Issuer. Accordingly, there can be no assurance that the Notes will not be adversely affected in case of any conflicts of interest that arise between such parties or between them and third parties.

Adequacy of the Investment

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Issuer believes that the risks described above are certain of the principal risks inherent in the transaction for Noteholders but the inability of the Issuer to pay interest or repay principal on the Notes may occur for other reasons and, accordingly, the Issuer does not represent that the above statements of the risks of holding the Notes are comprehensive. While the various structural elements described in this Offering Circular are intended to lessen some of these risks for Noteholders there can be no assurance that these measures will be sufficient or effective to ensure payment to the Noteholders of interest or principal on the Notes on a timely basis or at all.

RESPONSIBILITY STATEMENTS

The Issuer is responsible for the information contained in this document. Having taken all reasonable care to ensure that such is the case, to the best of the knowledge and belief of the Issuer, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer further confirms that this Offering Circular contains all information which is material in the context of the admission to trading of the Rated Notes on the Global Exchange Market of Euronext Dublin, that such information contained in this Offering Circular is true and accurate in all respects and is not misleading, that the opinions and the intentions expressed in it are honestly held by it and that there are no facts the omission of which makes this Offering Circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any respect and all proper enquiries have been made to ascertain and to verify the foregoing.

ProSil Acquisition S.A., in its capacity as **Transferor**, accepts responsibility for the information in this Offering Circular relating to itself in the section headed "*The Transferors*" and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in such sections is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Transferors as to the accuracy or completeness of any information contained in this Offering Circular (other than the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

Cortland Investors II S.à r.l., in its capacity as **Sponsor** and **Retention Holder**, accepts responsibility for the information in this Offering Circular relating to itself in the section headed "*The Sponsor and Retention Holder*" and relating to the Original Lenders contained in the section headed "*The Original Lenders*" and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in such sections is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Sponsor or the Retention Holder as to the accuracy or completeness of any information contained in this Offering Circular (other than the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

HipoGes Iberia S.L.U., in its capacity as **Servicer**, accepts responsibility for the information in this Offering Circular relating to itself in the section headed "*The Servicer*" and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in such sections is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Servicer as to the accuracy or completeness of any information contained in this Offering Circular (other than the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

US Bank Global Corporate Trust Ltd, in its capacity as **Cash Manager**, accepts responsibility for the information in this document relating to itself in the section headed "*The Cash Manager*" and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in such sections is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Cash Manager as to the accuracy or completeness of any information contained in this Offering Circular (other than the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

Citibank Europe plc, Luxembourg Branch, in its capacity as **Accounts Bank** and **Cap Collateral Account Bank**, accepts responsibility for the information in this document relating to itself in the section headed "*The Accounts Bank*" and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in such sections is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Accounts Bank as to the accuracy or completeness of any information contained in this Offering Circular (other than the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

U.S. Bank Trustees Limited, in its capacity as **Trustee**, accepts responsibility for the information in this document relating to itself in the section headed "*The Trustee*" and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in such sections is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Trustee as to the accuracy or completeness of any information contained in this Offering Circular (other than the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

E&Y Servicios Corporativos, S.L., in its capacity as **Monitoring Agent**, accepts responsibility for the information in this document relating to itself in the section headed "*The Monitoring Agent*" and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in such sections is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Monitoring Agent as to the accuracy or completeness of any information contained in this Offering Circular (other than the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

J.P. Morgan AG, in its capacity as **Cap Counterparty**, accepts responsibility for the information in this Offering Circular relating to itself in the section headed "*The Cap Counterparty*" and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in such sections is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Cap Counterparty as to the accuracy or completeness of any information contained in this Offering Circular (other than the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

No responsibility or liability

The Notes will be obligations solely of the Issuer and will not be obligations of, and will not be guaranteed by, and will not be the responsibility of, any other entity. In particular, the Notes will not be the obligations of, and will not be guaranteed by the Arranger and Lead Manager or any of the Transaction Parties (other than the Issuer).

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any other entity as to the accuracy or completeness of any other information contained in this Offering Circular (other than as referred above) or any other information supplied in connection with the Notes or their distribution.

J.P. Morgan Securities plc, in its capacity as **Arranger and Lead Manager** (the "**Arranger and Lead Manager**"), does not accept any responsibility for the information in this Offering Circular.

None of the Arranger and Lead Manager or any of its affiliates makes any representation or warranty as to the fairness, accuracy, adequacy or completeness of the information, the assumptions on which it is based, the reasonableness of any projections or forecasts contained herein or any further information supplied, or the suitability of any investment for your purpose. None of the Arranger and Lead Manager or any of its affiliates have any responsibility for any loss, damage or other results arising from reliance on this information. The Arranger and Lead Manager therefore disclaims any and all liability relating to this Offering Circular including without limitation any express or implied representations or warranties for statements contained in, and omissions from, the information herein. Neither the Arranger and Lead Manager nor any of its employees, directors, accepts any liability or responsibility in respect of the information herein and shall not be liable for any loss or damages of any kind (including, without limitation, damages for misrepresentation under the Misrepresentation Act 1967) which may arise from reliance upon such information. The Arranger and Lead Manager is acting solely in the capacity of an arm's length counterparty and not in the capacity of financial adviser or fiduciary of any person.

No person is authorised to give any information or to make any representation in connection with the offering or sale of the Notes other than those contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Retention Holder, the Arranger and Lead Manager or any of their respective affiliates or advisers. Neither the delivery of this Offering Circular nor any sale or allotment made in connection with the offering of the Class A

Notes and the Class B Notes contemplated thereunder shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer or the Retention Holder in the other information contained herein since the date hereof. The information contained in this Offering Circular was obtained from the Issuer and the other sources identified herein, but no assurance can be given by the Arranger and Lead Manager as to the accuracy or completeness of such information. The Arranger and Lead Manager has not separately verified the information contained herein. Accordingly, the Arranger and Lead Manager does not make any representation, express or implied, nor accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular or any document or agreement relating to the Notes. The Arranger and Lead Manager shall not be responsible for the execution, legality, effectiveness, adequacy, genuineness, enforceability or admissibility in evidence of any document or agreement relating to the Notes. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes.

This Offering Circular may only be used for the purposes for which it has been published. This Offering Circular is not, and under no circumstances is to be construed as an advertisement, and the offering of the Class A Notes and the Class B Notes, to be admitted to trading pursuant to this Offering Circular, is not, and under no circumstances is it to be construed as, an offering of the Notes to the public.

IMPORTANT NOTICE

Not for distribution to any U.S. Person or to any person or address in the U.S.

The securities to which this Offering Circular relates (the "**Securities**") have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to U.S. persons (other than distributors and as described in the section entitled "**Distribution and Sale**"), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Securities will be offered, sold or delivered outside the United States to persons who are not US persons (as defined in Regulation S under the Securities Act (the "**Regulation S**")) in offshore transactions in reliance on Regulation S and in accordance with applicable laws.

The Retention Holder intends to rely on an exemption provided for in Section 20 of the Dodd-Frank Act (the "**U.S. Risk Retention Rules**") regarding non-U.S. transactions that meet certain requirements. Consequently, without the express prior written consent of the Retention Holder (a "**U.S. Risk Retention Consent**"), on the Issue Date the Notes may only be purchased by persons that are not "*U.S. persons*" as defined in the U.S. Risk Retention Rules (the "**Risk Retention U.S. Person**"). Prospective investors should note that the definition of "*U.S. person*" in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of "*U.S. person*" in Regulation S. Certain investors may be required to execute a written certification of representation letter by the Retention Holder in respect of their status under the U.S. Risk Retention Rules. See "*Risk Factors – U.S. Risk Retention Requirements*".

Other distribution restrictions

This Offering Circular is not being distributed to and must not be passed on to the general public in the United Kingdom. This communication is only directed to those persons in the United Kingdom who are within the definition of Investment Professionals (as defined in article 19 of the Financial Services & Markets Act 2000 (Financial Promotions) Order 2005 (the "**FPO**")). As such this communication is directed only at persons having professional experience in matters relating to investments.

Outside of the UK, this Offering Circular is only directed at Professional Clients or Eligible Counterparties as defined in the Markets in Financial Instruments Directive 2014/65/EU (as amended, "**MiFID II**") and is not intended for distribution to or use by retail clients (as defined in MiFID II). Furthermore, the information in this Offering Circular is exclusively directed at persons who are not "retail investors" in the European Economic Area. The expression "retail investor" means a person who is one (or more) of the following (i) a retail client as defined in point (11) of article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast) (the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Prospectus Directive. In addition, the information contained herein is directed exclusively at persons outside the United States who are not U.S. persons (as defined in Regulation S of the Securities Act) or acting for the account or benefit of a U.S. person in offshore transactions in reliance on Regulation S and in accordance with applicable laws.

The distribution of this Offering Circular in certain jurisdictions may be restricted by law and, accordingly, recipients of this Offering Circular represent that they are able to receive this Offering Circular without contravention of any unfulfilled registration requirements or other legal restrictions in the jurisdiction in which they reside or conduct business. There will be no sale of the Securities described herein in any state or jurisdiction in which such offer, sale or solicitation would be unlawful.

By accessing this Offering Circular you shall be deemed to have represented to us that (a) you have understood and agreed to the terms set out herein, (b) you consent to access or delivery of this Offering Circular by electronic transmission, (c) you are not a US person (within the meaning of Regulation S) or acting for the account or benefit of a US person and the email address that you have given to us and to which this email has been delivered is not located in the United States, its territories and possessions or the District of Columbia and (d) if you are a person in the United Kingdom, then you are a person who (i) has professional experience matters relating to investments falling within article 19(5) of the FPO(ii) are a person falling within article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the FPO or (iii) are persons to whom an invitation or inducement to engage in investment activity (within

the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA") in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated.

Statistical Information

This Offering Circular contains tables and other statistical analysis (the "**Statistical Information**") which have been prepared in reliance on information provided by the Retention Holder, notably in the section headed "*Characteristics of the Portfolio*" (for the avoidance of doubt, the Retention Holder does not accept any responsibility or liability for variations or changes concerning the Portfolio which might have occurred or may occur after the Issue Date). Numerous assumptions may have been used in preparing the Statistical Information, which may or may not be specifically reflected in this Offering Circular or be suitable for the circumstances of any particular recipient. As such, subject to the legal requirements on inclusion of information on the prospectus, and to the maximum extent permitted by law, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial, investment or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the financial instruments are made will prove to be realistic. Therefore, information about possible average lives of, or yields on, the Securities must be viewed with considerable caution. Any historical information contained in this Offering Circular is not indicative of future performance. Opinions and estimates (including statements or forecasts) constitute judgment as of the date indicated, are subject to change without notice and involve a number of assumptions which may not prove valid.

This Offering Circular may include "forward-looking statements". Such statements contain the words "anticipate", "believe", "intend", "estimate", "expect", "will", "may", "project", "plan" and words of similar meaning. All statements included in this Offering Circular other than statements of historical facts, including, without limitation, those regarding financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding present and future business strategies and the relevant future business environment. These forward-looking statements speak only as of the date of this Offering Circular and each of the Retention Holder and the Arranger and Lead Manager expressly disclaims to the fullest extent permitted by law any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Nothing in the foregoing is intended to or shall exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

Post-Issue Date Receivables Information

Each of the Receivables Portfolio and, indirectly, the Property Portfolio will be acquired by the Issuer on the Issue Date. From that date, the Servicer, acting on behalf of the Issuer and each of the Propcos, will service the Receivables, without the Retention Holder having any servicing rights, duties or involvement in respect of the Receivables or the Properties. None of the Retention Holder, the Arranger and Lead Manager or any of their respective affiliates has any control over or has had any involvement with the servicing of the Receivables or the Properties conducted by the Servicer, nor have the Retention Holder, the Arranger and Lead Manager or any of their respective affiliates verified or monitored or carried out any due diligence in respect of the Receivables or the Properties (or any data or information relating thereto), any Collections thereunder or the performance of the Receivables or the Properties, and none of them has prepared, verified or monitored the Business Plan prepared by the Servicer and its implementation or execution. Accordingly, the information contained in the sections headed "*Characteristics of the Portfolio*" and "*Business Plan for the Portfolio*" has been prepared by or on the basis of information provided exclusively by the Servicer. No due diligence, review or other verification has been conducted by the Retention Holder or the Arranger and Lead Manager or any of their respective affiliates regarding any of the foregoing matters, included in such sections or otherwise. None of the Retention Holder, the Arranger and Lead Manager or any of their respective affiliates assumes or accepts any advisory, fiduciary, agency

or other obligations or responsibilities whatsoever with respect to any investors regarding any such information, and each of them fully disclaims and does not accept any responsibility or liability for any such information. In this respect, please see the statements made in relation to the Retention Holder in the section entitled "*Responsibility Statements*". Please also see the disclaimers set out in that section in relation to the Arranger and Lead Manager.

Other considerations

Losses to investments may occur due to a variety of factors. Before purchasing any securities, you should take steps to ensure that you understand and have made an independent assessment of the suitability and appropriateness thereof, and the nature and extent of your exposure to risk in light of your own objectives, financial and operational resources and other relevant circumstances. You should take such independent investigations and such professional advice as you consider necessary or appropriate for such purpose.

Nothing in this Offering Circular should be construed as legal, tax, regulatory, accounting or investment advice or as a recommendation or an offer, commitment, solicitation or invitation by the Issuer, the Retention Holder or the Arranger and Lead Manager to purchase securities from or sell securities to you, or to underwrite securities, or to extend any credit or like facilities to you, or to conduct any such activity on your behalf. Neither the Retention Holder nor the Arranger and Lead Manager is recommending or making any representations as to suitability of any notes. Neither the Issuer nor the Retention Holder nor the Arranger and Lead Manager undertake to update this Offering Circular. You should not rely on any representations or undertakings inconsistent with the above paragraphs. The Arranger and Lead Manager or its affiliates may have interests in the securities mentioned herein, or in similar securities or derivatives, and may have banking or other commercial relationships with the Issuer and the Retention Holder. This may include activities such as acting as manager in, dealing in, holding, acting as market-makers or providing financial or advisory services in relation to any such securities.

In the event you decide to purchase any securities, you will be trading on a principal to principal basis and any resale or on-sale of this product by you to a third party will not be in the capacity of agent for whoever you have purchased the securities from. If you decide to market and/or on-sell any such securities to third party investors you will be solely responsible for such activities and for assessing the suitability and appropriateness of any securities for such investors.

If this Offering Circular has been made available, sent to you or is being viewed by you in an electronic form, you are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Retention Holder, the Arranger and Lead Manager nor any person who controls it nor any director, officer, employee nor agent of the Arranger and Lead Manager or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version available to you on request from the Arranger and Lead Manager.

The Arranger and Lead Manager is authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority.

Your receipt and use of this Offering Circular constitutes notice and acceptance of the foregoing.

OTHER RELEVANT INFORMATION

Financial conditions of the Issuer

Neither the delivery of this Offering Circular nor the potential offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Offering Circular.

Selling restrictions summary

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of any of the Transaction Parties to purchase any of the Notes and this document may not be used for or in connection with an offer to, or a solicitation of an offer by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The distribution of this Offering Circular and the potential offering, sale and delivery of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Arranger and Lead Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on distribution of this Offering Circular and other offering material relating to the Notes, see "*Distribution and Sale*" herein.

Projections, forecasts and estimates

Forward looking statements, including business plans, estimates, any other projections and forecasts in this Offering Circular are necessarily speculative in nature and some or all of the assumptions underlying the forward-looking statements may not materialise or may vary significantly from actual results.

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Offering Circular, including with respect to assumptions on prepayment and certain other characteristics of the Receivables, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in Spain. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. None of the Retention Holder, the Arranger and Lead Manager or the Trustee has attempted to verify any such statements, nor does it make any representations, express or implied, with respect thereto. Prospective investors in the Notes should therefore not place undue reliance on any of these forward-looking statements. None of the Issuer, the Retention Holder, the Arranger and Lead Manager or the Trustee assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

Third Party Information

Where information is stated in this Offering Circular to have been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, so far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading in any material respects.

Adequacy of the Investment

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Representations about the Notes

No person has been authorised to give any information or to make any representations, other than those contained in this Offering Circular, in connection with the potential sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by any of the Transaction Parties. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

No action has been taken by the Issuer or the Arranger and Lead Manager other than as set out in this Offering Circular that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular (nor any part hereof) nor any prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in circumstances that will result in compliance with applicable laws, orders, rules and regulations, and the Issuer, the Retention Holder and the Arranger and Lead Manager have represented that all offers and sales by them have been made on such terms.

Each person accessing or receiving this Offering Circular shall be deemed to acknowledge that (i) such person has not relied on the Arranger and Lead Manager or on any person affiliated with the Arranger and Lead Manager in connection with its investment decision, and (ii) no person has been authorised to give any information or to make any representation concerning the Notes offered hereby except as contained in this Offering Circular, and, if given or made, such other information or representation should not be relied upon as having been authorised by the Issuer or the Arranger and Lead Manager.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial advisers.

It should be remembered that the price of securities and the income thereof can go down as well as up.

Euro currency

In this Offering Circular, unless otherwise specified, references to "€", "EUR" or "euro" are to the lawful currency of the member states of the European Union participating in Economic and Monetary Union as contemplated by the Treaty.

Numbers

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Interpretation

Capitalised terms used in this Offering Circular, unless otherwise indicated, have the meanings set out in this Offering Circular and, in particular, in Condition 23 (*Definitions*). A reference to a "**Condition**" or the "**Conditions**" is a reference to a numbered Condition or Conditions set out in the "*Terms and Conditions of the Notes*" below.

Language

The language of the Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

OVERVIEW OF THE TRANSACTION PARTIES

Issuer:	ProSil Acquisition S.A. , a <i>société anonyme</i> incorporated under the laws of the Grand Duchy of Luxembourg with registered number B 208.112, having its registered office at 2 rue Edward Steichen, L-2540 Luxembourg, acting for the account of its compartment "Cell Number 5".
Propcos:	<p>Beautmoon Spain, S.L., a Spanish <i>sociedad limitada</i> incorporated under the laws of Spain registered with the Trade Register of Madrid under volume 34,998, sheet 30 and page M-629431 and holder of Spanish Tax Identification Number B87612917, having its registered office at Calle Albacete 3, 5a planta, 28027 Madrid, Spain.</p> <p>Osgood Invest, S.L., a Spanish <i>sociedad limitada</i> incorporated under the laws of Spain registered with the Trade Register of Madrid under volume 35,571, sheet 140 and page M-639337 and holder of Spanish Tax Identification Number B-87756219, having its registered office at Calle Albacete 3, 5a planta, 28027 Madrid, Spain.</p> <p>Butepala Servicios y Gestiones S.L., a Spanish <i>sociedad limitada</i> incorporated under the laws of Spain registered with the Trade Register of Madrid under volume 38,042, sheet 153 and page M-677263 and holder of Spanish Tax Identification Number B-88174651, having its registered office at Calle Albacete 3, 5a planta, 28027 Madrid, Spain.</p> <p>Vetapana Servicios y Gestiones S.L., a Spanish <i>sociedad limitada</i> incorporated under the laws of Spain registered with the Trade Register of Madrid under volume 38,184, sheet 145 and page M-679453 and holder of Spanish Tax Identification Number B-88201660, having its registered office at Calle Albacete 3, 5a planta, 28027 Madrid, Spain.</p>
Original Lender:	<p>Abanca Corporación Bancaria, S.A., incorporated under the laws of Spain.</p> <p>Abanca Corporación División Inmobiliaria S.L., incorporated under the laws of Spain.</p>
Transferor:	ProSil Acquisition S.A. , a <i>société anonyme</i> incorporated under the laws of the Grand Duchy of Luxembourg with registered number B 208.112, having its registered office at 2 rue Edward Steichen, L-2540 Luxembourg, acting for the account of its respective compartments "Cell Number 1", "Cell Number 2" and "Cell Number 3".
Servicer:	HipoGes Iberia S.L.U. , which will act as servicer of the Receivables Portfolio and will provide certain asset management services to the Propcos in relation to the Properties owned by the Propcos.
Sponsor and Retention Holder:	Cortland Investors II S.à r.l. , a <i>société à responsabilité limitée</i> incorporated under the laws of the Grand Duchy of Luxembourg with registered number B193.140, having its registered office at 2, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg.
Trustee:	U.S. Bank Trustees Limited , a company incorporated under the laws of England and Wales with registered number 02379632 having its registered office at 125 Old Broad Street, London EC2N 1AR.
Cash Manager:	US Bank Global Corporate Trust Ltd , in its capacity as cash manager, in accordance with the terms of the Cash Management Agreement.
Accounts Bank:	Citibank Europe plc, Luxembourg Branch , a limited liability company organised under the laws of Ireland, acting through its Luxembourg branch, with its office at 31, Z.A. Bourmicht, L-8070 Bertrange, Luxembourg, in its

	capacity of accounts bank, in accordance with the terms of the Accounts Bank Agreement.
Account Agent:	Citibank N.A., London Branch, acting through its Agency and Trust business located at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom, in its capacity as account agent, in accordance with the terms of the Accounts Bank Agreement.
Cap Collateral Account Bank:	Citibank Europe plc, Luxembourg Branch , a limited liability company organised under the laws of Ireland, acting through its Luxembourg branch, with its office at 31, Z.A. Bourmicht, L-8070 Bertrange, Luxembourg, in its capacity of cap collateral account bank, in accordance with the terms of the Accounts Bank Agreement.
Collection Accounts Bank	Abanca Corporación Bancaria, S.A. , in its capacity of collections account bank.
Principal Paying Agent:	Elavon Financial Services DAC , a Designated Activity Company registered in Ireland with the Companies Registration Office, registered number 418442, with its registered office at Building 8, Cherrywood Business Park, Loughlinstown Dublin, D18 W319 Ireland in accordance with the terms of the Agency Agreement.
Registrar:	Elavon Financial Services DAC , a Designated Activity Company registered in Ireland with the Companies Registration Office, registered number 418442, with its registered office at Building 8, Cherrywood Business Park, Loughlinstown Dublin, D18 W319 Ireland in accordance with the terms of the Agency Agreement.
Agent Bank:	Elavon Financial Services DAC , a Designated Activity Company registered in Ireland with the Companies Registration Office, registered number 418442, with its registered office at Building 8, Cherrywood Business Park, Loughlinstown Dublin, D18 W319 Ireland in accordance with the terms of the Agency Agreement.
Monitoring Agent:	E&Y Servicios Corporativos S.L. , in accordance with the Conditions and the terms of the Monitoring Agent Appointment Agreement.
Cap Counterparty:	J.P. Morgan AG , with its registered office at TaunusTurm, Taunustor 1, 60310 Frankfurt am Main, Germany, in the capacity of cap counterparty under the Cap Transaction.
EMIR Reporting Agent:	J.P. Morgan Securities plc , with its registered office at 25 Bank Street, Canary Wharf, London E14 5JP, in the capacity as EMIR reporting agent.
Arranger and Lead Manager:	J.P. Morgan Securities plc , a company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, registered in England & Wales under registration number 02711006, whose registered office is at 25 Bank Street, Canary Wharf, London E14 5JP.
Secured Creditors:	The Noteholders, the Trustee, the Principal Paying Agent, the other Paying Agents (if any), the Registrar, the Agent Bank, the Cash Manager, the Accounts Bank, the Cap Collateral Account Bank, the Servicer, the Monitoring Agent, the EMIR Reporting Agent and the Cap Counterparty and the other persons listed as entitled to payment in accordance with the Post-Enforcement Payment Priorities.
Information on the direct and indirect ownership or control	The Transaction Parties have no direct or indirect ownership or control relationships, other than those stated here below:

**between the
Transaction Parties:**

The Transferor and the Issuer are compartments of the same Luxembourg company.

The Servicer is an Affiliate of the Sponsor.

Each of the Cash Manager, the Trustee, the Principal Paying Agent, the Registrar and the Agent Bank are Affiliates.

The Arranger and Lead Manager is an Affiliate of the Cap Counterparty and the EMIR Reporting Agent.

OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES

The following provides a summarised overview of certain aspects of the Conditions of which prospective investors should be aware and should be read as an introduction to the Offering Circular. This overview is not intended to be exhaustive and prospective investors should read the detailed information set out in this document and reach their own views prior to making any investment decision.

Notes	<p>The Issuer will issue on the Issue Date in accordance with the terms of the Trust Deed and the Conditions the following notes (the "Notes"):</p> <p>€170,000,000 Class A Asset-Backed Floating Rate Notes due 2039, with the ISIN XS1843432078;</p> <p>€30,000,000 Class B Asset-Backed Floating Rate Notes due 2039, with the ISIN XS1843431930;</p> <p>€15,000,000 Class J Asset-Backed Floating Rate Notes due 2039, with the ISIN XS1843431856;</p> <p>€16,000,000 Class Z Asset-Backed Variable Return Notes due 2039, with the ISIN XS1843431773.</p>
Issue Date	29 July 2019.
Issue Price	<p>The Class A Notes will be issued at 100 per cent. of their principal amount, the Class B Notes will be issued at 100 per cent. of their principal amount, the Class J Notes will be issued at 100 per cent. of their principal amount and the Class Z Notes will be issued at 100 per cent. of their principal amount.</p>
Form and Denomination	<p>The Class A Notes, the Class B Notes, the Class J Notes and the Class Z Notes will be issued in registered form. Each Class of Notes will be offered and sold outside the United States to non-U.S. Persons in reliance on Regulation S and will be represented on issue by beneficial interests in one or more Global Notes in fully registered form without interest coupons or principal receipts, which will be deposited on or about the Issue Date with, and registered in the name of, a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Global Note may at any time be held only through and transfers thereof will only be effected through records maintained by Euroclear and Clearstream, Luxembourg. See "<i>Description of the Notes in Global Form</i>".</p> <p>The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States or other applicable jurisdiction. Accordingly, the Notes are being offered and sold only outside the United States to persons other than U.S. Persons in reliance on Regulation S. The Notes may be resold or otherwise transferred, subject to other restrictions on transfer described herein, only outside the United States to persons other than U.S. Persons in reliance on Regulation S.</p> <p>Transfers of interests in the Notes are subject to certain restrictions and must be made in accordance with the procedures set forth in the Trust Deed. See "<i>Description of the Notes in Global Form</i>" and "<i>Transfers and Transfer Restrictions</i>". Each purchaser of Notes in making its purchase will be required to make, or will be deemed to have made, certain acknowledgements, representations and agreements. See "<i>Transfers and Transfer Restrictions</i>". The transfer of Notes in breach of certain of such representations and</p>

agreements will result in affected Notes becoming subject to certain forced transfer provisions. See Condition 4 (*Title and transfer*).

Except in the limited circumstances described herein, Definitive Notes will not be issued in exchange for beneficial interests in the Global Notes. See "*Description of the Notes in Global Form – Issuance of Definitive Notes*".

The Notes are intended to be held under the new safekeeping structure for registered global securities which are intended to constitute eligible collateral for Eurosystem monetary policy operations.

Status and Ranking The Notes constitute direct, secured and limited recourse obligations of the Issuer.

The Notes represent the right to receive interest (or, in the case of the Class Z Notes, the Class Z Return Amount) and principal from the Issuer in accordance with the relevant Conditions, the Trust Deed and the relevant Payment Priorities.

Payments of principal on the Notes on each Interest Payment Date will be made sequentially by redeeming principal due on the Class A Notes, thereafter by redeeming principal due on the Class B Notes, thereafter by redeeming principal due on the Class J Notes and thereafter by redeeming principal due on the Class Z Notes to the extent foreseen in the relevant Payment Priorities.

All payments of interest (and, if the Post-Enforcement Payment Priorities applies or if a Subordination Event has occurred, principal) due on the Class A Notes will rank in priority to payments due on the Class B Notes, the Class J Notes and the Class Z Notes, all payments of interest and principal due on the Class B Notes will rank in priority to payments due on the Class J Notes and the Class Z Notes, and all payments of interest and principal due on the Class J Notes will rank in priority to payments due on the Class Z Notes.

Limited Recourse..... As described in Condition 20 (*Limited Recourse and Non-Petition*), the Notes are limited recourse obligations of the Issuer, and, if on realisation or enforcement of all the Security and distribution of its proceeds in accordance with the relevant Payment Priorities there are insufficient amounts available to pay in full amounts due and payable under the Notes, then none of the Noteholders or the other Secured Creditors may take further steps against the Issuer in respect of any amounts due payable on the Notes and such amounts will be deemed to be discharged in full and all claims against the Issuer in respect of payment of such amounts will be extinguished and discharged.

Non-petition As described in more detail in Condition 20 (*Limited Recourse and Non-Petition*), no Noteholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security, excluding (only in respect of the Noteholders) directing the Trustee to enforce the Security in accordance with the Transaction Documents.

Security..... Pursuant to the Security Documents and as further described in Condition 6 (*Security*), the Issuer will grant the following security interests to the Trustee (on trust for itself and the other Secured Creditors) to secure the obligations of the Issuer to the Noteholders and the other Secured Creditors:

- (a) an English law assignment over all of the Issuer's rights under the Transaction Documents governed by English law;
- (b) a Luxembourg law pledge over any amount standing to the credit from time to time of each of the Issuer Payment Account and the Cash Reserve Account;

- (c) a Spanish law pledge over the Issuer's interests in the Receivables Portfolio and the rights of the Issuer under the Transaction Documents governed by Spanish law;
- (d) a Spanish law pledge over all of the shares held by the Issuer in each Propco;
- (e) a Spanish law pledge over any loan or other indebtedness owing by any Propco (as borrower) to the Issuer (as lender) ("**Propco Debt**"); and
- (f) a Spanish law pledge over each Issuer Collections Account, the Issuer Expenses Account, each Propco Collection Accounts and each Propco Expenses Account.

Rate of Interest The Notes of each Class (other than the Class Z Notes) represent entitlements to payment of interest in euro in respect of each successive Interest Period from the Issue Date at an annual rate in respect of each Class equal to EURIBOR for three-month deposits in euro ("**Three-Month EURIBOR**") or, in the case of the first Interest Period, the linear interpolation between EURIBOR for three-month and for six-month deposits in euro), plus the following relevant margins:

- in respect of the Class A Notes, 2 per cent.;
- in respect of the Class B Notes, 6 per cent.; and
- in respect of the Class J Notes, 12 per cent.,

provided that the interest rate applicable during a given Interest Period on a Class of Notes in accordance with the foregoing would be negative, the relevant amount shall be deemed to be zero per cent.

Class Z Return Amount In respect of any Interest Payment Date, the Class Z Notes bear an entitlement to payment of the Class Z Return Amount in the amount calculated by the Cash Manager to be paid from the Available Distribution Amount on such Interest Payment Date. This amount will only be payable to the extent that funds are available to the Issuer for that purpose under the applicable Payment Priorities.

Interest Accrual Period Interest on the Class A Notes, the Class B Notes and the Class J Notes and the Class Z Return Amount (if any) will be paid quarterly in arrear. Interest will accrue from, and including, the immediately preceding Interest Payment Date (or, in the case of the First Interest Payment Date, the Issue Date) to, but excluding, the relevant Interest Payment Date on a daily basis.

The Notes of each Class (other than the Class Z Notes) bear interest on their Principal Amount Outstanding from the Issue Date and will be paid quarterly in arrear on each Interest Payment Date. Interest will accrue from, and including, the immediately preceding Interest Payment Date (or, in the case of the First Interest Payment Date, the Issue Date) to, but excluding, the relevant Interest Payment Date (or, in the case of the first Interest Period, the First Interest Payment Date), subject as provided in Condition 9 (*Payment Priorities*). For the avoidance of doubt, if not paid on the relevant Interest Payment Date, the Interest Amount shall accrue on a daily basis irrespective of whether such day is a Business Day.

Interest Payment Date.. The last calendar day of January, April, July and October in each year or, if such date is not a Business Day, on the immediately preceding Business Day (each such date, an "**Interest Payment Date**").

Business Day A TARGET Settlement Day or, if such TARGET Settlement Day is not a day on which banks are open for business in London, Madrid and Luxembourg, the

immediately preceding TARGET Settlement Day on which banks are open for business in London, Dublin, Madrid and Luxembourg.

"TARGET Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro.

"TARGET2" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

Unpaid Interest Any unpaid interest amount on any Class of Notes (other than the Class Z Notes) shall accrue additional interest at the interest rate applicable from time to time to the relevant Class of Notes until the earlier of the date of actual payment and the day which is seven days after the Principal Paying Agent (or the Trustee) has notified the relevant Noteholder that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

If there are any Interest Amounts in respect of any class of Notes other than the Class A Notes which are due but not paid on any Interest Payment Date (other than the Final Maturity Date), such amounts shall not fall due on such date and shall be deferred and accrue interest during the period from (and including) the Interest Payment Date upon which such unpaid amounts are deferred to (and excluding) the date of actual payment thereof.

Final Redemption Unless the Notes have previously been redeemed in full as described in Condition 10 (Final Redemption, Mandatory Redemption in Part and Optional Redemption), the Notes will be redeemed by the Issuer on the Final Maturity Date at their Principal Amount Outstanding.

Final Maturity Date..... The Interest Payment Date falling on 31 October 2039.

Taxation in respect of the Notes Repayment of principal, if applicable, and payment of interest and other amounts due under the Notes shall be made free and clear of, and without withholding or deduction for, any Taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Luxembourg or Spain or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

Securitisation Regulation Requirements The Retention Holder, being the originator for the purposes of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012, as amended (the "**Securitisation Regulation**"), will undertake to the Issuer and the Trustee, on behalf of the Noteholders, that it will retain on an ongoing basis a material net economic interest, until the Principal Amount Outstanding of the Notes is reduced to zero, of not less than five per cent. in the securitisation as required by article 6 of the Securitisation Regulation (the "**Retention Obligation**"). As at the Issue Date, such interest will comprise the retention of the Class Z Notes, as required by the text of paragraph (d) of article 6(3) of the Securitisation Regulation (the "**Retained Interest**"). The aggregate Principal Amount Outstanding of the Class Z Notes as at the Issue Date will be equal to at least five per cent. of the nominal value of the securitised exposures.

No Purchase of Notes by the Issuer The Issuer may not at any time purchase any of the Notes.

Rating The Rated Notes are expected on issue to be assigned the following ratings by the Rating Agencies:

	DBRS	Moody's	Scope
Class A Notes	BBB(low) (sf)	Baa3 (sf)	BBB- (sf)
Class B Notes	Not rated	Ca (sf)	B- (sf)

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the Rating Agencies.

The ratings take into consideration the characteristics of the Receivables Portfolio and the Property Portfolio and the structural, legal and tax aspects associated with the Class A Notes and the Class B Notes, including the nature of the underlying assets.

The Class J Notes and Class Z Notes are unrated.

Optional Redemption in Whole Subject to the provisions of Condition 10 (*Final Redemption, Mandatory Redemption in Part and Optional Redemption*), the Issuer may redeem all (but not some only) of the Notes in each Class at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date:

- (a) when, on the Collateral Determination Date immediately preceding such Interest Payment Date, the aggregate Principal Amount Outstanding of the Notes on such Collateral Determination Date is equal to or less than ten per cent. of all the aggregate Principal Amount Outstanding of the Notes as at the Issue Date.
- (b) after the date on which, by virtue of a change in Tax law of the Issuer Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would be required to make a Tax Deduction from any payment in respect of the Notes (other than by reason of the relevant Noteholder having some connection with the Kingdom of Spain, other than the holding of the Notes); or
- (c) after the date on which, by virtue of a change in the Tax law of the Issuer Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would not be entitled to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or the Issuer would be treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive under the Transaction Documents; or
- (d) after the date of a change in the Tax law of the Issuer Jurisdiction (or the application or official interpretation of such Tax law) which would cause the total amount payable in respect of any of the Notes to cease to be receivable by the Noteholders including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to any Receivables or the Issuer being obliged to make a Tax Deduction in respect of any payment in relation to any Note; or
- (e) after the date of any change in, or the adoption of, any new law, rule, direction, guidance or regulation which requires the manner in which the Retained Interest is held by the Retention Holder to be restructured after the Issue Date or which would otherwise result in the manner in which the Retained Interest is held by the Retention Holder to become non-compliant in relation to a Noteholder,

provided that, if on such Interest Payment Date, the funds available to the Issuer are not sufficient to redeem the Class Z Notes at their Principal Amount Outstanding, the Class Z Notes shall be deemed to be redeemed to the extent of any shortfall and all the claims of the Class Z Noteholders for such shortfall in the Principal Amount Outstanding of the Class Z Notes shall be extinguished.

Redemption in whole of the Notes by the Issuer referred to in any of the items above may only occur provided that the Issuer fully complies with the Bid Process and is overseen by the Monitoring Agent and approved by the Servicing Committee, unless the Class Z Noteholders exercise the Class Z Noteholder Call Option, as described below, to redeem the Notes on the relevant Interest Payment Date.

Class Z Noteholder Call Option.....

Subject to Condition 10 (*Final Redemption, Mandatory Redemption in Part and Optional Redemption*), the Issuer shall redeem all (but not some only) of the Notes in each Class at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date, **provided that** the following conditions are met (the "**Call Option Conditions**"):

- (a) the Class A Notes (together with all interest accrued thereon) have prior to the exercise of the Class Z Noteholder Call Option been redeemed in full; and
- (b) the Issuer has received from the majority of the Class Z Noteholders a written resolution confirming that the Class Z Noteholders are exercising their option (the "**Class Z Noteholder Call Option**") to decide to have all (but not some only) of the Class B Notes, the Class J Notes and the Class Z Notes redeemed at their Principal Amount Outstanding; and
- (c) the Issuer will have the necessary available funds to discharge all its outstanding liabilities in respect of the Class B Notes and the Class J Notes and all other amounts required, under the Post-Enforcement Payment Priorities, to be paid in priority to or *pari passu* with the Class J Notes; and
- (d) the Class Z Noteholders exercising the Class Z Noteholder Call Option have established to the satisfaction of the Issuer that they hold the relevant Class Z Notes on the date on which the Class Z Noteholder Call Option is exercised and that they will be the holders of such Class Z Notes on the Interest Payment Date on which the Class Z Noteholder Call Option is to be settled; and
- (e) the exercise of the Class Z Noteholder Call Option by the Class Z Noteholders is valid to discharge all of the Issuer's obligations under or in connection with the Notes towards the holders of the Class B Notes, the Class J Notes and the Secured Creditors (other than the Class Z Noteholders); and
- (f) the disposal of the Portfolio for the purposes of the exercise of the Class Z Noteholder Call Option complies with the Bid Process and is monitored by the Monitoring Agent (save where in connection with the exercise of the Class Z Noteholder Call Option, the Class Z Noteholders have committed to provide the Issuer with sufficient funds in order for the Issuer to discharge all of its outstanding liabilities in respect of the Class B Notes and the Class J Notes and all other amounts required under the Post-Enforcement Payment

Priorities to be paid in priority to or *pari passu* with the Class J Notes on the relevant Interest Payment Date); and

- (g) the exercise of the Class Z Noteholder Call Option satisfies all applicable legal requirements,

and, subject to the receipt by the Trustee of a certificate signed by two directors of the Issuer to the effect that all Call Option Conditions have been or will be duly met up to the relevant Interest Payment Date, the Issuer shall give not more than 60 nor less than 30 days' notice to the Trustee, the Cash Manager, the Principal Paying Agent, the Noteholders, the Cap Counterparty and the Rating Agencies of the exercise of the Class Z Noteholder Call Option.

Under the provisions of Condition 10 (*Final Redemption, Mandatory Redemption in part and Optional Redemption*), it is expressly stated and agreed that the exercise of the Class Z Noteholder Call Option by the Class Z Noteholders shall be conditional upon there being sufficient funds to redeem the Class B Notes and the Class J Notes (unless, in the case of the Class J Notes, the Class J Noteholders otherwise agree) at their Principal Amount Outstanding together with accrued interest, and the Issuer shall have no obligation whatsoever to actually redeem the Class B Notes and the Class J Notes in the event that there are no such sufficient funds, and the Issuer shall not be obliged to use any efforts to procure that such sufficient funds are made available to it. If there are insufficient funds available to redeem the Class B Notes and the Class J Notes at their Principal Amount Outstanding together with accrued interest on the relevant Interest Payment Date, the exercise of the Class Z Noteholder Call Option will become ineffective, which shall not affect the Class Z Noteholders' right to exercise the Class Z Noteholder Call Option at a later date in accordance with the terms of Condition 10 (*Final Redemption, Mandatory Redemption in part and Optional Redemption*).

Under the provisions of Condition 10 (*Final Redemption, Mandatory Redemption in part and Optional Redemption*), the Class B Noteholders and the Class J Noteholders acknowledge, agree and confirm that, subject to the satisfaction of the Call Option Conditions, upon the settlement of the Class Z Noteholder Call Option, the Issuer will:

- (a) redeem all (but not some only) of the Class B Notes;
- (b) to the extent that it has sufficient funds available in the Available Distribution Amount or, if lower, the Class J Noteholders have otherwise so agreed, redeem the Class J Notes; and
- (c) to the extent it has sufficient funds available in the Available Distribution Amount, redeem the Class Z Notes,

and that, thereafter, any outstanding Class J Notes and Class Z Notes will be cancelled.

OVERVIEW OF THE TRANSACTION

Reallocation of Receivables and Propcos	<p>Under the terms of the Reallocation Agreement the Transferor will reallocate to the Issuer and the Issuer will, subject to satisfaction of the applicable conditions precedent, accept such reallocation from each Transferor:</p> <ul style="list-style-type: none"> (a) a portfolio of Receivables (the "Receivables Portfolio"); (b) the right of the Transferor to receive amounts from each Propco under any loan or other indebtedness owed by each Propco to the Transferor (the "Propco Debt"); and (c) all of the issued shares in each Propco (the "Propco Shares"), <p>on 29 July 2019 (the "Issue Date").</p>
The Receivables	<p>The Receivables to be reallocated to the Issuer consist essentially of defaulted and non-performing term loans (being loans where one or more interest or principal payments was not made when due, in accordance with Spanish law, which is the applicable contract law), including mortgage loans and consumer loans made to Borrowers, together with such rights, interest and claims of the Issuer under the corresponding Receivables Agreement.</p> <p>The Receivables are interest-bearing receivables. The Receivables Agreements are denominated in euro and governed by Spanish law. Borrowers are corporates or individuals domiciled in Spain.</p>
The Properties	<p>As of the Issue Date, the Propcos own the Properties as described in more detail in "<i>The Property Portfolio</i>" below.</p> <p>As more fully described in "<i>Description of the Business Plan</i>" below, the Propcos will acquire additional Properties following the completion of enforcement procedures or settlement agreements with Borrowers in relation to certain Receivables. Following such acquisition, the Servicer, on behalf of Propcos, will, in accordance with the Business Plan, market such properties for sale of third parties and shall dispose of such Properties provided that the terms of such disposal are in accordance with the Business Plan.</p>
Consideration for transfer of the Receivables Portfolio and the Propcos	<p>In consideration for the reallocation of the Receivables Portfolio, the Propco Debt and the Propco Shares on the Issue Date, the Issuer will pay the Purchase Price to the Transferor. See "<i>Overview of Certain Transaction Documents – Reallocation Agreement</i>".</p> <p>"Purchase Price" means the amount to be paid by the Issuer to the Transferor in consideration for the reallocation of the Receivables Portfolio, the Propco Debt and the Propco Shares pursuant to the Reallocation Agreement, being €225,755,000.00.</p>
Ancillary Receivables Rights	<p>The reallocation of the Receivables Portfolio will include the reallocation of the Ancillary Receivables Rights held by the Transferor.</p> <p>"Ancillary Receivables Rights" means, in respect to each Receivable:</p> <ul style="list-style-type: none"> (a) all monies and proceeds other than principal payable or to become payable under, in respect of or pursuant to such Receivable including, without limitation, any sum owed by way of interest charges, late payment charges, extension or collection fees and any security granted in relation to the Receivable including, without limitation pledges and other real or personal security of any description securing the payment of the relevant Receivable;

- (b) the benefit of all rights, title, interests, privileges and related rights concerning the Receivables, including, without limitation, any sum owed by way of principal, interest and overdue interest, ancillary rights and any security or collateral, and any obligations, covenants, undertakings, representations, warranties and indemnities in favour of the Transferor contained in or relating to such Receivable including, without limitation, those contained in the relevant Receivables Agreement;
- (c) all causes and rights of action (present and future) against any person relating to such Receivable including, without limitation, such causes and rights of action arising under the Receivables Agreement and including the benefit of all powers and remedies for enforcing or protecting the Transferor's right, title, interest and benefit in respect of such Receivable;
- (d) all Records in respect thereof;
- (e) all Collections in respect thereof; and
- (f) all other proceeds of any of the foregoing.

Asset Representations and Warranties

On the Issue Date, the Transferor has represented and warranted that the Receivables comprised within the Receivables Portfolio and the Properties comprised within the Property Portfolio comply with the Asset Representations and Warranties contained in Schedule 2 (*Asset Warranties*) of the Reallocation Agreement.

Servicing of the Receivables Portfolio

Pursuant to the terms of the Receivables Servicing Agreement, the Servicer has agreed to administer and service, on behalf of the Issuer, the Receivables reallocated by the Transferor to the Issuer and, in particular, to:

- (a) collect the Receivables due in respect thereof;
- (b) administer relationships with the Borrowers;
- (c) undertake and carry on enforcement proceedings in respect of any Borrowers which have defaulted on their obligations under the relevant Receivables Agreement including in respect of the repossession and transfer to the Propcos in the properties that secure such Receivables.

Servicing of the Property Portfolio

Under the terms of the Propco Servicing Agreement, the Servicer has agreed to provide certain asset management services in relation to the Properties owned from time to time by the Propcos including, but not limited to:

- (a) disposal of any Properties owned by the Propcos; and
- (b) delivery of the realisation proceeds of such Properties to the Propcos.

Servicing Committee

The Class B Noteholders, the Class J Noteholders and the Class Z Noteholders shall appoint a committee (the "**Servicing Committee**") which shall exercise powers, authorities, and discretion in relation to certain specific matters related to the servicing of the Receivables Portfolio and the Property Portfolio and in accordance with the Servicing Committee Rules, the Conditions and the other Transaction Documents.

Prospective Noteholders should be aware that each member of the Servicing Committee will represent the interest of the Class B Noteholders, the Class J Noteholders and the Class Z Noteholders by which it has been appointed.

Pursuant to the Servicing Committee Rules, the Servicing Committee is empowered to analyse and resolve on a variety of matters, among other things:

- (a) the approval of the organisation of a competitive bid process to sell the Receivables Portfolio and/or the Property Portfolio;
- (b) the authorisation to terminate the appointment of the Servicer and replace it with another entity, provided the Class A Noteholders are notified and do not oppose the decision; and
- (c) the authorisation to amend any Servicing Agreement, provided the Class A Noteholders are notified and do not oppose the decision.

For further information on the attributions of the Servicing Committee please see section "*Overview of Certain Transaction Documents – Servicing Committee Rules*".

Under the Servicing Committee Rules and the Monitoring Agent Appointment Agreement, certain matters shall be submitted to the Monitoring Agent and the Servicing Committee, together with a report of the Servicer containing such Servicer's reasoned opinion.

This includes a written communication sent by the Servicer to the Servicing Committee and the Monitoring Agent, in case the Recovery Expenses have reached 70 per cent. of the maximum amount of the permitted Recovery Expenses specified in the Servicing Agreements, and additional expenses are requested and deemed necessary by such Servicer for the recovery of the claims in respect of the Receivables or disposal of the Properties, after which the Servicing Committee will promptly resolve on the matter and the Monitoring Agent will immediately inform the Servicer on the outcome of such resolution.

Subject to the terms and conditions of the Transaction Documents and where any action or decision is a matter within the scope of the Servicing Committee as described in the relevant Transaction Documents, the Issuer, the Trustee, the Servicer, the Monitoring Agent and the other Transaction Parties shall be bound by any resolutions duly passed by the Servicing Committee under and in accordance with the terms of the Servicing Committee Rules.

Servicing Fees The Servicer shall be entitled to receive from the Issuer a servicing fee, to be paid on each Interest Payment Date as follows:

- (a) a fixed fee, due and payable on the Issue Date in an amount equal to EUR 351,600 (excluding VAT);
- (b) a fixed fee, due and payable in advance (the "**Fixed Servicing Fee**") in an amount equal to EUR 263,700 (excluding VAT) multiplied by the Remaining Capped Real Estate Value divided by the Opening Capped Real Estate Value; and
- (c) a performance ongoing fee, due and payable in arrear, corresponding to 5.25 per cent. plus VAT (**provided that** if the NPV Cumulative Collection Ratio is below 100 per cent., such percentage shall be 4.20 per cent.) of the gross Collections received by the Issuer in respect of the Receivables and the Properties during the relevant Collection Period (the "**Servicer Performance Fee** and, together with the Fixed Servicing Fee, the "**Servicing Fee**").

For the purposes of paragraph (a) above:

"Opening Capped Real Estate Value" means the sum of the allocated capped real estate value as at the Issue Date as set out in Schedule 11 of each Servicing Agreement in respect of each property that secures a Receivable and each Property.

"Remaining Capped Real Estate Value" means, in respect of an Interest Payment Date, the sum of the allocated capped real estate value as set out in Schedule 11 to each Servicing Agreement in respect of those properties that secure Receivables and Properties that continued to be owned by the Issuer and the Propcos as of the Collateral Determination Date immediately prior to such Interest Payment Date.

Pursuant to the applicable Payment Priorities, the Servicing Fee will, from and including the Interest Payment Date falling in January 2020 be paid as Servicer Senior Fee, Servicer Mezzanine Fee and Servicer Junior Fee in accordance with the following calculation:

NPV Cumulative Collection Ratio on the Calculation rate immediately prior to applicable Interest Payment Date	Percentage of Servicing Fee payable as Servicer Senior Fee	Percentage of Servicing Fee payable as Servicer Mezzanine Fee	Percentage of Servicing Fee payable as Servicer Junior Fee
<90%	80%	0%	20%
≥90% but <100%	85%	5%	10%
≥100%	100%	0%	0%

where:

"NPV Cumulative Collection Ratio" means, in respect of each Interest Payment Date, the ratio indicated in the immediately preceding Servicer Report between: (a) the sum of the NPV of the Net Collections received on or after the Issue Date; and (b) the sum of the NPV of the Net Expected Collections expected to be received on or after the Issue Date.

Monitoring Agent Under the Monitoring Agent Appointment Agreement, the Monitoring Agent has agreed to perform certain services on behalf of the Issuer in relation to the servicing of the Receivables Portfolio and the Property Portfolio, namely:

- (a) to supervise the servicing of the Receivables Portfolio and the Property Portfolio by the Servicer based on the information provided by the Servicer to the Monitoring Agent;
- (b) to determine whether a Subordination Event has occurred, in accordance with the provisions of the Servicing Agreements;
- (c) to oversee any Bid Process for the sale of the Receivables Portfolio and the Property Portfolio;
- (d) to liaise with the Servicing Committee in respect of all specific matters required to be analysed and resolved by the Servicing Committee under the terms of the Servicing Committee Rules.

Subordination Event Means any of the following, in respect of a given Interest Payment Date:

- (a) the Cumulative Collection Ratio as indicated in the Servicer Report delivered immediately prior to such Interest Payment Date is lower than 90 per cent.; or

- (b) the NPV Cumulative Profitability Ratio as indicated in the Servicer Report immediately preceding such Interest Payment Date is lower than 90 per cent; or
- (c) the amount to be paid by the Issuer as interest on the Class A Notes is lower than the relevant Interest Amount due on the Class A Notes on such Interest Payment Date.

upon which the Monitoring Agent shall send a notice of occurrence of a Subordination Event to the Issuer, the Servicer, the Arranger and Lead Manager, the Trustee, the Cap Counterparty, the Cash Manager and the Servicing Committee, in the case of paragraphs (a) and (b), not later than 5 Business Days prior to the Calculation Date and, in the case of paragraph (c), not later than one Business Day prior to such Interest Payment Date. The occurrence of a Subordination Event shall be assessed in respect of each Interest Payment Date separately.

For the purposes of paragraph (b) of the definition of Subordination Event:

"Cumulative Collection Ratio" means, in respect of an Interest Payment Date, the percentage aggregate ratio, as indicated in the Servicer Report delivered immediately prior to such Interest Payment Date between: (a) the aggregate Net Collections received on or after the Issue Date and (b) the aggregate Net Expected Collections expected to be received on or after the Issue Date.

"Net Collections" means, for a given Collection Period, the difference between (a) the gross Collections in each relevant Collection Period, and (b) the Recovery Expenses in each relevant Collection Period. For the purpose of this definition, **"Collections"** includes only those Realisation Values which have been effectively collected and delivered by the Servicer to the Issuer (and not Realisation Values still to be collected, such as cash in court);

"Net Expected Collections" means, for a given Collection Period, the difference between (a) the expected gross Collections and (b) the expected Recovery Expenses, both up to the end of the immediately preceding Collection Period in accordance with the Business Plan. For the purpose of this definition, **"Collections"** includes only those Realisation Values which have been effectively collected and delivered by the Servicer to the Issuer and the Propcos (and not Realisation Values still to be collected, such as cash in court);

"NPV Cumulative Profitability Ratio" means, in respect of each Interest Payment Date, the aggregate ratio indicated in the immediately preceding Servicer Report between (a) the sum of the NPV of the Net Collections received on or after the Issue Date of all (i) Debt Relationships which are Exhausted Debt Relationships and (ii) all Properties, and (b) the sum of the Target Price of (i) all Debt Relationships which are Exhausted Debt Relationships and (ii) all Properties;

"NPV" means the amount calculated according to the following formula:

$$NPV(X) = \frac{X}{(1 + i)^{\frac{t}{360}}}$$

where:

"X" means the corresponding cash flow amount in euro;

"i" means the Discount Factor; and

"**t**" means the number of days passed between the date on which the X amount is collected or paid and the Issue Date, assuming that all the Collections are received on the last day of the Collection Period in which they occur or are anticipated to occur.

"**Discount Factor**" means 3.5 per cent.

"**Target Price**" means the NPV of Net Collections to be received on or after the Issue Date in respect of a Debt Relationship or a Property as calculated at a rate equal to a Discount Factor and as set out in the Business Plan, for the Receivables and Properties to be serviced by the Servicer.

"**Debt Relationship**" means the aggregate of all Receivables pertaining to the same Borrower.

"**Exhausted Debt Relationship**" means a Debt Relationship which the Servicer under the Receivables Servicing Agreement considers to be exhausted (either following being collected in full or sold or written off or for any other reason, including for having received an instruction from the Servicing Committee to classify it as exhausted), in accordance with the conditions foreseen in the Receivables Servicing Agreement.

Servicer Reporting The Servicer will be required to deliver to the Report Recipients (i.e., the Issuer, the Cash Manager, the Noteholders, the Trustee, the Monitoring Agent (who shall forward it to the Servicing Committee), the Arranger and Lead Manager and the Rating Agencies, if applicable) no later than ten Business Days after the end of the relevant Collection Period, a report in the form agreed in each Servicing Agreement (each a "**Servicer Report**") relating to the period from the last date covered by the previous Servicer Report.

Each Servicer Report will be used by the Cash Manager to produce the investor report in the form to be agreed with the Issuer and the Cash Manager under the Cash Management Agreement (the "**Investor Report**") which shall be prepared and uploaded to Pivot no later than two Business Days prior to each Interest Payment Date.

The Issuer will make the Investor Report and Servicer Reports available on Bloomberg. Each Investor Report shall also be available at the specified offices of the Trustee and the Principal Paying Agent, the registered office of the Issuer and on the Cash Manager's website currently located at <https://pivot.usbank.com>.

Collections Accounts and Expenses Accounts The Issuer Collections Accounts and each Propco Collections Account have been opened, with the Collections Accounts Bank in the name of the Issuer and each Propco (as applicable) and the Servicer shall operate each corresponding account in accordance with the relevant Servicing Agreement.

Subject to the exception below, any amount credited to an Issuer Collections Account on a Business Day will be transferred by the Servicer to the Issuer Payment Account no later than the following Business Day.

Subject to the exception below, any amount credited to a Propco Collections Account on a Business Day will be transferred by the Servicer to the Issuer Payment Account no later than the following Business Day.

The Issuer Expenses Account and each Propco Expenses Account (each an "**Expenses Account**") have been opened, with the Collections Accounts Bank in the name of the Issuer and each Propco (as applicable) and the Servicer shall operate each corresponding account in accordance with the relevant Servicing Agreement.

On or about the Issue Date, the Issuer Expenses Account will be credited with an aggregate amount and each Propco Expenses Account will be credited with an aggregate amount up to €100,000.

The Issuer Expenses Account and the Propco Expenses Accounts are subject to a minimum aggregate required amount of €100,000 (the "**Expenses Account Required Amount**").

In case the aggregate balance of the Issuer Expenses Account and the Propco Expenses Accounts, as applicable, is less than fifty% (50 per cent.) of the Expenses Account Required Amount and as confirmed by the Servicer, the Servicer may request the Issuer transfer an amount from the Issuer Collections Account to replenish the balance of the Issuer Expenses Account and/or the Propco Expenses Accounts, as applicable, up to the Expenses Account Required Amount. The Servicer may request this at any time, except from the period between and including a Calculation Date and an Interest Payment Date. If, during such time, payments need to be made out of an Expenses Account, the Servicer may request the Issuer to transfer from the Issuer Collection Account in the exact amount of such required payments.

If there are insufficient funds standing to the credit of the Issuer Collections Account to replenish the Issuer Expenses Account and/or Propco Expenses Accounts to the Expenses Account Required Amount, the Issuer shall transfer funds from the Cash Reserve Account to replenish the Issuer Expenses Account and/or Propco Expenses Accounts to the Expenses Account Required Amount, **provided that** any request shall only be made after an Interest Payment Date (or the Issue Date, where the first Interest Period is running) and to be paid before the next Calculation Date.

By 5:00 pm London time of the Business Day immediately preceding a Calculation Date, the Servicer shall inform the Issuer and the Cash Manager of the amount standing to the credit of the Issuer Expenses Account and each Propco Expenses Account. The shortfall (if any) between the actual balance of the relevant Expenses Account and the Issuer Expenses Account Required Amount or Propco Expenses Account Required Amount, as applicable and as confirmed by the Servicer, as of a Calculation Date will be transferred from the Issuer Payment Account to the relevant Issuer Expenses Account or Propco Expenses Account on the following Interest Payment Date, as an Issuer Expense, in accordance with the applicable Payment Priorities.

All Recovery Expenses payable by the Issuer shall be paid by the Servicer by using the amounts standing to the credit of the Issuer Expenses Account and Recovery Expenses payable by a Propco shall be paid by the Servicer using the amounts standing to the credit of the relevant Propco Expenses Account.

Issuer Collections

Accounts

The Issuer Collections Accounts have been opened, with the Collection Accounts Bank in the name of the Issuer and shall be operated by the Issuer in accordance with the Issuer Collections Accounts Pledge Agreement.

The total amount standing to the credit of the Issuer Collections Accounts as of the end of each Business Day shall be credited to the Issuer Payment Account no later than the following Business Day. Accordingly, the amount to be transferred to the Issuer Payment Account on each such Business Day shall equal the Collections transferred to the Issuer Collections Accounts less any amounts debited from the Issuer Collections Accounts to the Issuer Expenses Account or any Propco Expenses Account (to replenish it to the Issuer Expenses Account Required Amount or Propco Expenses Account Required Amount, as applicable, or as otherwise required to fund expenses payable between a Calculation Date and an Interest Payment Date).

Downgrade of Accounts Bank

A downgrade of the rating of the Accounts Bank by any of the Rating Agencies below the Minimum Rating will require the Issuer to, within 30 (thirty) calendar days, procure a successor accounts bank meeting the Minimum Rating in order to transfer the applicable Transaction Account and the funds standing to the credit thereof to such bank within such time.

Downgrade of Collections Account Bank

A downgrade of the Collections Account Bank by any of the Rating Agencies below the Minimum Rating will require the Issuer and the Propcos to, within 30 (thirty) calendar days, procure a successor collections account bank meeting the Minimum Rating in order to transfer the Collections Accounts and the funds standing to the credit thereof to such bank within such time.

"Minimum Ratings" means:

- (a) with respect to the Accounts Bank:
 - (i) with respect to Scope: such entity's long-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "BB" if such entity has a credit rating assigned by Scope;
 - (ii) with respect to Moody's: such entity's long-term deposit rating being rated "Baa3" and such entity's short-term deposit rating being rated "P3" by Moody's; and
 - (iii) with respect to DBRS: the higher of a rating one notch below the entity's long-term Critical Obligations Rating (COR) as determined by DBRS and a DBRS Long-Term Rating of BBB (low) or an entity's short-term, unsecured, unsubordinated and unguaranteed debt obligations being rated R-2 (middle) by DBRS, or, in the absence, a DBRS Equivalent Rating of BBB (low) and R-2 (middle);
- (b) with respect to the Cap Collateral Account Bank:
 - (i) with respect to Scope: such entity's long-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "BB" if such entity having a credit rating assigned by Scope;
 - (ii) with respect to Moody's: such entity's long-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "Baa3" and such entity's short-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "P3" by Moody's; and
 - (iii) with respect to DBRS: the higher of a rating one notch below the entity's long-term Critical Obligations Rating (COR) as determined by DBRS and a DBRS Long-Term Rating of BBB (low) or an entity's short-term, unsecured, unsubordinated and unguaranteed debt obligations being rated R-2 (middle) by DBRS, or, in the absence, a DBRS Equivalent Rating of BBB (low) and R-2 (middle);

- (c) with respect to the Collections Account Bank:
 - (i) with respect to Scope: such entity's long-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "BB" if such entity has a credit rating assigned by Scope;
 - (ii) with respect to Moody's: such entity's long-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "Ba2" by Moody's; and
 - (iii) with respect to DBRS: a DBRS Long-Term Rating of BB;

or, in each case, such other rating or ratings as may be agreed by the relevant Rating Agency from time to time as would maintain its then current ratings of the Rated Notes and the expression "**Minimum Rating**" shall (where appropriate) be construed accordingly.

Issuer Payment

Account.....

The Issuer Payment Account will be opened on or prior to the Issue Date with the Accounts Bank in the name of the Issuer and the Cash Manager shall operate the Issuer Payment Account in accordance with the Cash Management Agreement. All payments permitted to be made may only be made out of the applicable Available Distribution Amount standing to the credit of the Issuer Payment Account to the extent that such payment is out of cleared funds and does not cause the Issuer Payment Account to become overdrawn.

Funds will be debited from and credited to the Issuer Payment Account in accordance with the payment instructions of the Cash Manager, on behalf of the Issuer, in accordance with the terms of the Cash Management Agreement and the Luxembourg Accounts Pledge Agreement.

A downgrade of the rating of the Accounts Bank by any of the Rating Agencies below the Minimum Rating will require the Issuer to, within 30 (thirty) calendar days, procure a successor account bank meeting the Minimum Rating in order to transfer the Issuer Payment Account and the funds standing to the credit thereof to such bank within such time.

Incorrect Payments

If the Servicer identifies an amount paid into a Collections Account as incorrectly paid or transferred (an "**Incorrect Payment**") on the same Business Day in which it was paid, the Servicer shall not be required to transfer that amount to the Issuer Payment Account but may transfer it to the relevant recipient (to whom the Incorrect Payment amount is owed), **provided that** on that same Business Day the Servicer notifies the Issuer, the Cash Manager, the Accounts Bank and the Monitoring Agent, attaching sufficient proof that it was an Incorrect Payment.

Except as provided above, upon having identified an Incorrect Payment, the Servicer shall promptly and in any case within 5 (five) Business Days after such identification has taken place submit the relevant justified request to the Issuer, the Accounts Bank and the Monitoring Agent. If duly submitted, the Issuer or the relevant Propco will instruct the Accounts Bank to transfer the relevant Incorrect Payment amount from the relevant Collections Account to the relevant recipient.

If no sufficient funds are available at the relevant Collections Account to transfer the Incorrect Payment amount to the relevant recipient, the Servicer may instruct the Expenses Accounts Bank to transfer the relevant amount from the relevant Expenses Account to the relevant Collections Account (and upon such transfer the Servicer shall deliver the Incorrect Payment amount to the relevant recipient).

Propco Collections Accounts	Each Propco Collections Accounts has been opened, with the Accounts Bank in the name of each Propco and the Servicer shall operate the Propco Collections Accounts in accordance with the relevant Propco Servicing Agreement.
Transfers of amounts received in each of the Propco Collections Accounts	Any amounts paid into a Propco Collections Account relating to Properties shall no later than the following Business Day be transferred to the Issuer Payment Account, as directed by the Servicer.
Cash Reserve Account..	<p>The Cash Reserve Account will be opened on or about the Issue Date with the Accounts Bank in the name of the Issuer in accordance with the Accounts Bank Agreement, into which an amount equal to €7,650,000 (corresponding to the Cash Reserve Account Required Amount as of the Issue Date) will be transferred from the proceeds of the issue of the Notes and an amount of Collections received since the Cut-Off Date and reallocated to the Issuer pursuant to the Reallocation Agreement.</p> <p>"Cash Reserve Account Required Amount" means, on the Issue Date, €7,650,000 and, on each Interest Payment Date, an amount equal to 4.50 per cent. of the Principal Amount Outstanding of the Class A Notes as of the Business Day following the immediately preceding Interest Payment Date (or, in respect of the First Interest Payment Date, on the Issue Date), provided that the Cash Reserve Account Required Amount will be equal to zero on the earlier of:</p> <ul style="list-style-type: none"> (a) the Interest Payment Date on which the Class A Notes can be redeemed in full through the application of the Cash Reserve Amount or any other Available Distribution Amount; and (b) the Final Maturity Date or on the date on which all of the Notes are subject to any early redemption in full, as applicable. <p>The Cash Manager on behalf of the Issuer will debit and credit funds to the Cash Reserve Account in accordance with the terms of the Accounts Bank Agreement. The Cash Reserve Account may not go into overdraft.</p> <p>A downgrade of the rating of the Accounts Bank by any of the Rating Agencies below the Minimum Rating will require the Issuer to, within 30 (thirty) calendar days, procure a successor accounts bank meeting the Minimum Rating in order to transfer the Cash Reserve Account and the funds standing to the credit thereof to such bank within such time.</p>
Replenishment of Cash Reserve Account	On each Interest Payment Date, (i) all amounts standing to the credit of the Cash Reserve Account shall be deemed as Available Distribution Amount and distributed in accordance with the relevant Payment Priorities, and (ii) to the extent that monies are available for that purpose, amounts will be credited to the Cash Reserve Account in accordance with the Pre-Enforcement Payment Priorities up to the Cash Reserve Account Required Amount on such Interest Payment Date.

Cap Collateral Account	A Cap Collateral Account cash account to be opened in the name of the Issuer on or prior to the Issue Date with the Cap Collateral Account Bank for transfer in euro into which shall be credited: (i) any collateral received from the Cap Counterparty pursuant to the Cap Transaction, (ii) any interest or distributions on, and any liquidation or other proceeds of, such collateral, (iii) any Replacement Cap Premium received by the Issuer from a replacement cap counterparty, and (iv) any termination payment received by the Issuer from the Cap Counterparty pursuant to the Cap Transaction; and out of which amounts shall be paid in accordance with the Cap Collateral Account Payment Priorities.
Available Distribution Amount	<p>In respect of each Interest Payment Date, means the amount calculated by the Cash Manager as of the Calculation Date immediately preceding such Interest Payment Date, which is equal to:</p> <ul style="list-style-type: none"> (a) all amounts credited or transferred, in respect of the Receivables Portfolio and the Property Portfolio and in respect of the Collection Period immediately preceding such Interest Payment Date, into the Issuer Payment Account; (b) all amounts due and payable to the Issuer in respect of such Interest Payment Date under the terms of the Cap Transaction (if and to the extent paid) other than (1) any Collateral Amounts, any termination payment required to be made under the Cap Transaction, any collateral payable or transferable (as the case may be) under the Cap Transaction and any Replacement Cap Premium paid to the Issuer (which will not be available to the Issuer to make payments to its creditors generally, but may only be applied in accordance with the Cap Collateral Account Payment Priorities) and (2) any Cap Tax Credit Amounts (which amounts shall be paid when due in accordance with the Cap Transaction, without regard to the Cap Collateral Account Payment Priorities or any Payment Priorities). For the sake of clarity, no funds standing to the credit of the Cap Collateral Account will be part of the Available Distribution Amount; (c) all other amounts credited or transferred during the Collection Period immediately preceding such Interest Payment Date into the Issuer Payment Account; (d) all interest accrued in each of the Transaction Accounts and credited to such Transaction Accounts (except for the Cap Collateral Account) during the Collection Period immediately preceding such Interest Payment Date; (e) if any, all amounts received by the Issuer from the Sponsor pursuant to the Reallocation Agreement during the Collection Period immediately preceding such Interest Payment Date (including any amount received by the Issuer from the Sponsor as indemnity in case of breach by the Sponsor of any Sponsor's Representations and Warranties); (f) all amounts standing to the credit of the Cash Reserve Account; (g) on the earlier of (1) the Final Maturity Date and (2) such other prior date on which the Notes are all to be redeemed in full, all the amounts standing to the credit of each Collections Account and each Expenses Account (as notified to the Cash Manager by the Servicer); and

- (h) any amounts (other than the amounts already allocated under other items of the Available Distribution Amount) paid into the Issuer Payment Account during the Collection Period immediately preceding such Interest Payment Date other than the Available Distribution Amount utilised on the immediately preceding Interest Payment Date, but excluding, for the avoidance of doubt (i) any amount of negative interest debited to the Transaction Accounts by the Accounts Bank or the Cap Collateral Account Bank (if applicable) and (ii) any amount utilised during the relevant Collection Period to replenish the Issuer Expenses Account and/or Propco Expenses Accounts up to the Expenses Account Required Amount.

Cap Transaction On or about the Issue Date, the Issuer will enter into a cap transaction (the "**Cap Transaction**") with the Cap Counterparty.

Such Cap Transaction is governed by the 1992 International Swaps and Derivatives Association, Inc. ("**ISDA**") Master Agreement (Multicurrency – Cross Border) (the "**Master Agreement**"), the Schedule thereto (the "**Schedule**") and the 1995 ISDA Credit Support Annex thereto (the "**Credit Support Annex**") and a cap confirmation (the "**Cap Confirmation**" and together with the Master Agreement, the Schedule and the Credit Support Annex, the "**Cap Agreement**").

The Issuer entered into the Cap Transaction in order to hedge its floating interest rate exposure in relation to the Rated Notes. Under the Cap Agreement, the Cap Counterparty will be required to make a payment to the Issuer if for such Interest Payment Date, the rate of Three-Month EURIBOR payable on the Notes exceeds 0.50 per cent. In return, the Issuer will on or around the Issue Date pay a premium to the Cap Counterparty.

The notional of the Cap Transaction will be the scheduled notional amount contained therein for the relevant Interest Period.

See "*Overview of Certain Transaction Documents – Cap Transaction*".

Events of Default As fully set out in Condition 13.1 (*Events of Default*), which are:

- (a) non-payment by the Issuer of the Principal Amount Outstanding of the Notes on the Final Maturity Date, interest on the Class A Notes on any Interest Payment Date or interest on the Notes on the Final Maturity Date, in each case, within 3 (three) Business Days' following the due date; or
- (b) the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or any of the Transaction Documents which, if capable of remedy, is not remedied for thirty days and which, in the sole opinion of the Trustee, is materially prejudicial to the interests of the Most Senior Class of Noteholders; or
- (c) an Insolvency Event occurs with respect to the Issuer; or
- (d) failure to maintain necessary consents, approvals, authorisations, exemptions, filings, licenses, orders, recordings or registrations; or
- (e) it becoming unlawful for the Issuer to perform or comply with its obligations.

Priorities of Payments .. Prior to (i) the delivery of an Enforcement Notice, (ii) a redemption in whole of the Notes for taxation reasons pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation Reasons*), (iii) a redemption in whole of the Notes due to a change in relation to the Retained Interest pursuant to Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*), or (iv) an optional redemption pursuant to Condition 10.4 (*Class Z Noteholder Call Option*), (v) an optional redemption pursuant to Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean up call)*) or (vi) redemption at their Final Maturity Date pursuant to Condition 10.6 (*Final Maturity Date*) the Issuer is required to apply the Available Distribution Amount in accordance with the Pre- Enforcement Payment Priorities, **provided that** after the delivery of an Enforcement Notice, all amounts received or recovered by the Issuer and/or the Trustee will be applied in accordance with the Post-Enforcement Payment Priorities.

Pre-Enforcement Payment Priorities Prior to (i) the delivery of an Enforcement Notice, (ii) a redemption in whole of the Notes for taxation reasons pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation Reasons*), (iii) a redemption in whole of the Notes due to a change in relation to the Retained Interest pursuant to Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*), (iv) an optional redemption pursuant to Condition 10.4 (*Class Z Noteholder Call Option*), (v) an optional redemption pursuant to Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean up call)*) or (vi) redemption at their Final Maturity Date pursuant to Condition 10.6 (*Final Maturity Date*) the Available Distribution Amount shall be applied on each Interest Payment Date in making or providing for the following payments, in the following order of priority (the "**Pre-Enforcement Payment Priorities**") (but in each case only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full):

- (i) *first*, in or towards payment of the Issuer's liability to Tax, if any;
- (ii) *second*, in or towards payment of the Trustee's Fees and Liabilities;
- (iii) *third*, in or towards payment of the Issuer Expenses (including the Servicer Senior Fee to the Servicer), *pari passu* and on a *pro rata* basis, to the extent not yet paid under paragraphs (i) and (ii) above;
- (iv) *fourth*, in or towards payment, *pari passu* and on a *pro rata* basis, of the Interest Amount in respect of the Class A Notes on such Interest Payment Date;
- (v) *fifth*, in or towards crediting of the Cash Reserve Account up to an amount equal to the Cash Reserve Account Required Amount;
- (vi) *sixth*, if no Subordination Event has occurred in respect of such Interest Payment Date, and without applying any amounts which, immediately before such Interest Payment Date, were standing to the credit of the Cash Reserve Account, in or towards the payment, *pari passu* and on a *pro rata* basis, of the Interest Amount in respect of the Class B Notes;
- (vii) *seventh*, in or towards payment, *pari passu* and on a *pro rata* basis, of the Principal Amount Outstanding of the Class A Notes until the Class A Notes have been redeemed in full;
- (viii) *eighth*, if a Subordination Event has occurred in respect to such Interest Payment Date, in or towards payment, *pari passu* and on a *pro rata* basis, of the Interest Amount in respect of the Class B Notes;

- (ix) *ninth*, in or towards payment, *pari passu* and on a *pro rata* basis (with reference to the respective amounts thereof), of (i) the Principal Amount Outstanding of the Class B Notes until the Class B Notes have been redeemed in full, and (ii) the Servicer Mezzanine Fee to the Servicer;
- (x) *tenth*, in or towards payment *pari passu* and on a *pro rata* basis, of the Interest Amount in respect of the Class J Notes;
- (xi) *eleventh*, in or towards payment *pari passu* and on a *pro rata* basis, of the Principal Amount Outstanding of the Class J Notes until the Class J Notes have been redeemed in full;
- (xii) *twelfth*, in or towards payment, *pari passu* and on an adjusted *pro rata* basis (with reference to the respective amounts thereof), of (i) the Principal Amount Outstanding of the Class Z Notes until the Principal Amount Outstanding of the Class Z Notes is equal to EUR 5000 and on the Final Redemption Date until redemption in full of the Class Z Notes and (ii) the Servicer Junior Fee to the Servicer; and
- (xiii) *thirteenth*, in or towards payment, *pari passu* and on a *pro rata* basis, of the Class Z Return Amount.

For purposes of calculating the adjusted *pro rata* between the Servicer Junior Fee and the Principal Amount Outstanding of the Class Z Notes under item (xii) of the Pre-Enforcement Payment Priorities above, the proportionate allocation shall be made by considering the calculation of Principal Amount Outstanding of the Class Z Notes as equal to: (a) the sum of the Target Price at Issue Date, less (b) Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class J Notes in each case as at the Issue Date and less (c) the sum of all principal payments paid to the Class Z Notes prior to the relevant Interest Payment Date.

If the Cash Manager has not received the Servicer Report within 12 (twelve) Business Days after the end of the relevant Collection Period:

- (a) it shall prepare the Investor Report in respect of the immediately following Interest Payment Date by applying the Available Distribution Amount in an amount not higher than the amounts standing to the credit of the Cash Reserve Account on the immediately preceding Interest Payment Date (after application of the Pre-Enforcement Payment Priorities on such Interest Payment Date), towards payment only of items from (i) to (iv) (but excluding from the Issuer Expenses the Servicer Fee due to the Servicer under item (c) of the Pre-Enforcement Payment Priorities); and
- (b) any amount that would otherwise have been payable under items (vi) and (viii) to (xiii) (inclusive) of the Pre-Enforcement Payment Priorities will not be included in the relevant Investor Report and shall not be payable on the relevant Interest Payment Date and shall be payable in accordance with the applicable Payment Priorities on the first following Interest Payment Date on which the Available Distribution Amount is sufficient to pay such items and on which details for the relevant calculations will be timely provided to the Cash Manager.

**Post-Enforcement
Payment Priorities**

(i) Following the delivery of an Enforcement Notice, (ii) on a redemption in whole of the Notes for taxation reasons pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation Reasons*), (iii) on a redemption in whole of the Notes due to a change in relation to the Retained Interest pursuant to Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*), (iv) on an optional redemption pursuant to Condition 10.4 (*Class Z Noteholder Call Option*), (v) on an optional redemption pursuant to Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean up call)*) or (vi) on redemption at their Final Maturity Date pursuant to Condition 10.6 (*Final Maturity Date*) all amounts received or recovered by the Issuer and/or the Trustee will be applied by the Trustee or the Cash Manager or (if applicable) the Principal Paying Agent (in both cases on behalf of the Trustee) in making the following payments in the following order of priority (the "**Post- Enforcement Payment Priorities**") but in each case only to the extent that all payments of a higher priority have been made in full:

- (i) *first*, (other than following the delivery of an Enforcement Notice) in or towards payment of the Issuer's liability to Tax, in relation to the Transaction, if any;
- (ii) *second*, in or towards payment of the Trustee's Fees and Liabilities;
- (iii) *third*, in or towards payment of the Issuer Expenses, to the extent not yet paid under items (i) and (ii) above;
- (iv) *fourth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class A Notes, but so that interest past due will be paid before current interest;
- (v) *fifth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class A Notes until the Class A Notes have been redeemed in full;
- (vi) *sixth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class B Notes, but so that interest past due will be paid before current interest;
- (vii) *seventh*, in or towards payment *pari passu* on a *pro rata* basis (with reference to the respective amounts thereof), of (a) the Principal Amount Outstanding of the Class B Notes until the Class B Notes have been redeemed in full, (b) the Servicer Mezzanine Fee to the Servicer; and (c) any amounts due and payable by the Issuer pursuant to the Subscription Agreement to the Arranger (including any amounts due and payable as indemnity);
- (viii) *eighth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class J Notes, but so that interest past due will be paid before current interest;
- (ix) *ninth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class J Notes until the Class J Notes have been redeemed in full;
- (x) *tenth*, in or towards payment *pari passu* on an adjusted *pro rata* basis (with reference to the respective amounts thereof), of (i) the Principal Amount Outstanding of the Class Z Notes until the Principal Amount Outstanding of the Class Z Notes is equal to EUR 5000 or, on the Final Redemption Date, until redemption in full of the Class Z Notes and (ii) the Servicer Junior Fee to the Servicer; and

- (xi) *eleventh*, in or towards payment, *pari passu* and on a *pro rata* basis, of the Class Z Return Amount.

For purposes of calculating the adjusted *pro rata* between the Servicer Junior Fee and the Principal Amount Outstanding of the Class Z Notes under item (x) of the Post-Enforcement Payment Priorities above, the proportionate allocation shall be made by considering the calculation of Principal Amount Outstanding of the Class Z Notes as equal to: (a) the sum of the Target Price at Issue Date, less (b) the principal notional of the Senior Notes at Closing, less (c) the principal amount outstanding of the Class A Notes, the Class B Notes and the Class J Notes, in each case as at the Issue Date and less (c) the sum of all principal payments paid to the Class Z Notes prior to the relevant Interest Payment Date.

**Cap Collateral Account
Payment Priorities**

Amounts standing to the credit of the Cap Collateral Account will not be available for the Issuer to make payments to the Noteholders and the other Secured Creditors generally, but shall be applied by the Issuer or the Cash Manager (on the instruction of the Issuer or the Cap Counterparty) only in accordance with the following provisions:

- (a) prior to the occurrence or designation of an Early Termination Date in respect of the Cap Transaction, solely in or towards payment or transfer of:
- (i) any Return Amounts (as defined in the Credit Support Annex);
 - (ii) any Interest Amounts and Distributions (each as defined in the Credit Support Annex);
 - (iii) any return of collateral to the Cap Counterparty upon a novation of the Cap Counterparty's obligations under the Cap Transaction to a replacement cap counterparty on any day (whether or not such day is an Interest Payment Date), directly to the Cap Counterparty in accordance with the terms of the Credit Support Annex,
- (b) upon or immediately following the occurrence or designation of an Early Termination Date (as defined in the Cap Agreement) in respect of the Cap Transaction where (A) such Early Termination Date (as defined in the Cap Agreement) has been designated following an Event of Default (as defined in the Cap Agreement) in respect of which the Cap Counterparty is the Defaulting Party (as defined in the Cap Agreement) or an Additional Termination Event (as defined in the Cap Agreement) resulting from a Cap Counterparty Rating Event and in respect of which the Cap Counterparty is the Affected Party (as defined in the Cap Agreement) and (B) the Issuer enters into a replacement Cap Transaction in respect of such Cap Transaction on or around the Early Termination Date of such Cap Transaction, on the later of the day on which such replacement Cap Transaction is entered into and the day on which the Replacement Cap Premium (if any) payable to the Issuer has been received (in each case, whether or not such day is an Interest Payment Date), in the following order of priority:
- (i) *first*, in or towards payment of any Replacement Cap Premium (if any) payable by the Issuer to a replacement cap counterparty in order to enter into a replacement Cap Transaction with the Issuer with respect to the Cap Transaction being novated or terminated;

- (ii) *second*, in or towards payment of any termination payment due to the outgoing Cap Counterparty pursuant to the Cap Transaction; and
 - (iii) *third*, the surplus (if any) (a "**Cap Collateral Account Surplus**") on such day to be transferred to the Issuer Payment Account for an amount equal to the relevant Cap Collateral Account Surplus and deemed to form part of the Available Distribution Amount;
- (c) following the occurrence or designation of an Early Termination Date in respect of the Cap Transaction where (A) such Early Termination Date has been designated following an Event of Default (as defined in the Cap Agreement) in respect of which the Cap Counterparty is the Defaulting Party (as defined in the Cap Agreement) or an Additional Termination Event (as defined in the Cap Agreement) resulting from a Cap Counterparty Rating Event and in respect of which the Cap Counterparty is the Affected Party (as defined in the Cap Agreement) and (B) the Issuer is unable to or elects not to enter into a replacement Cap Transaction on or around the Early Termination Date of such Cap Transaction, on any day (whether or not such day is a Payment Date) in or towards payment of any termination payment due to the Cap Counterparty pursuant to the Cap Transaction;
- (d) following the occurrence or designation of an Early Termination Date in respect of the Cap Transaction where such Early Termination Date has been designated otherwise than as a result of one of the events specified at items (b) and (c) above, on any day (whether or not such day is an Interest Payment Date) in or towards payment of any termination payment due to the outgoing Cap Counterparty pursuant to the Cap Transaction; and
- (e) following payment of any amounts due pursuant to (c) and (d) above, if amounts remain standing to the credit of the Cap Collateral Account, such amounts may be applied on any day (whether or not such day is an Interest Payment Date) only in accordance with the following provisions:
- (i) *first*, in or towards payment of any Replacement Cap Premium (if any) payable by the Issuer to a replacement cap counterparty in order to enter into a replacement Cap Transaction with the Issuer with respect to the Cap Transaction being terminated; and
 - (ii) *second*, the surplus (if any) (a "**Cap Collateral Account Surplus**") remaining after payment of such Replacement Cap Premium to be transferred to the Issuer Payment Account and deemed to form part of the Available Distribution Amount,

provided that if the Issuer has not entered into a replacement Cap Transaction with respect to the Cap Transaction on or prior to the earlier of:

- (A) the day that is 10 (ten) Business Days prior to the date on which the Principal Amount Outstanding of all Classes of Notes is reduced to zero (other than following the occurrence of an Event of Default to Condition 13 (*Events of Default and Enforcement*)); or

- (B) the day on which an Enforcement Notice is given pursuant to Condition 13 (Events of Default and Enforcement),

then the Collateral Amount on such day shall be transferred to the Issuer Payment Account as Cap Collateral Account Surplus and deemed to form part of the Available Distribution Amount. Condition 9.5 (*Cap Collateral Account Payment Priorities*) may not be amended without the Cap Counterparty's express consent.

Sale of the Receivables Portfolio and Property Portfolio for Redemption

In the following circumstances:

- (a) in the case of a redemption pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation*); or
- (b) in the case of a redemption pursuant to Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*); or
- (c) in the case of a redemption pursuant to Condition 10.4 (*Class Z Noteholder Call Option*) (save where in connection with the exercise of the Class Z Noteholder Call Option, the Class Z Noteholders have committed to provide the Issuer with sufficient funds in order for the Issuer to discharge all of its outstanding liabilities in respect of the Class B Notes and the Class J Notes and all other amounts required under the Post-Enforcement Payment Priorities to be paid in priority to or *pari passu* with the Class J Notes on the relevant Interest Payment Date); or
- (d) in the case of a redemption pursuant to Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean-up call)*); or
- (e) if, after an Enforcement Notice has been served on the Issuer (with a copy to the Cap Counterparty, the Rating Agencies and the Servicer) pursuant to Condition 13 (*Events of Default and Enforcement*), an Extraordinary Resolution of the holders of the Most Senior Class of Notes resolve to request the Issuer to sell all (or part only) of the Receivables Portfolio and the Property Portfolio to one or more third parties,

the Issuer will be required to dispose of all (or part only) of the Receivables Portfolio and the Property Portfolio, in order to enable the relevant Notes to be redeemed by complying with the Bid Process, overseen by the Monitoring Agent and approved by the Servicing Committee (unless the Class Z Noteholder also exercises the Class Z Noteholder Call Option).

Bid Process

Without prejudice to the above "*Sale of the Receivables Portfolio and Property Portfolio for Redemption*", following the Class A Notes having been redeemed in full, or if any of the circumstances (a) to (e) (identified above under "*Sale of the Receivables Portfolio and Property Portfolio for Redemption*") apply, then the Issuer (or the Servicer on its behalf) will organise a competitive bid process in order to sell the Receivables Portfolio and the Property Portfolio (the "**Bid Process**"), after obtaining approval from the Servicing Committee.

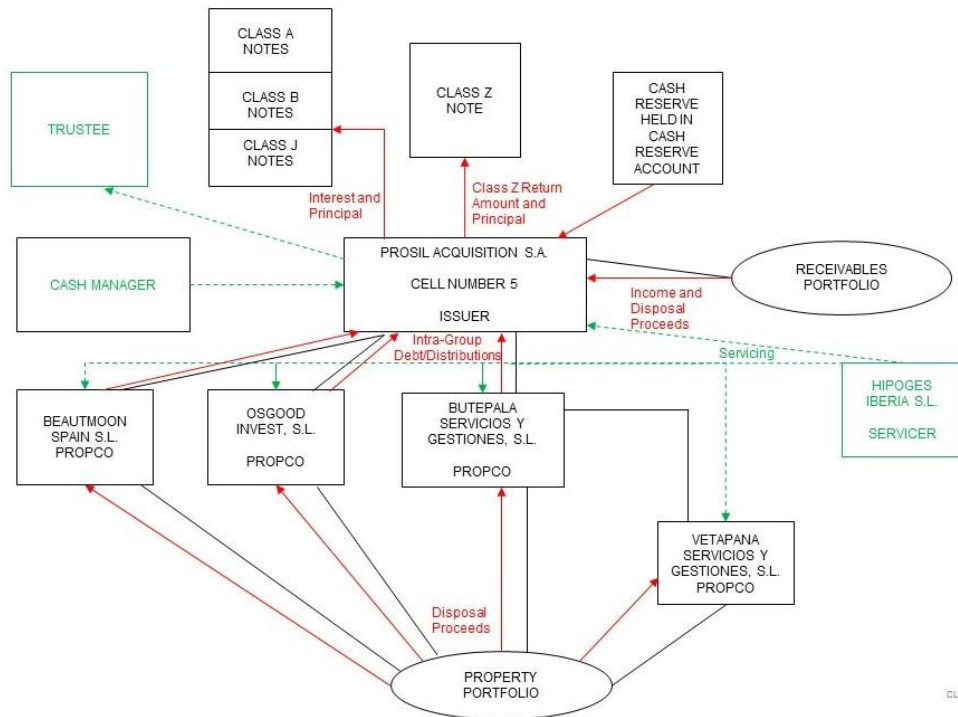
The Bid Process shall be carried out in line with best market practices and transparency standards in order to maximize the sale price of the Receivables Portfolio and the Property Portfolio and to ensure that the Issuer will be able to sell the Receivables Portfolio and the Property Portfolio to the selected party or parties only if the total proceeds deriving from the sale of the Receivables Portfolio and the Property Portfolio are sufficient to allow the Issuer, on the following Interest Payment Date:

- (a) to redeem the Class B Notes and, to the extent that the Class A Notes have not yet been redeemed in full, the Class A Notes in whole (but not in part) at their Principal Amount Outstanding (together with any interest accrued and unpaid thereon until the date on which such redemption occurs); and
- (b) to pay any amounts required under the Post-Enforcement Priorities of Payments to be paid in priority to or *pari passu* with such amounts payable on the Class B Notes.

The Issuer will apply any amounts in excess of the amounts required under (a) and (b) above in accordance with the Post-Enforcement Payments Priorities and, thereafter, any outstanding Class J Notes and Class Z Notes will be cancelled.

Governing Law The Notes and the Transaction Documents are governed by English law, except that the Spanish Security Documents, the Servicing Agreements and the Monitoring Agent Appointment Agreement are governed by Spanish law and the Luxembourg Accounts Pledge Agreement is governed by Luxembourg law. The application to the Notes, the Transaction Documents and these Conditions of the provisions set out in article 470-1 (in respect of the register of the Notes) and articles 470-3 to 470-19 of the Luxembourg Law on Commercial Companies is excluded.

DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



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OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS

The description of certain Transaction Documents set out below is a summary of certain features of such documents and is qualified by reference to the detailed provisions thereof. Prospective investors may inspect a copy of the documents in physical and electronic form described below upon request at the specified office of each of the Trustee and the Principal Paying Agent.

Reallocation Agreement

Reallocation of the Receivables Portfolio, the Propco Shares and the Propco Debt

Under the terms of the Reallocation Agreement, the Transferor will reallocate to the Issuer and the Issuer will accept such reallocation the Receivables Portfolio, the Propco Shares and the Propco Debt on the Issue Date.

Consideration for Reallocation

The total consideration paid by the Issuer to the Transferor, on the Issue Date, for the reallocation of the Receivables Portfolio, the Propco Shares and the Propco Debt will be €225,755,000.00 (the "**Purchase Price**") which will be funded through the issuance of the Notes by the Issuer.

Representations and Warranties as to the Receivables and Properties

On the Issue Date, the Transferor will make certain representations and warranties (the "**Asset Representations and Warranties**") as follows:

- (a) The Receivables are lawful, existing and past-due (or likely to be past-due in accordance with their own terms) and are also likely to be claimed before the courts under applicable law, the Transferor being the absolute owner thereof.
- (b) The Receivables result from legal relations that comply with applicable law at the time of their granting and were originated in the ordinary course of business of the Original Lender.
- (c) The Transferor has not agreed to the sale, transfer, securitisation, sub-holding or assignment of its interests in the Receivables other than pursuant to the Transaction Documents, save in respect of any Security which will be released on or prior to the Issue Date.
- (d) The Transferor has not entered into any arrangements with any Borrowers or any other person which could materially restrict the Transferor's or, following the Issue Date, the Issuer's, ability to enforce the terms of the Receivables save for any actions carried out in the normal course of servicing the Receivables in accordance with the Servicing Agreements and the Receivables Plan.
- (e) The Transferor may freely dispose of or reallocate to the Issuer all the Receivables without needing the consent of the Borrowers for such a disposal or reallocation to the Issuer.
- (f) Save as disclosed in writing by the Transferor to the Issuer on or prior to the date of this Agreement, all of the properties set out in Schedule 1 to the Reallocation Agreement have been mortgaged to secure the applicable Receivables and such mortgages have been duly created and registered at the relevant property registry in the name of the Transferor.
- (g) Save in respect of any tax liens, registration rights or registered encumbrances which have been financially discharged but remain registered at the relevant property registry, each mortgage over the properties set out in Schedule 1 to the Reallocation Agreement have the ranking specified in Schedule 1 to the Reallocation Agreement and there are no other secured creditors other than the Transferor that benefit from a mortgage with the same or senior ranking to that held by the Transferor.
- (h) Each mortgage over the properties set out in Schedule 1 to the Reallocation Agreement validly secures the principal component of the relevant Receivable.
- (i) The information relating to the Receivables in respect of the following fields in the Data Tape is accurate, correct, true and not misleading in all material respects as of the Cut-Off Date:

- (i) "debtor as individual or entity"
- (ii) "outstanding balance"
- (iii) "if proceedings have been commenced, court or tribunal of such proceedings"
- (iv) "if debtor is insolvent, court before which insolvency proceedings are being conducted"
- (v) "type of real estate security"
- (vi) "reference for registered property"
- (vii) "address"
- (j) Save for any actions carried out in the normal course of servicing the Receivables in accordance with the servicing arrangements put in place by the Transferor since the date of the acquisition by it of the Receivables and the Receivables Plan or otherwise as required by law, since the Cut-Off Date the Transferor has not modified or amended any of the documents that create or secure the Receivables and has not released any of the Borrowers from their payment obligations (whether in whole or in part) under the Receivables and has not agreed to any other alteration that would reduce the Outstanding Principal Balance of the Receivables.
- (k) There are no further amounts that the Transferor is required to disburse under the Receivables Documents.
- (l) The Transferor has not granted any Encumbrance over the Receivables (other than as required by law and save in respect of any Security which will be released on or prior to the Issue Date) and so far as the Transferor is aware, none of the Borrower has any contractual right to compensation that results in the Transferor being entitled to collect an amount below the Outstanding Principal Balance of each Receivable.
- (m) All the Receivables are governed Spanish law, are denominated in euros and each of the Properties is located in Spain.
- (n) Since the date of acquisition of the Receivables by the Transferor each Receivable has been serviced in compliance with applicable laws and regulations and have been administered and, where applicable, enforced in accordance with applicable laws and regulations and the terms of the relevant Receivables Documents.
- (o) Since the date of acquisition of the Receivables by the Transferor, the Transferor has kept or procured the keeping of all documents, books, accounts and records required for the exercise of its rights in relation to the Receivable, provided that there shall be no breach of this representation if the judicial mortgage claim for a Receivable to be enforced is dismissed by the Spanish courts due to a lack of required documentation (save where such lack of required documentation has been caused by the actions of the Transferor since the date of acquisition of the Receivables by it).
- (p) Since the date of acquisition by the Transferor of the Receivables, any court proceedings taken by it or on its behalf in relation to the Receivables have been properly pursued by the servicer of such Receivables in the ordinary course of its business.
- (q) All applicable stamp duties and registration taxes, if any, to the acquisition of the Receivables by the Transferor have been paid in full as they became due.
- (r) None of the Receivables have been formalised with Borrowers who, on the date of such formalisation, were incompetent or non-emancipated minors, or, as applicable, without obtaining the legal authorisations necessary to validly conclude the Receivables Documents from which the Receivables derive.
- (s) There was no Receivable in the Receivables Portfolio which is a self-certified Receivable for the purposes of Directive 2014/17/EU.

- (t) No fraud had been committed by the Transferor in respect of any Receivable and (where applicable) any other Encumbrances granted in favour of the Transferor as lender.
- (u) All of the Properties are legally and beneficially owned by a Propco and are not subject to any Encumbrance in favour of any other person.
- (v) All of the Properties are located in the Kingdom of Spain.
- (w) Each Property is freely disposable by the relevant Propco and is not subject to any restriction on title, pre-emption right or other third-party claim which would prevent or delay the disposal of such Property by any of the Propcos.

Breach of Asset Representations and Warranties

If there is any actual or alleged breach of the Asset Representations and Warranties then whichever of the Transferor, the Issuer (or the Servicer on its behalf) or the Sponsor becomes aware of the breach shall give notice to each of the other parties to the Reallocation Agreement.

If any of the Asset Receivables Representation and Warranties proves to have been untrue on the Issue Date then:

- (a) if such breach is capable of remedy, the Transferor shall use all reasonable endeavours to remedy such breach within 30 Business Days of the earlier of becoming aware or being notified of such breach; and
- (b) if such breach is not capable of remedy or is not otherwise remedied within the time period specified in paragraph (a) above, the Issuer shall service a notice (an "**Indemnification Notice**") on the Transferor (with a copy to the Sponsor) requiring the Transferor to indemnify the Issuer in respect of any loss suffered with respect to the applicable Receivable or Property (such amount being an "**Indemnification Amount**").

Following service of an Indemnification Notice on the Transferor, the Sponsor agrees to indemnify the Transferor in an amount equal to the Indemnification Amount no later than the Business Day prior to the date on which the Transferor is required to pay the Indemnification Amount to the Issuer.

Limitations on liability of Transferor for breach of Asset Representations and Warranties

The Transferor will not be liable under the Reallocation Agreement in respect of any Indemnification Amount unless the aggregate amount of all Indemnification Amounts for which the Transferor would otherwise be liable exceeds an amount equal to 3 (three) per cent. of the aggregate Purchase Price (the "**Threshold Amount**"), in which case the Transferor will be liable for the entire aggregate Indemnification Amounts and not only the amount in excess of the Threshold Amount.

The Transferor will not be liable in respect of any individual Indemnification Amount unless the amount of that individual Indemnification Amount exceeds €40,000.

The maximum aggregate liability of the Transferor in respect of all Indemnification Amounts shall not exceed an amount equal to 25 (twenty-five) per cent. of the aggregate Purchase Price.

The Indemnification Amount in respect of any Receivable or Property that is the subject of a breach of an Asset Representation and Warranty shall not exceed the Allocated Purchase Price in respect of such Receivable or Property.

The Issuer shall only be entitled to serve an Indemnification Notice in respect of a breach of any Asset Representation and Warranty during the period commencing on the date of this Agreement and ending on the date falling 12 months from the date of the Reallocation Agreement.

Applicable law and jurisdiction

The Reallocation Agreement and all matters arising from or connected with it shall be governed by and construed in accordance with the laws of the Grand Duchy of Luxembourg. The courts of the Grand Duchy

of Luxembourg have exclusive jurisdiction to settle any Dispute arising out of or in connection with the Reallocation Agreement, including any question regarding its existence, validity or termination.

Servicing Agreement

Appointment of the Servicer

Pursuant to the terms of the Servicing Agreements, the Issuer and the Propcos will appoint the Servicer to be the Servicer and as their lawful non-exclusive agent, in their name and on their behalf, to act as servicer in relation to the Receivables Portfolio and the Property Portfolio.

Collections and Expenses Accounts

Please refer to "Overview of the Transaction – Collection Accounts" and "Overview of the Transaction – Expenses Accounts".

Servicer Fee

The Servicer shall be entitled to receive from the Issuer a servicing fee, to be paid on each Interest Payment Date, as follows:

- (a) a fixed fee, due and payable on the Issue Date in an amount equal to EUR 351,600 (excluding VAT);
- (b) a fixed fee, due and payable in advance (the "**Fixed Servicing Fee**") in an amount equal to EUR 263,700 (excluding VAT) multiplied by the Remaining Capped Real Estate Value divided by the Opening Capped Real Estate Value; and
- (c) a performance ongoing fee, due and payable in arrear, corresponding to 5.25 per cent. plus VAT (provided that if the NPV Cumulative Collection Ratio is below 100 per cent., such percentage shall be 4.20 per cent.) of the gross Collections received by the Issuer in respect of the Receivables and Properties during the relevant Collection Period (the "**Servicer Performance Fee**" and, together with the Fixed Servicing Fee, the "**Servicer Fee**").

For the purposes of paragraph (a) above:

"**Opening Capped Real Estate Value**" means the sum of the allocated capped real estate value as at the Issue Date as set out in the Schedule 11 to each Servicing Agreement in respect of each property that secures a Receivable and each Property.

"**Remaining Capped Real Estate Value**" means, in respect of an Interest Payment Date, the sum of the allocated capped real estate value as set out Schedule 11 to each Servicing Agreement in respect of those properties that secure Receivables and Properties that continued to be owned by the Issuer and the Propcos as of the Collateral Determination Date immediately prior to such Interest Payment Date.

Pursuant to the applicable Payment Priorities, the Servicing Fee will, from and including the Interest Payment Date falling in January 2020 be paid as Servicer Senior Fee, Servicer Mezzanine Fee and Servicer Junior Fee in accordance with the following calculation:

NPV Cumulative Collection Ratio on the Calculation Date immediate prior to applicable Interest Payment Date	Percentage of Servicer Fee payable as Servicer Senior Fee	Percentage of Servicer Fee payable as Servicer Mezzanine Fee	Percentage of Servicer Fee payable as Servicer Junior Fee
<90%	80%	0%	20%
≥90% but <100%	85%	5%	10%
≥100%	100%	0%	0%

where, in this section:

"NPV Cumulative Collection Ratio" means, in respect of each Interest Payment Date, the ratio indicated in the immediately preceding Servicer Report between: (a) the sum of the NPV of the Net Collections received on or after the Issue Date; and (b) the sum of the NPV of the Net Expected Collections expected to be received on or after the Issue Date;

"Net Expected Collections" means, for a given Collection Period, the difference between (a) the expected gross Collections and (b) the expected Recovery Expenses, both up to the end of the immediately preceding Collection Period in accordance with the Business Plan. For the purpose of this definition, **"Collections"** includes only those Realisation Values which have been effectively collected and delivered by the Servicer to the Issuer and the Propcos (and not Realisation Values still to be collected, such as cash in court). The amount of the Net Expected Collections is set out in the Business Plan;

"Net Collections" means, for a given Collection Period, the difference between (a) the gross Collections in each relevant Collection Period, and (b) the Recovery Expenses. For the purpose of this definition, **"Collections"** includes only those Realisation Values which have been effectively collected and delivered by the Servicer to the Issuer (and not Realisation Values still to be collected, such as cash in court); and

The Servicer Fee will be calculated by the Servicer and invoiced in accordance with the Servicing Agreements.

Termination of Servicer's Appointment

Unless earlier terminated pursuant to the Servicing Agreements, the appointment of the Servicer under the Servicing Agreements shall terminate (but without affecting any accrued rights and Liabilities under the Servicing Agreements) on the Final Discharge Date.

The Issuer shall, if so instructed by the Servicing Committee (or, in the case of any termination event arising under paragraph (f) below, by an Ordinary Resolution of the Most Senior Class of Notes outstanding), terminate the Servicing Agreements following the occurrence of one of the following events (each a **"Servicer Termination Event"**):

- (a) Non-payment: default is made by the Servicer in ensuring the payment on the due date of any payment required to be made by it under the Servicing Agreements and such default continues unremedied for a period of 1 Business Day after receipt by the Servicer of written notice from the Issuer requiring the default to be remedied;
- (b) Breach of other obligations: without prejudice to paragraph (a) (Non-payment) above:
 - (i) default occurs or default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreements; or
 - (ii) any of the Servicer Warranties (as defined in the Servicing Agreements) proves to be untrue, incomplete or incorrect; or
 - (iii) any certification or statement made by the Servicer in any certificate or other document delivered pursuant to the Servicing Agreements proves to be untrue,and, in each case, to the extent such breach is capable of remedy, the Servicer shall cure or remedy in full such breach, the Servicer has failed to cure or remedy such breach within 30 days following written notice from the Issuer requiring such breach to be remedied;
- (c) Unlawfulness: it is or becomes unlawful for the Servicer to perform or comply with any of its material obligations under the Servicing Agreements or the Servicer fails to maintain any material licences, consents, approvals or authorisations required for its regular business operations;
- (d) Force Majeure: if the Servicer is prevented or severely hindered for a period of 20 Business Days or more from complying with its obligations under the Servicing Agreements as a result of a Force Majeure Event;
- (e) Insolvency Event: any Insolvency Event occurs in relation to the Servicer; or
- (f) Underperformance: the Portfolio is subject to Underperformance,

where in respect of paragraph (f), "**Underperformance**" means:

- (a) as at each Interest Payment Date, the actual aggregate Collections received to that date by the Servicer in respect of all Receivables and Properties less all costs, fees and expenses incurred in connection with such receipt of Collections (including, without limitation, any Recovery Expenses) are less than 90% (ninety per cent) of the aggregate Collections forecasted to be received up to and including the Relevant Test Date in the Business Plan prepared by the Servicer, less the costs, fees and expenses that were forecasted to be incurred in connection with the receipt of such forecasted Collections (including, without limitation, any forecasted Recovery Expenses); or
- (b) as at each Interest Payment Date, the actual aggregate Collections received to that date by the Servicer in respect of all Exhausted Debt Relationships up to and including such date are less than 90% (ninety per cent) of, in respect of such Exhausted Debt Relationships only, the aggregate Collections forecasted to be received up to and including the Relevant Test Date in the Business Plan prepared by the Servicer, less the costs, fees and expenses that were forecasted to be incurred in connection with the receipt of such forecasted Collections (including, without limitation, any forecasted Recovery Expenses).

If the Servicing Agreements are terminated following the occurrence of a Servicer Termination Event the Servicer will be entitled to be paid all accrued Servicer Fee up to and including the date of termination but shall not be entitled to any additional compensation.

Under the terms of the Servicing Agreements, the maximum liability of the Servicer whether in contract, tort (including negligence and breach of statutory duty) or otherwise arising out of or in connection with the Servicing Agreements shall be €5,000,000.

Servicer Termination Notice

After receipt by the Servicer of a Termination Notice but prior to the Termination Date, the Servicer shall:

- (a) hold to the order of the Issuer the Records and the Transaction Documents that it has in its possession;
- (b) hold to the order of the Issuer any monies then held by the Servicer on behalf of the Issuer together with any other Receivables of the Issuer;
- (c) other than as the Issuer may direct pursuant to subparagraph (e) below, continue to perform all of the Services (unless prevented by any Spanish law or any applicable law) until the Termination Date;
- (d) take such further action in accordance with the terms of the Servicing Agreements as the Issuer may reasonably direct in relation to the Servicer's obligations under the Servicing Agreements including provide such assistance as may be necessary to enable the services to be performed by a Successor Servicer; and
- (e) stop taking any such action under the terms of the Servicing Agreements as the Issuer may reasonably direct, including, the collection of Collections in respect of the Receivables into the Issuer Collections Accounts and in respect of Properties, the Propco Collection Accounts, communication with Borrowers or dealing with the Receivables or Properties.

Following the termination of the appointment of the Servicer, the Servicer is required to negotiate in good faith with the Issuer the provision of the Services for up to 90 days or until a Successor Servicer is appointed.

Identification of Successor Servicer

After the delivery of a Termination Notice, the Servicing Committee, in consultation with the Issuer, shall use all reasonable endeavours to identify a suitable Successor Servicer which shall be a servicer with the requisite experience and capability of servicing assets similar to the Receivables and Properties.

The Servicing Committee will resolve on the appointment of the Successor Servicer by the Issuer and the Issuer shall appoint such approved Successor Servicer, provided that the Class A Noteholders have not objected by way of Ordinary Resolution within 3 (three) months from the Issuer's notification to the

appointment of the Successor Servicer. The appointment of the Successor Servicer will be effective from the date on which the Successor Servicer and the Issuer enter into a replacement servicing agreement.

Verifications and Consultation with the Issuer, the Trustee and the Monitoring Agent

Subject to the terms of the Monitoring Agent Appointment Agreement, during the term of the Servicing Agreements, the Issuer is entitled to, to the extent reasonably practicable, supervise and monitor the Servicer's performance pursuant to the Servicing Agreements, provided that such supervisory and monitoring actions do not disturb the Servicer's daily performance of its activities. Such supervising and monitoring rights include the Issuer's rights to undertake visits to the Servicer's facilities in order to examine quality and customer satisfaction as well as having access to relevant data and information upon reasonable request by the Issuer, provided that such visits are made with a 10 (ten) Business Days prior notice to the Servicer. Following these verifications, the Issuer may issue the Servicer any recommendations it considers appropriate to improve the efficiency of the Services or remedy any defects found in their provision. The Servicer undertakes to adopt the recommendations indicated by the Issuer in good faith wherever possible.

The Servicer may consult with and, to the extent permitted by law, give due and serious consideration to any reasonable request of the Issuer and the Monitoring Agent, including in respect of:

- (a) the appointment by the Servicer of a third party to perform, by way of Sub-contracting, any of the Servicer's obligations pursuant to this Agreement in accordance with clause 7 (*Appointment of Sub-Contractors*) of the Servicing Agreements;
- (b) the formulation and subsequent changes to the form of the Servicer's customary and usual set of procedures; and
- (c) any intention by the Servicer to part with possession, custody or control of the Records otherwise than in accordance with the Servicing Agreements.

The Servicer shall consult with and, to the extent permitted by law, give due and serious consideration to any reasonable request of the Issuer and the Monitoring Agent, in respect of:

- (a) any potential or actual Servicer Termination Event (for the purposes of the application of this Paragraph, the Issuer undertakes to notify the Monitoring Agent of the occurrence of any Termination Event within 5 (five) days following the earlier of (i) the occurrence of the conditions that may trigger the occurrence of a Servicer Termination Event; or (ii) the Issuer's knowledge thereof);
- (b) delivery by the Retiring Servicer following the Servicer Termination Date of the Records and the Transaction Documents and any monies held by the Retiring Servicer on behalf of the Issuer to any person other than the Issuer;
- (c) the formulation and subsequent changes to the form of the Business Plan; and
- (d) any withdrawal of, or amendment made to, any instructions given to the Accounts Bank.

Standard of Care

The Servicer shall, at all times, perform its obligations under the Servicing Agreements (i) with all due care, skill and diligence and in the utmost good faith as it would if it were the owner of the Receivables and the Properties; (ii) in compliance with applicable laws, the terms of the Receivables and the documents relating thereto and the terms of the Servicing Agreements; and (iii) in a manner consistent with the ordinary practices of prudent institutions in the distressed asset management and non-performing loans and with a view to maximising the proceeds of the Receivables Portfolio and the Properties.

Servicer Report and Quarterly Transaction Report

Prior to the date on which the regulatory technical standards referred to in article 7(3) of the Securitisation Regulation (the "**Disclosure RTS**") and the implementing technical standards referred to in article 7(4) of the Securitisation Regulation (the "**Disclosure ITS**") apply, the Servicer shall prepare and deliver to the Report Recipients the Servicer Report and the Quarterly Transaction Report, to be substantially in the form

set out in Schedule 9 (*Form of Servicer Report*) to the Servicing Agreement, provided that such report shall comply with the requirements of 7 and 43(8) of the Securitisation Regulation and the Servicer shall endeavour to accommodate any reasonable requests by the Issuer to change the format of any report from time to time. From the date on which the Disclosure RTS and the Disclosure ITS apply, the Servicer shall prepare and deliver to the Report Recipients the Servicer Report and the Quarterly Transaction Report on the applicable templates set out in the Disclosure ITS in accordance with the Disclosure RTS and article 7 of the Securitisation Regulation.

The Servicer Report and the Quarterly Transaction Report must be delivered to the Report Recipients no later than ten Business Days after the end of the relevant Collection Period according to the Cash Management Agreement.

The Servicer shall provide, together with the Servicer Report, a report to the Report Recipients indicating all the Exhausted Debt Relationships which have been identified by the Servicer since the Issue Date.

The Servicer Reports and the Quarterly Transaction Reports will be provided, as required under articles 7(1)(a) and 7(1)(e) of the Securitisation Regulation, in the form prescribed at such time under the Securitisation Regulation. As required under article 7(2) of the Securitisation Regulation, the Servicer Reports and the Quarterly Transaction Reports will be made available by the Issuer (or by the Servicer on its behalf) to the relevant recipients by means of the SR Website, being a website that conforms to the requirement set out in article 7(2) of the Securitisation Regulation.

Business Plan

The Servicer shall prepare and deliver to the Issuer (who may make it available to the Noteholders upon request), the Monitoring Agent (who shall make it available to the Servicing Committee) an updated Business Plan at least once in every six month period commencing on the Issue Date with such updated Business Plan being in the same form as the Business Plan as at the Issue Date (such updated Business Plan being the "**Updated Business Plan**").

Interaction with the Servicing Committee

The Servicer is a party to the Monitoring Agent Appointment Agreement, and thereunder has certain duties with which it must comply with and is subject to, namely in result of the decisions taken by the Servicing Committee, in accordance with the Servicing Committee Rules. See below "Monitoring Agent Appointment Agreement" and "Servicing Committee Rules".

Applicable law and jurisdiction

The Servicing Agreements and all matters arising from or connected with them shall be governed by and construed in accordance with the laws of Spain. The courts of Madrid, Spain have exclusive jurisdiction to settle any Dispute arising out of or in connection with the Servicing Agreements, including any question regarding their existence, validity or termination.

Monitoring Agent Appointment Agreement

Scope

On the Issue Date, the Issuer, the Servicer, the Trustee and the Monitoring Agent will enter into the Monitoring Agent Appointment Agreement providing for the appointment of the Monitoring Agent to perform certain activities, in the name and on behalf of the Issuer, in connection with the Transaction Documents.

Verification Activities

Pursuant to the Monitoring Agent Appointment Agreement, and subject to the Servicing Committee Rules, the Monitoring Agent shall/will carry out, on a semi-annual basis, the following verifications in respect of the Servicer:

- (a) verify of a sample of 15 (fifteen) External Lawyers' Invoices, as randomly selected by the Monitoring Agent, in order to verify that:
 - (i) the amount charged to the Issuer in the period to which the relevant External Lawyers' Invoice refers corresponds to the amount that such External Lawyers have effectively billed for the legal advice they have provided with respect to the Receivables; and
 - (ii) the amounts billed to the Issuer under the relevant External Lawyers' Invoices are consistent with the provisions of the relevant External Lawyers Agreements;
- (b) verify of a sample of 15 (fifteen) invoices, as randomly selected by the Monitoring Agent, in order to verify that the costs and expenses relating to the recovery activities of the Receivables duly arise from the Receivables which the Servicer has indicated as the Receivables due to which such costs and expenses have been incurred;
- (c) verify a sample exclusive of any personal data of 15 (fifteen) Receivables deemed material, as randomly selected by the Monitoring Agent, in order to verify whether there are any irregularities or inconsistencies which could lead to stop taking any further enforcement or collection actions in respect of any such Receivables, with reference to any of such Receivable;
- (d) verify a sample, as randomly selected by the Monitoring Agent, exclusive of any personal data of 15 (fifteen) Receivables for which the Servicer has stopped further enforcement or collection actions, in order to verify that the Servicer has promptly (i) stopped such enforcement or collection actions and (ii) submitted any such irregularities and/or inconsistencies to the assessment of the Servicing Committee; and
- (e) in respect of the Servicer, verify of a sample of 15 (fifteen) invoices issued by real estate brokers to the Servicer, as randomly selected by the Monitoring Agent, in order to verify that costs and expenses related to the recovery activities of the Receivables effectively arise from the Receivables which the Servicer has indicated as the Receivables due to which such costs and expenses have been incurred.

The Monitoring Agent also verifies the proper and right accounting recognition with respect to the data related to the relevant Receivables, for which purposes the Servicer shall deliver any necessary information and documentation.

Verification of the Servicer fee

Within 15 (fifteen) Business Days prior to each Interest Payment Date, verify the accuracy of the fees charged by the Servicer under the Servicing Agreements, for the relevant Collection Period in respect of such Interest Payment Date. In case the Monitoring Agent verifies the existence of any irregularity or inconsistency in respect of the amount of fees charged by the Servicer (and the Servicer shall notify the Monitoring Agent of the Servicing Fees charged), the Monitoring Agent shall immediately inform the Issuer and, if so instructed by the Issuer, notify in writing the Servicer, providing the details of the relevant calculations and requesting the Servicer to rectify the amount of fees in respect of the relevant Interest Payment Date.

Substitution of the Servicer

In the event that the appointment of the Servicer is terminated under the terms of the Servicing Agreements, the Servicing Committee will resolve on the appointment of a Successor Servicer. Upon the approval of a Successor Servicer by the Servicing Committee in accordance with the Servicing Committee Rules, the Servicing Committee Representative shall inform in writing the Issuer, the Cash Manager, the Trustee, the Accounts Bank, the Collection Accounts Bank and the Rating Agencies and shall procure the notification of the Noteholders in accordance with the Notices Condition, of the Successor Servicer that has been approved, with at least three (3) months prior to the proposed effective date of such appointment.

Upon the approval of the appointment of a Successor Servicer by the Servicing Committee in accordance with the Servicing Committee Rules, the Issuer shall inform in writing the Cash Manager, the Trustee, the Accounts Bank and the Rating Agencies, of the Successor Servicer which appointment has been approved not later than 10 (ten) calendar days after such approval.

Subordination Event

If a Subordination Event occurs, in respect to the immediately following Interest Payment Date, the Monitoring Agent shall send a written notice, within at least 3 (three) Business Days as of the date of determination of occurrence of the relevant Subordination Event, but not later than 15 (fifteen) Business Days after the end of each Collection Period, of the occurrence of such Subordination Event to the Issuer, the Servicer, the Arranger and Lead Manager, the Trustee, the Cap Counterparty, the Cash Manager and the Servicing Committee. The occurrence of a Subordination Event shall be assessed in respect of each Interest Payment Date separately.

Provision of Information

The Monitoring Agent shall prepare a report based on the information provided by the Servicer to the Monitoring Agent to be delivered to the Issuer, within 10 (ten) Business Days as of the cut-off date for the delivery of each of the Servicer Report and the Quarterly Transaction Report, on the information and data contained in each of the Servicer Report and the Quarterly Transaction Report regarding the servicing and performance of the Receivables, the Properties and the Recovery Expenses, which shall include a detailed description of the methodology and verification processes used by the Monitoring Agent for the examination of each of the Servicer Report and the Quarterly Transaction Report.

Appointment of members of the Servicing Committee

Subject to the Servicing Committee Rules, the Servicing Committee Representative shall, within 7 (seven) Business Days of the appointment of the members of the Servicing Committee, give written confirmation to the Class B Noteholders, the Class J Noteholders and the Class Z Noteholders, the Trustee and the Issuer of the initial members of the Servicing Committee that have been appointed by the Class B Noteholders, the Class J Noteholders and the Class Z Noteholders in accordance with the Servicing Committee Rules. For the avoidance of doubt, the Monitoring Agent will not perform any validation of the appointment of the members of the Servicing Committee by the Class B Noteholders, the Class J Noteholders and Class Z Noteholders.

Interaction with the Servicing Committee

Subject to the Servicing Committee Rules, the Servicing Committee shall meet on the Business Day falling 10 Business Days following each Interest Payment Date (or such other date as may be agreed between the members of the Servicing Committee) to discuss and resolve on any specific matters within the attributions of the Servicing Committee whenever the Servicing Committee is required to resolve on a specific matter as provided under the Servicing Committee Rules. Additionally, if requested by (i) at least 1 (one) member of the Servicing Committee, (ii) the Trustee, (iii) the Issuer or (iv) the Servicer convenes the Servicing Committee in accordance with the Servicing Committee Rules, the Servicing Committee shall convene and discuss on the requested matter and inform the Monitoring Agent.

Provision of Information to the Servicing Committee

The Monitoring Agent shall promptly forward to the Servicing Committee any request, information, communication or notice received by the Monitoring Agent from any Transaction Party.

The Servicer shall also promptly inform the Servicing Committee in the event that it intends to pay an External Lawyer a fee higher than the one set forth under the relevant External Lawyers Agreement.

Servicing Committee Rules

In connection with the issue of the Notes a Servicing Committee will be established, which members will be appointed by the Class B Noteholders, the Class J Noteholders and the Class Z Noteholders in accordance with Schedule 3 (*Servicing Committee Rules*), of the Monitoring Agent Appointment Agreement. The Issuer and the Trustee (on behalf of itself and on behalf of the Noteholders) have

acknowledged the terms of operation of the Servicing Committee, including on its appointment, attributions and voting process.

Composition

The Servicing Committee shall be comprised by (the "**Required Number of Members**"):

- (a) 5 (five) members appointed by the Class B Noteholders and 5 (five) members appointed by the Class J Noteholders and 5 (five) members appointed by the Class Z Noteholders; or
- (b) if only one Class B Noteholder holds the entirety of the Class B Notes and/or one Class J Noteholder holds the entirety of the Notes and/or one Class Z Noteholder holds the entirety of the Class Z Notes, 1 (one) member appointed by such Class B Noteholder and/or Class J Noteholder and/or Class Z Noteholder; or
- (c) if only one Noteholder holds the entirety of the Class B Notes, the Class J Notes and the Class Z Notes, 1 (one) member appointed by such Noteholder.

Members of the Servicing Committee shall be individuals, independent from the Servicer and the Monitoring Agent (or any affiliates of the Servicer and the Monitoring Agent) and shall not be an Affiliate of the Issuer.

Each member of the Servicing Committee will represent solely the interests of the relevant Class B Noteholders, Class J Noteholders or Class Z Noteholders by which it has been appointed.

Appointment of initial members

Pursuant to the Servicing Committee Rules, each Class B Noteholder, each Class J Noteholder and each Class Z Noteholder may propose and notify the Monitoring Agent the appointment of 1 (one) member of the Servicing Committee, provided that the Class B Noteholders, the Class J Noteholders and the Class Z Noteholders hold a certain minimum percentage of 20% (twenty per cent.) of the outstanding amount of each Class of Notes ("**Minimum Holding**"). If such Class B Noteholder, Class J Noteholder and Class Z Noteholder hold integral multiples of such Minimum Holding amount, it shall propose 1 (one) additional member for each multiple of such percentage.

The Monitoring Agent shall verify the declaration of the appointment of the initial members of the Servicing Committee, namely the appointment of 1 (one) member for each Class B Noteholder, Class J Noteholder and Class Z Noteholder holding at least the required Minimum Holding amount in the respective Classes of Notes, except in those cases where the Noteholders hold integral multiples of the Minimum Holding amount, where as a result 1 (one) additional member shall be appointed for each integral multiple.

If, following the declaration of appointment, the Required Number of Members in respect of each Class of Noteholders has not been reached, 1 (one) additional member (until such required number is reached) proposed by each relevant Noteholder holding the higher percentage of outstanding amount of each Class of Notes, below the Minimum Holding shall be declared to be appointed.

If the aforementioned mechanism fails to reach the Required Number of Members, the Servicing Committee Representative shall request that each relevant Noteholder that has already appointed a member of the Servicing Committee to indicate an additional member up to reach the Required Number of Members (starting from the Relevant Noteholders holding the higher outstanding amount of each Class of Notes and proceeding in decreasing order).

Thereafter, the Servicing Committee Representative shall give confirmation of such appointment to the Class B Noteholders, the Class J Noteholders and the Class Z Noteholders, the Trustee, the Servicer and the Issuer, and provide the identification of the appointed member of the Servicing Committee, within 7 (seven) Business Days as of the Initial Appointment Cut-off Date.

Any Relevant Noteholder who becomes the owner of one or more of the relevant Minimum Holdings may propose the appointment of one or more (as the case may be) members of the Servicing Committee and/or replace any member appointed by it.

Term of the appointment

Pursuant to the Servicing Committee Rules, each member of the Servicing Committee shall remain in office for a period of one year as from the relevant appointment, which shall be deemed automatically renewed for equal periods, unless revoked or otherwise terminated in accordance with the requirements and procedures set forth in the Servicing Committee Rules.

Termination of members of the Servicing Committee

The appointment of each member of the Servicing Committee shall be deemed automatically terminated if at any time the Relevant Noteholder by which it has been proposed ceases to possess, for any reason:

- (a) at least the Minimum Holding applicable at the relevant date, or
- (b) in the case of a Relevant Noteholder who appointed more than 1 (one) member of the Servicing Committee, at least each integral multiple of the applicable Minimum Holding, provided that if such Relevant Noteholder ceases to hold the relevant Minimum Holding for some but not all of the members appointed, it should instruct the Monitoring Agent on which member between those originally appointed shall be considered terminated; otherwise, the Monitoring Agent shall randomly select the member appointed by such Relevant Noteholder to be considered as terminated, which decision shall be final and binding.

In addition, any Relevant Noteholder holding the Minimum Holding may revoke the appointment of the member of the Servicing Committee that it has appointed, by giving notice in writing to such member of the Servicing Committee, the Monitoring Agent and the other members of the Servicing Committee of the removal of the relevant member and the appointment of the successor thereto, which shall be effective upon the appointment of the successor member of the Servicing Committee by the Relevant Noteholder. Any member of the Servicing Committee may resign from the Servicing Committee at any time by delivering written notice to each other member of the Servicing Committee, the Monitoring Agent, the Relevant Noteholder by which it has been appointed, and the Trustee.

Voting process

The Servicing Committee shall be convened by any member of the Servicing Committee or the Servicer to resolve on the specific matters within the attributions of the Servicing Committee or any other matters that the Servicing Committee Representative deems appropriate, taking into account the specific attributions of the Servicing Committee.

The Servicing Committee shall also convene upon written request by at least one of its members, and the nature of the subject matter of the requested resolution is likely to be considered appropriate to convene such meeting and also upon a written request by any of the Servicer, the Trustee and the Issuer.

In any case: (i) the Servicing Committee shall be duly constituted by the majority of its current members or in case of adjournment due to lack of quorum, by 2 (two) members of the Servicing Committee; (ii) each member of the Committee shall have one vote, and (iii) resolutions are validly passed if the majority of the votes of the members attending the meeting or, in case of a written resolution, casting their votes in writing, have been cast in favour of it. In case the Servicing Committee consists of 1 (one) member only, the quorums do not apply. In case any of the Class B Noteholders, Class J Noteholders or the Class Z Noteholders are represented by one member only, such sole member shall count as 5 (five) members in terms of quorum for validly holding the meeting and validly passing a resolution and shall have 5 (five) votes.

In case the votes of the members of the Servicing Committee to pass or reject a resolution are the same, a casting vote shall be given to the members of the Servicing Committee that represent the Noteholders which, at that time, hold the Notes with the higher Principal Amount Outstanding.

In addition, the Servicing Committee Rules set forth specific provisions to prevent conflicts of interest of the members of the Servicing Committee.

Attributions

The Servicing Committee will exercise, on behalf of the Class B Noteholders, the Class J Noteholders and the Class Z Noteholders powers, authorities and discretion in relation to specific matters related to the servicing of the NPL Portfolio, in accordance with the Receivables Servicing Agreement, the Conditions and the other Transaction Documents.

Pursuant to the Servicing Committee Rules, the Servicing Committee shall analyse and resolve on, *inter alia*, the following matters:

- (i) the appointment of a representative of the Servicing Committee (the "**Servicing Committee Representative**") (who in addition to the specific obligations set out in the Servicing Committee Rules, shall be required to take minutes of each meeting of the Servicing Committee and give notice of such meeting and any matters resolved upon by the Servicing Committee in accordance with the Servicing Committee Rules to the Verification Agent, the Issuer and the Trustee);
- (ii) authorising the Servicer to enter into settlement and/or granting of extensions in respect of a given Receivable, whenever such settlements and/or granting of extensions do not fulfil the following cumulative conditions:
 - (I) the purchase price of the relevant Receivable or Property is not lower than the Target Price of the relevant Receivable or Property as specified in the applicable Servicing Agreement;
 - (II) the relevant Receivables do not exceed 2% (two per cent.) of the Target Price in respect of the Receivables Portfolio; and
 - (III) the relevant Properties do not exceed 2% (two per cent.) of the Target Price in respect of the Property Portfolio.

For the avoidance of doubt, in case all the above conditions are met, it shall be deemed that the Servicer is entitled to independently carry out settlements and/or grant extensions in respect of the relevant Receivable, without the need to obtain the prior authorisation from the Servicing Committee;

- (iii) authorisation to terminate the appointment of the Agents or the Cash Manager by the Issuer and replace it with another entity, provided that no Class A Notes are then outstanding (in which case this is subject to an Ordinary Resolution from the Class A Noteholders);
- (iv) authorisation to amend the fees of the Agents or the Cash Manager, provided that no Class A Notes are then outstanding (in which case this is subject to an Ordinary Resolution from the Class A Noteholders);
- (v) approving the organisation of a competitive bid process to sell the Receivables Portfolio or any Receivable or the Property Portfolio or any Property;
- (vi) authorisation to terminate the appointment of the Servicer (other than in the case of a Servicer Termination Event for Underperformance), as well as resolving on the appointment of any successor of the retiring Servicer, provided that the Class A Noteholders are notified of this decision by the Issuer (for which purpose the Servicing Committee Representative shall have notified the Issuer of such decision) and holders of the Class A Notes outstanding constituting 50 per cent. or more in aggregate Principal Amount Outstanding of the Class A Notes then outstanding have not informed the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) of their objection to such termination and replacement within 3 (three) months from the Issuer's notification;
- (vii) authorisation to amend the Servicing Agreements, provided that the Class A Noteholders are notified of this decision by the Issuer (for which purpose the Servicing Committee Representative shall have notified the Issuer of such decision) and holders of the Class A Notes outstanding constituting 50

per cent. or more in aggregate Principal Amount Outstanding of the Class A Notes then outstanding have not informed the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) of their objection to such amendment within 3 (three) months from the Issuer's notification;

- (viii) approving the excess of legal costs and expenses to be borne in respect of a Receivable if the amount of such costs or expenses exceeds 70% (seventy per cent) of the maximum amount set forth for such costs and expenses in respect of each Receivables or Properties under the Business Plan;
- (ix) authorising payment to any appointed external lawyer and providing for fees higher than those set forth under the agreements entered into between the Servicer and any of such lawyers;
- (x) approving the costs and expenses relating to, *inter alia*, (i) the fees of the external lawyers, counsels and/or other experts appointed by the Servicer, (ii) real estate surveys, valuations and financial appraisals, environmental assessments, property valuations, feasibility studies and inspections on lands or real estates and (iii) all costs and expenses related to the renewal of the mortgages, which are in excess of the ones set forth under the Business Plan;
- (xi) authorising the payment of fees, costs and expenses to real estate brokers or intermediaries by the Servicer, in case the aggregate of such fees, costs and expenses exceed 7% (seven per cent.) of the fees, costs and expenses specified in the initial Business Plan;
- (xii) approving that the Servicer stops taking any further enforcement or collection actions in respect of any Receivables that has been indicated to the Monitoring Agent by the Servicer or whenever the Monitoring Agent verifies any irregularities or inconsistencies as provided in the Monitoring Agent Appointment Agreement;
- (xiii) approving the investment by the Issuer in Authorised Investments and the liquidation of any such investment by it;
- (xiv) approving the sale of any Receivable to third parties pursuant to the Servicing Agreements, whenever the relevant sale does not fulfil the following cumulative conditions:
 - (I) the purchase price of the relevant Receivable or Property is not lower than the Target Price of the relevant Receivable or Property as specified in the applicable Servicing Agreement;
 - (II) the relevant sale, assignment or transfer of Receivables does not exceed 2% (two per cent.) of the Target Price in respect of the Receivables Portfolio; and
 - (III) the relevant sale, assignment or transfer of Properties does not exceed 2% (two per cent.) of the Target Price in respect of the Property Portfolio.

For the avoidance of doubt, in case all the above conditions are met, it shall be deemed that the Servicer is entitled to independently agree and execute the relevant sale of Receivables and Properties, without the need to obtain the prior authorisation from the Servicing Committee. Furthermore, the Servicing Committee is only allowed to resolve an approval of sale of Receivables under this paragraph, if the Business Plan has been complied with (including with the conclusion of the proposed sale);

- (xv) authorising the assignment to a third-party purchaser of a given Receivable or Property, in accordance with the terms and requirements set out in the Servicing Agreements;
- (xvi) determining that no further Collections are reasonably expected from a given Debt Relationship and that such Debt Relationship shall therefore be classified by the Servicer as an Exhausted Debt Relationship, including in the event that such classification as Exhausted Debt Relationship has not been timely and diligently registered by the Servicer on its IT systems in accordance the conditions foreseen in the Receivables Servicing Agreement;

- (xvii) determining the removal of the Monitoring Agent, in accordance with Clause 18.2 (*Removal of the Monitoring Agent*) of the Monitoring Agent Appointment Agreement and replace it with another entity, provided that the Class A Noteholders are notified of this decision by the Issuer (for which purpose the Servicing Committee Representative shall have notified the Issuer of such decision) and holders of the Class A Notes outstanding constituting 50 per cent. or more in aggregate Principal Amount Outstanding of the Class A Notes then outstanding have not informed the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) of their objection to such termination and replacement within 3 (three) months from the Issuer's notification;
- (xviii) approving the purchase by any Propco of an individual or block insurance policy to insure such Propco's interests in the Properties owned by it from time to time; and
- (xix) authorisation to amend the Monitoring Agent Appointment Agreement, provided that the Class A Noteholders are notified of this decision by the Issuer (for which purpose the Servicing Committee Representative shall have notified the Issuer of such decision) and holders of the Class A Notes outstanding constituting 50 per cent. or more in aggregate Principal Amount Outstanding of the Class A Notes then outstanding have not informed the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) of their objection to such termination and replacement within 3 (three) months from the Issuer's notification. For the sake of clarity, an amendment only to the Servicing Committee Rules is not subject to this provision.

Without prejudice of the above, the Servicing Committee shall be able to issue unanimous resolutions containing instructions to the Servicer (either individually or collectively) with regard to any of the above-referred attributions, including, but not limited to, with regard to any decision matrixes relating to the servicing of the Receivables.

The rights and obligations of the Servicing Committee are set out in the Servicing Committee Rules and include, but are not limited to, requesting the Servicer to access any information, data and supporting documentation relating to the Receivables, including the information, data and documentation stored in electronic or other platforms managed by the Servicer under and in connection with the Transaction excluding any personal data.

Binding Rules upon the Issuer, the Noteholders and the Trustee

In accordance with Condition 16 (*Servicing Committee*), the Noteholders of each Class and the other Transaction Parties agree that any action or decision that is a matter within the scope of the Servicing Committee as described in the relevant Transaction Documents, to the extent that the Servicing Committee passes a resolution in respect of such matter in accordance with the Servicing Committee Rules and subject to the terms and conditions of the Transaction Documents, each of the Noteholders and the other Transaction Parties shall be bound by such resolution of the Servicing Committee.

Applicable law and jurisdiction

The Servicing Committee Rules and all non-contractual obligations arising out or in connection therewith are governed by and construed in accordance with Spanish law. The courts of Spain will have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

Irregularities or Inconsistencies of Receivables

In the event that the Monitoring Agent verifies the existence of irregularities or inconsistencies in the Receivables or Properties deemed material under the terms of paragraph (c) above of the verification activities, it shall promptly inform the Servicing Committee and the Servicing Committee shall resolve whether to issue an instruction to the Servicer to stop taking any further enforcement, collection or sale actions in respect of the relevant Receivable or Property.

Authorised Investments

In case a given Authorised Investment and/or its liquidation is approved by a resolution of the Servicing Committee in accordance with the Accounts Bank Agreement and the Servicing Committee Rules, the Servicing Committee immediately inform the Issuer, the Trustee and the Monitoring Agent that any such Authorised Investment and/or its liquidation has been approved by the Servicing Committee.

Bid Process

In the event that the Servicing Committee approves the organisation of a Bid Process, the Servicing Committee will inform the Issuer, the Trustee and the Monitoring Agent that the organisation of the relevant Bid Process has been approved by the Servicing Committee, specifying the terms under which the relevant Bid Process shall be carried out and managed.

Sale of Receivables

Subject to the Servicing Committee Rules and the Servicing Agreements, the Monitoring Agent inform the Servicing Committee and the Servicing Committee shall resolve on the authorisation for the Servicer, in the interest of the Noteholders, on behalf and in the name of the Issuer, to sell, assign or otherwise transfer any Receivables or Properties to third parties, whenever any of the following criteria is not met:

- (a) the purchase price of the relevant Receivable or Property is not lower than the Target Price of the relevant Receivable or Property as specified in the applicable Servicing Agreement;
- (b) the relevant sale, assignment or transfer of Receivables does not exceed 2% (two per cent.) of the Target Price in respect of the Receivables Portfolio;
- (c) the relevant sale, assignment or transfer of Properties does not exceed 2% (two per cent.) of the Target Price in respect of the Property Portfolio;

provided that in case all the above conditions are met, it shall be deemed that the Servicer is entitled to independently agree and execute the relevant sale, assignment or transfer of Receivables or Properties, without the need to obtain the prior authorisation from the Servicing Committee.

In all circumstances, the sale, assignment or transfer of Receivables or Properties to third parties shall comply with the following cumulative requirements:

- (a) according to a prudent assessment of the Servicer, performed with the utmost professional care and avoiding the possibility of any conflict of interests between the Issuer and the Servicer (or any affiliated entities) while performing its ordinary activity, the relevant sale of the Receivables or Property shall be the most convenient opportunity under an economic perspective in the context of the securitisation transaction under which the Notes were issued (compared to the other possibilities of recovery of the Receivables or Properties);
- (b) the relevant transfer of Receivables or Properties is without recourse and does not entail any guarantee of the Issuer for the fulfilment and/or solvency of the relevant Borrowers;
- (c) the transfer of the Receivables or Properties shall be effective upon payment of the relevant purchase price to the Issuer or the relevant Propco.

Enforcement or Settlement of Receivables

Subject to the Servicing Committee Rules, and upon receiving a request by the Servicer, the Monitoring Agent shall inform the Servicing Committee and the Servicing Committee shall resolve on the approval of any enforcement or settlement in respect of a given Receivable which does not comply with the applicable Set of Procedures that are in force at the relevant date;

In case the Servicing Committee approves the enforcement or settlement in respect of a given Receivable, the Servicing Committee shall immediately notify the Servicer and the Monitoring Agent on the approval of the Servicing Committee;

Additional Legal Costs and Expenses

In the event that the legal costs and expenses in respect of the activity of collection, enforcement and/or sale of Receivables or Properties exceed 70% (seventy per cent.) of the maximum amount specified in the Servicing Agreements, the Servicer shall deliver to the Servicing Committee and the Monitoring Agent a written communication requesting authorisation of the Servicing Committee to incur in additional legal costs and expenses that exceed or may exceed the maximum amount specified in the Servicing Agreements.

Upon receiving a request from the Servicer, the Servicing Committee will promptly resolve whether to approve or refuse the requested additional legal costs and expenses in respect of the relevant Receivable or Property, and immediately inform the Servicer and the Monitoring Agent on the resolution of the Servicing Committee.

The Monitoring Agent shall immediately inform the Servicer on the resolution of the Servicing Committee.

Interaction with the Servicer

If so requested by the Servicer, the Servicing Committee will analyse and resolve on any matters requested by the Servicer in respect of the servicing of the Receivables Portfolio and the Property Portfolio and will inform the Servicer and the Monitoring Agent of any resolution taken to that effect, including in respect of:

- (a) the appointment by the Servicer of a third party to perform, by way of Sub-contracting, any of the Servicer's obligations pursuant to the Servicing Agreements in accordance with the Servicing Agreements;
- (b) any potential or actual Servicer Termination Event;
- (c) delivery by the relevant Retiring Servicer following the Servicer Termination Date of the Records and the Transaction Documents and any monies held by the relevant Retiring Servicer on behalf of the Issuer and the Propcos to any person other than the Issuer and the Propcos;
- (d) the formulation and subsequent changes to the form of the Servicer's customary and usual Set of Procedures and Business Plan;
- (e) any change to the Accounts Bank, the Collections Account Bank, the Paying Agent or the Cash Manager;
- (f) any withdrawal of, or amendment made to, any instructions given to the Accounts Bank; and
- (g) any intention by the Servicer to part with possession, custody or control of the Servicer Records otherwise than in accordance with the Servicing Agreements.

Servicer Duties

Under the Monitoring Agent Appointment Agreement, the Servicer has agreed to specified obligations towards the Monitoring Agent and more generally to cooperate in good faith with the Monitoring Agent in respect of any request, information, communication or notice received from it under the Monitoring Agent Appointment Agreement, in connection with the Servicing Committee Rules or the other Transaction Documents.

In particular, the Servicer shall:

- (a) inform the Monitoring Agent in case the Servicer sub-delegates any of its functions to a third party;
- (b) submit to the Monitoring Agent (for the relevant submission to the Servicing Committee) any settlements and deferral not in line with the settlement and deferral which are set forth under the Servicing Agreements and Set of Procedures, and which the Servicer deems acceptable;
- (c) inform the Monitoring Agent about any substantial amendment to the Set of Procedures;
- (d) inform the Monitoring Agent and provide it with an explanatory report if the Servicer considers more convenient for the Issuer's interest to quit any outstanding judicial or enforcement proceeding

in respect of any Receivable which total amount outstanding is higher than € 1,000,000.00 (one million euros);

- (e) inform the Monitoring Agent should any indemnity be due by the Transferor to the Issuer as a consequence of breach of any representation and undertaking of the Sponsor which is reasonably within its knowledge and possession or reasonably ascertainable by it;
- (f) provide the Monitoring Agent with an IT device containing the documents which the Servicer took into possession of in respect of the Receivables and the Properties, exclusive in each case of any personal data;
- (g) provide the Monitoring Agent, at the Monitoring Agent's prior reasonable request, with any document relevant to the Receivables or the Properties as well as any information and data required by the Monitoring Agent which is reasonably within its knowledge and possession or reasonably ascertainable by it to perform its activities, exclusive in each case of any personal data;
- (h) provide the Monitoring Agent with the Servicer Reports and the Quarterly Transaction Reports, at the same time as they are provided by the Servicer to the relevant recipients under the Servicing Agreements;
- (i) inform the Monitoring Agent in the event of a conflict of interest between the Issuer and the Servicer;
- (j) inform the Monitoring Agent in case the Servicer intends to terminate its appointment under the Servicing Agreement;
- (k) inform the Monitoring Agent in the event the Servicer resolves to pay to an External Lawyer a fee higher than the one set forth under the relevant External Lawyers Agreement;
- (l) inform the Monitoring Agent in case the Servicer considers to stop taking any further enforcement or collection actions in respect of any Receivables due to the fact that it is not convenient to continue the judicial or the extrajudicial activities against the relevant Borrower in respect of any Receivable which total amount outstanding is higher than € 1,000,000.00 (one million euros);
- (m) inform the Monitoring Agent in case the legal cost and expenses have reached 70% (seventy per cent.) of the maximum amount specified in the Servicing Agreements and deliver to the Servicing Committee and the Monitoring Agent a written communication requesting the consent of the Servicing Committee to incur, where necessary for the collection and enforcement of Receivables, in additional legal costs and expenses above the maximum amount specified in the Servicing Agreements, specifying if there is urgency on the relevant decision;
- (n) in case the legal cost and expenses have reached 70% (seventy per cent.) of the Maximum Amount, instruct the relevant legal counsel to only proceed with the activity of collection and enforcement of Receivables only if the prior written consent has been obtained from the Servicing Committee);
- (o) deliver to the Monitoring Agent the initial Business Plan and the Updated Business Plans, as made available up-front or from time to time under the Servicing Agreements, at the same time as the relevant document is provided to the relevant recipients under such the Servicing Agreement;
- (p) deliver to the Monitoring Agent a copy of the Set of Procedures and the Business Plan and any updates or amendments thereof immediately after its completion, provided that the Servicer must request the Monitoring Agent to request the Servicing Committee to resolve on the approval of any update or amendment to the initial Set of Procedures;
- (q) submit to the Monitoring Agent (for submission to the Servicing Committee) the approval of a sale of any Receivables or Properties to third parties pursuant to the applicable Servicing Agreement, whenever the relevant sale does not fulfil the following cumulative conditions:
 - (i) the purchase price of the relevant Receivable or Property is not lower than the Target Price of the relevant Receivable or Property as specified in the applicable Servicing Agreement;

- (ii) the relevant sale, assignment or transfer of Receivables does not exceed 2% (two per cent.) of the Target Price in respect of the Receivables Portfolio;
- (iii) the relevant sale, assignment or transfer of Properties does not exceed 2% (two per cent.) of the Target Price in respect of the Property Portfolio;

provided that in case all the above conditions are met, it shall be deemed that the Servicer is entitled to independently agree and execute the relevant sale of Receivables or Properties, without the need to obtain the prior authorisation from the Servicing Committee;

- (r) any other obligations expressly determined under the terms of the Monitoring Agent Appointment Agreement.

Remuneration of the Monitoring Agent

The Issuer shall pay to the Monitoring Agent remuneration for its services as Monitoring Agent as from the date of the Monitoring Agent Appointment Agreement, such remuneration to be €60,000 per annum excluding VAT and expenses, payable in full on the Issue Date and thereafter on each Interest Payment Date falling in July each year. Such remuneration shall accrue from day to day be payable as an Issuer Expense on each Interest Payment Date, in accordance with the Payment Priorities, until the powers, authorities and discretions of the Monitoring Agent are discharged in full in accordance with the terms of the Monitoring Agent Appointment Agreement.

Retirement of the Monitoring Agent

Under the Monitoring Agent Appointment Agreement, the Monitoring Agent may retire at any time by giving to the Issuer and the Trustee at least 90 (ninety) calendar days' prior written notice to that effect.

Following receipt of a notice of retirement from the Monitoring Agent, the Issuer shall promptly give notice thereof to the Servicer, the Servicing Committee and the Trustee, and shall promptly appoint a new Monitoring Agent, in accordance with Clause 18.1 (*Appointment of a successor Monitoring Agent*) of the Monitoring Agent Appointment Agreement.

The retirement of the Monitoring Agent shall not become effective until the appointment of a substitute Monitoring Agent.

Removal of the Monitoring Agent

Without prejudice to any rights and powers of the Issuer under the applicable law, the Issuer is entitled to remove the Monitoring Agent, at any time, by giving to the Monitoring Agent prior notice to that effect of at least 90 (ninety) calendar days, upon the occurrence of any of the following events:

- (a) breach of, or non-compliance with, by the Monitoring Agent of any obligation of the Monitoring Agent under the Monitoring Agent Appointment Agreement, the Servicing Agreements or any other Transaction Document to which the Monitoring Agent is part to, provided that the Monitoring Agent does not remedy such breach within 10 (ten) Business Days as of the date of receipt of the written notice by the Issuer requesting such remedy; or
- (b) if, subject to the Servicing Committee Rules, the Servicing Committee resolves to remove the Monitoring Agent, provided that (i) the relevant resolution has been approved by a number of members which, as at the relevant date, represent at least 80% (eighty per cent.) of the total voting rights of the Servicing Committee in accordance with the Servicing Committee Rules (or, in case the Servicing Committee is composed of 1 (one) sole member, by the sole member of the Servicing Committee), and (ii) the Monitoring Agent is provided in writing with the grounds for such removal.

The Issuer shall notify in writing the Servicer, the Trustee and the Servicing Committee on the removal of the Monitoring Agent.

The removal of the Monitoring Agent shall be effective as of the date indicated in the notice to the Monitoring Agent or, in any case, as of no later than the effective date of the appointment of the substitute Monitoring Agent.

Applicable law and jurisdiction

The Monitoring Agent Appointment Agreement and all non-contractual obligations arising out or in connection therewith are governed by and construed in accordance with the laws of Spain. The courts of Madrid, Spain will have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

Servicing Committee Rules

In connection with the issue of the Notes a Servicing Committee will be established, which members will be appointed by the Class B Noteholders, the Class J Noteholders and the Class Z Noteholders in accordance with Schedule 3 (*Servicing Committee Rules*), of the Monitoring Agent Appointment Agreement. Subject to the terms and conditions of the Transaction Documents and where any action or decision is a matter within the scope of the Servicing Committee as described in the relevant Transaction Documents, the Issuer and the Trustee will be bound by resolutions of the Servicing Committee passed in accordance with the Servicing Committee Rules.

Accounts Bank Agreement

Pursuant to the terms of the Accounts Bank Agreement, the Issuer will maintain with the Accounts Bank the Issuer Payment Account and the Cash Reserve Account.

If at any time the Issuer Accounts Bank ceases to have the Minimum Rating, the appointment of the Issuer Account Bank shall be terminated by the Issuer in accordance with the Account Bank Agreement.

The appointment of the Accounts Bank may be terminated in other circumstances by the Accounts Bank, the Issuer (in certain cases only with the consent of the Servicing Committee) or (following the delivery of an Enforcement Notice) the Trustee or automatically upon an Insolvency Event in relation to the Accounts Bank, in each case in accordance with the provisions set out in the Accounts Bank Agreement.

Cash Management Agreement

On the Issue Date, the Issuer, the Trustee and the Cash Manager will enter into a Cash Management Agreement pursuant to which the Cash Manager will be appointed by the Issuer to perform cash managements duties, including:

- (a) operating Transaction Accounts in accordance with the terms of the Notes and the Transaction Documents;
- (b) providing the Issuer and the Trustee with certain cash management, calculation, notification and reporting information in relation to the Transaction Accounts; and
- (c) maintaining adequate records to reflect all transactions carried out by or in respect of the Transaction Accounts.

All references in this Offering Circular to payments or other procedures to be made by the Issuer shall, whenever the same are obligations of the Cash Manager under the Cash Management Agreement, be understood as payments or procedures that shall be performed by the Cash Manager on behalf of the Issuer.

The Cash Manager's fees will be payable in accordance with the relevant Payment Priorities on each Interest Payment Date or such other date on which the Payment Priorities apply.

Investor Report

In accordance with the Cash Management Agreement, an Investor Report shall be prepared and loaded to Pivot no later than two Business Days prior to each Interest Payment Date in respect of the related Collection Period for the purpose, among other things, of making such report available to the Noteholders. Such Investor Report, to be substantially in the form set out in Schedule 3 (*Form of Investor Report*) to the Cash Management Agreement must, in respect of each Interest Payment Date, include, among others, an indication of the payments that must be made by the Issuer in accordance with the Payment Priorities contemplated in the Conditions.

In accordance with the Servicing Agreements and Cash Management Agreement, a Quarterly Transaction Report will be prepared by the Servicer and loaded to Pivot no later than six Business Days after the delivery of the Servicer Report by the Servicer in respect of the related Collection Period for the purpose, among other things, of making such report available to the Noteholders.

Prior to the date on which the Disclosure RTS and the Disclosure ITS apply, the Cash Manager will prepare and load to Pivot an Investor Report, to be substantially in the form set out in Schedule 3 (*Form of Investor Report*) to the Cash Management Agreement, and may load to Pivot the Quarterly Transaction Report. Each such report shall comply with the applicable requirements of articles 7 and 43(8) of the Securitisation Regulation. To ensure each report complies with such requirements, the Issuer shall notify the Cash Manager as to any changes to the applicable requirements and any resulting changes required of the reports (in each case in good time before the revised requirements are applicable). The Cash Manager may agree (in its sole and absolute discretion) to any reasonable requests by the Issuer to change the format of any report from time to time.

From the date on which the Disclosure RTS and the Disclosure ITS apply, the Cash Manager will prepare and load to Pivot the Investor Report on the applicable templates set out in the Disclosure ITS in accordance with the Disclosure RTS and article 7 of the Securitisation Regulation.

The Investor Reports and the Quarterly Transaction Reports will be provided, as required under articles 7(1)(a) and 7(1)(e) of the Securitisation Regulation, in the form prescribed at such time under the Securitisation Regulation. As required under article 7(2) of the Securitisation Regulation, the Investor Reports and the Quarterly Transaction Reports will be made available by the Issuer (or by the Servicer on its behalf) to the relevant recipients by means of the SR Website, being a website that conforms to the requirement set out in article 7(2) of the Securitisation Regulation.

Applicable law and jurisdiction

The Cash Management Agreement and all non-contractual obligations arising out or in connection therewith are governed by and construed in accordance with English law. The courts of England have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith, including any question regarding its existence, validity or termination.

Cap Transaction

Interest Rate Cap Transaction

On or about the Issue Date, the Issuer will enter into the Cap Transaction with the Cap Counterparty under a 1992 ISDA Master Agreement (Multicurrency-Cross Border) (the "**ISDA Master Agreement**"), together with a Schedule thereto (the "**Schedule**"), a 1995 ISDA credit support annex (the "**Credit Support Annex**") and a cap confirmation (the "**Cap Confirmation**" and each, together with the ISDA Master Agreement, the Schedule and the Credit Support Annex, the "**Cap Agreement**"). The Cap Agreement will be entered into in order to hedge against the potential interest rate exposure of the Issuer in relation to its floating rate interest obligations under the Rated Notes.

Main features

The Cap Confirmation will specify a notional amount for each Calculation Period, being, for the initial Calculation Period, €200,000,000, which is to be continuously reduced thereafter, as specified in Section D of the Cap Confirmation. The Issuer will pay to the Cap Counterparty, on the Issue Date, a Fixed Amount of €1,735,000 and the Cap Counterparty will pay to the Issuer, on each Interest Payment Date, an amount, if positive, equal to the EUR-EURIBOR-Reuters floating rate that exceeds the cap rate specified in Section D of the Cap Confirmation over the notional amount.

If the Cap Counterparty (or its guarantor or credit support provider, as applicable) is downgraded below any of the required credit ratings set out in the Cap Agreement, the Cap Counterparty will be required to carry out, within the time frame specified in the Cap Agreement, one or more remedial measures at its own cost which include the following:

- (a) transfer all of its rights and obligations under the Cap Agreement to an appropriately rated entity;

- (b) arrange for an appropriately rated entity to become co-obligor or guarantor in respect of its obligations under the Cap Agreement; and
- (c) post collateral to support its obligations under the Cap Agreement.

Any such collateral will be credited to the Cap Collateral Account, together with any interest or distributions on, and any liquidation or other proceeds of, that collateral and will not be available for the Issuer to make payments to the Secured Creditors generally, but must be applied in accordance with the Cap Collateral Account Payment Priorities described in Condition 9.5 (*Cap Collateral Account Payment Priorities*).

The occurrence of certain termination events and events of default contained in the Cap Transaction may cause the termination of the Cap Agreement prior to its stated termination date. Such events include:

- (a) redemption of the Rated Notes pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation Reasons*), Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*), Condition 10.4 (*Class Z Noteholder Call Option*) or Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean-up call)*);
- (b) amendment of any Transaction Document without the prior written consent of the Cap Counterparty if such amendment affects the amount, timing or priority of any payments due from such Cap Counterparty to the Issuer or from the Issuer to such Cap Counterparty;
- (c) failure by the Cap Counterparty to take certain remedial measures required under the Cap Agreement following a Cap Counterparty Rating Event; and
- (d) acceleration of the Notes following service of an Enforcement Notice.

Pursuant to the Cap Confirmation, on or around the Issue Date the Issuer was required to pay out of the Issuer Payment Account to the Cap Counterparty a premium and the Cap Counterparty will only make a payment to the Issuer Payment Account on an Interest Payment Date if the floating rate payable on the Rated Notes in respect of such Interest Payment Date exceeds the strike price indicated in the Cap Confirmation. The notional amount for calculating any such payment will be the scheduled amortising amount indicated for the relevant Interest Period in the Cap Confirmation.

The Cap Counterparty will be required to make payments pursuant to the Cap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the Cap Counterparty will, subject to certain conditions, be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount the Issuer would have received had no such withholding or deduction been required. Such a change in tax law may result in the termination of the Cap Agreement. The Issuer will not be required to gross up under the Cap Agreement. Any Cap Tax Credit Amounts payable by the Issuer shall be paid directly to the Cap Counterparty following receipt without regard to the Cap Collateral Account Payment Priorities or the Payment Priorities and shall not form part of the Available Distribution Amount.

First ranking security under Luxembourg law

Considering the terms of operation of the Cap Collateral Account, the only relevant Transaction Party which (to the extent so foreseen in the Cap Collateral Account Payment Priorities) can claim from the Issuer amounts standing to the credit of the Cap Collateral Account is the Cap Counterparty. A Cap Collateral Account Pledge, governed by Luxembourg law, will be entered into by the Cap Counterparty and the Issuer, whereby Luxembourg law first ranking security will be created to the benefit of the Cap Counterparty over the Cap Collateral Account.

Applicable law and jurisdiction

The Cap Agreement and any non-contractual obligation arising out of, or in connection with it are governed by and construed in accordance with English law. The courts of England shall have exclusive jurisdiction to hear any disputes that may arise in connection therewith.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Notes to (a) pay the Purchase Price for the reallocation of Receivables included in the Receivables Portfolio, the Propco Debt and the Propco Shares, the Collections received by the Issuer and the Propcos since the Cut-Off Date, (b) to fund (together with an amount of Collections received since the Cut-Off Date and reallocated to the Issuer pursuant to the Reallocation Agreement) the Cash Reserve Account up to the Cash Reserve Account Required Amount, (c) to fund the Expenses Accounts up to the Expenses Account Required Amount, (d) pay the upfront premium due under the Cap Agreement to the Cap Counterparty and (e) pay certain upfront expenses.

CHARACTERISTICS OF THE RECEIVABLES PORTFOLIO AND THE PROPERTY PORTFOLIO

References in the following tables to "Appraisal Value" or "Appraisal Value (%)" are to appraisals (such as drive-by and desktop appraisals) performed by or for Hipogés Iberia S.L.U. ("**HipoGes**") in the context of their portfolio review. These appraisals do not meet the same criteria as, and are not of a similar standard to, the valuations performed by or for the Original Lenders, the results of which are indicated by reference to "Original Valuation" and "Original Valuation (%)" in the following tables. Furthermore, no other party has undertaken, for the specific reasons of this transaction, valuations meeting such criteria or of such a standard.

GENERAL OVERVIEW	
Data as of	31/03/19
Total OB (€)	494,709,153
Total UPB (€)	460,060,689
Total Original Valuation (€) ¹	523,018,301
Total Appraisal Value (€) ²	355,605,315
Haircut	167,412,986
Haircut (%)	-32.01%
Number of borrowers (#)	2,612
Average OB per borrower (€)	189,399
Average UPB per borrower (€)	176,133
Number of Loans (#)	2,924
Average OB per loan (€)	169,189
Average UPB per loan (€)	157,339
Secured OB (€)	466,691,561
Residual OB (€)	28,017,592
Top 1 borrower (by OB)	4,708,923
Top 10 borrower (by OB)	32,465,616
Top 25 borrower (by OB)	56,146,347
Top 50 borrower (by OB)	80,703,303
Top 100 borrower (by OB)	110,981,228
Top 1 borrower (by % total OB)	0.95%
Top 10 borrower (by % total OB)	6.56%
Top 25 borrower (by % total OB)	11.35%
Top 50 borrower (by % total OB)	16.31%
Top 100 borrower (by % total OB)	22.43%
WA default date seasoning - all	6.56
Corporate borrower OB	168,409,421
Corporate borrower OB (%)	34.04%
Individual borrower OB	326,299,732
Individual borrower OB (%)	65.96%

(1) bank value represents original valuation

(2) Appraisal amount is the current valuation

Active borrower strats				
I. Type of borrower	OB	OB (%)	Number of borrowers	Number of borrowers (%)
Individual	326,299,732	65.96%	2,006	76.80%
Corporate	168,409,421	34.04%	606	23.20%
Total	494,709,153	100.00%	2,612	100.00%

II. Borrower OB bucket	OB	OB (%)	Number of borrowers	Number of borrowers (%)
[0 - 5,000)	87,296	0.02%	31	1.19%
[5,000 - 25,000)	1,889,125	0.38%	123	4.71%
[25,000 - 50,000)	5,910,686	1.19%	158	6.05%
[50,000 - 75,000)	13,767,986	2.78%	217	8.31%
[75,000 - 100,000)	25,150,319	5.08%	286	10.95%
[100,000 - 150,000)	75,428,700	15.25%	603	23.09%
[150,000 - 200,000)	76,070,477	15.38%	438	16.77%
[200,000 - 250,000)	61,759,284	12.48%	278	10.64%
[250,000 - 300,000)	48,097,912	9.72%	177	6.78%
[300,000 - 400,000)	46,749,993	9.45%	137	5.25%
[400,000 - 500,000)	26,792,536	5.42%	60	2.30%

II. Borrower OB bucket	OB	OB (%)	Number of borrowers	Number of borrowers (%)
[500,000 - 750,000)	33,760,472	6.82%	56	2.14%
[750,000 - 1,000,000)	10,410,182	2.10%	12	0.46%
[1,000,000 - 1,250,000)	7,649,937	1.55%	7	0.27%
[1,250,000 - 1,500,000)	14,913,999	3.01%	11	0.42%
[1,500,000 - 2,000,000)	11,737,712	2.37%	7	0.27%
[2,000,000 and above	34,532,539	6.98%	11	0.42%
Total	494,709,153	100.00%	2,612	100.00%

III. Number of loans per borrower	OB	OB (%)	Number of borrowers	Number of borrowers (%)
1	417,833,261	84.46%	2,368	90.66%
2	60,072,913	12.14%	202	7.73%
3	10,424,533	2.11%	30	1.15%
>3	6,378,446	1.29%	12	0.46%
Total	494,709,153	100.00%	2,612	100.00%

Loan strats						
I. Loan type	OB	OB (%)	UPB	UPB (%)	Number of loans	Number of Loans (%)
Mortgage	467,294,732	94.46%	435,813,629	94.73%	2,778	95.01%
Credit	14,979,788	3.03%	12,394,583	2.69%	33	1.13%
REO	12,434,633	2.51%	11,852,477	2.58%	113	3.86%
Total	494,709,153	100.00%	460,060,689	100.00%	2,924	100.00%

III. Loan status (excluding closed)	OB	OB (%)	UPB	UPB (%)	Number of loans	Number of Loans (%)
Active	466,691,561	94.34%	433,101,654	94.14%	2,688	91.93%
Residual	28,017,592	5.66%	26,959,034	5.86%	236	8.07%
Total	494,709,153	100.00%	460,060,689	100.00%	2,924	100.00%

IV. OB bucket	OB	OB (%)	UPB	UPB (%)	Number of loans	Number of Loans (%)
[0 - 25,000)	3,357,109	0.68%	3,084,365	0.67%	260	8.89%
[25,000 - 50,000)	9,052,882	1.83%	8,425,120	1.83%	246	8.41%
[50,000 - 75,000)	16,775,835	3.39%	15,621,633	3.40%	265	9.06%
[75,000 - 100,000)	29,539,746	5.97%	27,759,887	6.03%	336	11.49%
[100,000 - 150,000)	81,491,000	16.47%	77,003,088	16.74%	652	22.30%
[150,000 - 200,000)	77,813,304	15.73%	73,453,931	15.97%	447	15.29%
[200,000 - 250,000)	57,286,128	11.58%	53,873,753	11.71%	258	8.82%
[250,000 - 300,000)	47,020,344	9.50%	44,182,521	9.60%	172	5.88%
[300,000 - 400,000)	45,429,791	9.18%	42,509,492	9.24%	133	4.55%
[400,000 - 500,000)	25,398,875	5.13%	23,230,502	5.05%	57	1.95%
[500,000 - 750,000)	31,245,792	6.32%	28,527,093	6.20%	52	1.78%
[750,000 - 1,000,000)	13,035,497	2.63%	11,496,715	2.50%	15	0.51%
[1,000,000 - 1,500,000)	18,571,902	3.75%	16,079,857	3.50%	15	0.51%
[1,500,000 - 2,000,000)	13,713,020	2.77%	13,204,725	2.87%	8	0.27%
[2,000,000 and above	24,977,927	5.05%	21,608,008	4.70%	8	0.27%
Total	494,709,153	100.00%	460,060,689	100.00%	2,924	100.00%

VI. Default date	OB	OB (%)	UPB	UPB (%)	Number of loans	Number of Loans (%)
< 2008	2,915,419	0.59%	2,265,988	0.49%	22	0.75%
[2008 - 2009)	14,181,985	2.87%	12,533,818	2.72%	57	1.95%
[2009 - 2010)	25,642,701	5.18%	22,513,449	4.89%	139	4.75%

VI. Default date	OB	OB (%)	UPB	UPB (%)	Number of loans	Number of Loans (%)
[2010 - 2011)	50,768,630	10.26%	46,168,754	10.04%	250	8.55%
[2011 - 2012)	87,058,098	17.60%	81,474,283	17.71%	496	16.96%
[2012 - 2013)	105,962,455	21.42%	100,318,865	21.81%	608	20.79%
[2013 - 2014)	88,316,550	17.85%	80,706,896	17.54%	533	18.23%
[2014 - 2015)	56,844,221	11.49%	53,897,558	11.72%	358	12.24%
[2015 - 2016)	33,859,533	6.84%	32,013,574	6.96%	249	8.52%
[2016 - 2017)	24,402,978	4.93%	23,488,588	5.11%	174	5.95%
[2017 - 2018)	4,756,583	0.96%	4,678,916	1.02%	38	1.30%
Total	494,709,153	100.00%	460,060,689	100.00%	2,924	100.00%

Property strats										
I. Type of Property	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
Residential	244,945,568	68.88%	344,712,210	65.91%	338,866,508	72.61%	319,277,416	73.72%	2,431	58.48%
Commercial	51,638,726	14.52%	88,804,262	16.98%	64,513,623	13.82%	58,618,709	13.53%	509	12.24%
Hotel	1,995,020	0.56%	1,995,020	0.38%	2,699,651	0.58%	2,450,350	0.57%	1	0.02%
Closed Urban Land	12,840,804	3.61%	23,538,104	4.50%	31,659,731	6.78%	26,905,827	6.21%	252	6.06%
Annex	6,161,586	1.73%	10,952,312	2.09%	9,365,718	2.01%	8,515,991	1.97%	815	19.61%
Rural Land	2,987,508	0.84%	9,409,075	1.80%	13,913,740	2.98%	12,158,940	2.81%	132	3.18%
Others	35,036,101	9.85%	43,607,317	8.34%	5,672,590	1.22%	5,174,421	1.19%	17	0.41%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

II. Property Category	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
Flat	144,431,213	40.62%	201,522,097	38.53%	209,441,420	44.88%	198,155,811	45.75%	1,667	40.10%
Detached	51,254,708	14.41%	73,167,372	13.99%	62,482,133	13.39%	58,407,295	13.49%	285	6.86%
Hotel	34,463,854	9.69%	40,408,264	7.73%	5,692,512	1.22%	5,052,310	1.17%	13	0.31%
Terraced	28,336,349	7.97%	40,913,982	7.82%	40,284,501	8.63%	37,968,024	8.77%	264	6.35%
Urban Land	12,668,424	3.56%	23,171,388	4.43%	31,395,528	6.73%	26,703,608	6.17%	247	5.94%
Semi-detached	10,367,368	2.92%	13,571,706	2.59%	13,145,121	2.82%	12,414,553	2.87%	68	1.64%
Other	10,188,206	2.87%	13,484,050	2.58%	10,881,138	2.33%	10,174,961	2.35%	67	1.61%
Warehouse	10,078,828	2.83%	17,608,354	3.37%	16,572,386	3.55%	14,614,784	3.37%	96	2.31%
Store	8,734,919	2.46%	11,071,086	2.12%	9,557,705	2.05%	8,741,499	2.02%	112	2.69%
Commercial	8,428,770	2.37%	18,860,706	3.61%	12,325,779	2.64%	11,384,611	2.63%	134	3.22%
Industrial	7,690,066	2.16%	20,628,260	3.94%	10,607,848	2.27%	9,583,848	2.21%	41	0.99%
Flat w/ Annex	6,260,828	1.76%	6,646,164	1.27%	6,759,952	1.45%	6,004,412	1.39%	67	1.61%
Parking	5,757,519	1.62%	10,326,710	1.97%	8,696,729	1.86%	7,908,444	1.83%	712	17.13%
Wip	3,420,062	0.96%	8,008,532	1.53%	6,908,863	1.48%	6,456,290	1.49%	80	1.92%
Rustic land	2,987,508	0.84%	9,409,075	1.80%	13,913,740	2.98%	12,158,940	2.81%	132	3.18%
Shopping Mall	2,807,227	0.79%	2,222,200	0.42%	1,804,543	0.39%	1,691,018	0.39%	15	0.36%
Office	2,342,660	0.66%	3,647,577	0.70%	1,674,320	0.36%	1,517,594	0.35%	20	0.48%
Building	1,778,985	0.50%	1,906,787	0.36%	1,921,284	0.41%	1,749,822	0.40%	21	0.51%
Nursery home	1,681,905	0.47%	3,873,141	0.74%	1,118,351	0.24%	1,078,612	0.25%	2	0.05%
Residential	980,090	0.28%	1,158,885	0.22%	54,849	0.01%	53,435	0.01%	10	0.24%
Retail	330,690	0.09%	401,197	0.08%	261,161	0.06%	250,406	0.06%	4	0.10%
Storage	307,249	0.09%	524,063	0.10%	558,133	0.12%	515,807	0.12%	91	2.19%
Land	158,380	0.04%	196,716	0.04%	208,869	0.04%	152,924	0.04%	4	0.10%
Factory	128,009	0.04%	267,513	0.05%	424,698	0.09%	362,648	0.08%	2	0.05%
Annex	21,500	0.01%	22,476	0.00%	-	0.00%	-	0.00%	3	0.07%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

III. Evaluation type	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
Manual desktop	189,590,319	53.31%	286,608,550	54.80%	301,884,810	64.69%	282,530,172	65.23%	3,013	72.48%
Drive by	141,857,246	39.89%	196,892,020	37.65%	145,190,403	31.11%	132,065,457	30.49%	908	21.84%
Drive in	22,245,067	6.26%	32,606,559	6.23%	19,292,228	4.13%	18,197,031	4.20%	224	5.39%
With broker visit	1,813,817	0.51%	6,761,340	1.29%	152,783	0.03%	152,783	0.04%	10	0.24%
Default	98,866	0.03%	149,832	0.03%	171,337	0.04%	156,212	0.04%	2	0.05%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

*Characteristics of the Receivables Portfolio
and the Property Portfolio*

IV. Property status	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
Collateral	315,289,028	88.66%	457,084,882	87.39%	466,691,561	100.00%	433,101,654	100.00%	3,667	88.21%
REO	40,316,287	11.34%	65,933,419	12.61%	-	0.00%	-	0.00%	490	11.79%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

V. Province	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
Madrid	54,579,494	15.35%	75,415,971	14.42%	62,774,067	13.45%	59,368,793	13.71%	425	10.22%
Pontevedra	53,487,897	15.04%	76,931,404	14.71%	66,844,167	14.32%	59,255,798	13.68%	556	13.38%
Santa Cruz de Tenerife	35,620,764	10.02%	42,042,419	8.04%	7,638,117	1.64%	6,866,122	1.59%	60	1.44%
Barcelona	28,550,922	8.03%	38,691,974	7.40%	47,288,814	10.13%	45,255,287	10.45%	282	6.78%
A Coruña	27,528,459	7.74%	42,089,898	8.05%	36,712,318	7.87%	32,512,408	7.51%	443	10.66%
Alicante/AI acant	12,913,989	3.63%	20,445,963	3.91%	19,895,167	4.26%	18,717,127	4.32%	279	6.71%
Valencia/V alència	11,741,946	3.30%	18,630,332	3.56%	17,442,657	3.74%	16,415,473	3.79%	167	4.02%
Málaga	10,549,647	2.97%	13,668,405	2.61%	14,957,392	3.20%	13,831,714	3.19%	110	2.65%
Las Palmas	9,657,403	2.72%	13,060,132	2.50%	11,638,809	2.49%	10,928,749	2.52%	151	3.63%
Castellón/C astelló	8,952,733	2.52%	14,258,765	2.73%	16,867,620	3.61%	16,009,579	3.70%	141	3.39%
Murcia	7,872,685	2.21%	15,195,941	2.91%	12,954,741	2.78%	12,239,743	2.83%	117	2.81%
Almería	7,851,938	2.21%	13,600,795	2.60%	13,300,124	2.85%	12,566,892	2.90%	179	4.31%
Sevilla	7,760,063	2.18%	11,643,059	2.23%	11,591,540	2.48%	10,350,091	2.39%	112	2.69%
Cádiz	7,342,840	2.06%	12,860,978	2.46%	10,264,146	2.20%	9,472,177	2.19%	107	2.57%
Tarragona	6,878,930	1.93%	10,470,699	2.00%	10,813,311	2.32%	10,257,548	2.37%	64	1.54%
Toledo	6,128,253	1.72%	10,969,398	2.10%	12,990,701	2.78%	11,922,579	2.75%	101	2.43%
Vizcaya	4,790,074	1.35%	5,803,437	1.11%	6,040,828	1.29%	5,674,854	1.31%	31	0.75%
Girona	4,071,987	1.15%	7,008,598	1.34%	7,707,135	1.65%	7,469,021	1.72%	47	1.13%
Ourense	4,000,849	1.13%	5,527,402	1.06%	3,882,504	0.83%	3,596,347	0.83%	73	1.76%
Illes Balears	3,937,049	1.11%	5,857,119	1.12%	5,494,823	1.18%	5,196,486	1.20%	21	0.51%
León	3,619,447	1.02%	7,210,565	1.38%	11,774,728	2.52%	10,776,243	2.49%	86	2.07%
Jaén	3,579,613	1.01%	1,180,214	0.23%	1,857,892	0.40%	1,784,493	0.41%	12	0.29%
Huelva	3,450,173	0.97%	5,286,617	1.01%	6,551,987	1.40%	6,068,719	1.40%	51	1.23%
Lugo	3,267,959	0.92%	5,677,251	1.09%	3,781,683	0.81%	3,472,164	0.80%	54	1.30%
Granada	2,800,916	0.79%	5,502,793	1.05%	7,473,318	1.60%	7,143,804	1.65%	69	1.66%
Asturias	2,734,335	0.77%	5,360,203	1.02%	2,525,760	0.54%	2,311,007	0.53%	29	0.70%
Valladolid	2,237,724	0.63%	3,221,172	0.62%	2,937,099	0.63%	2,725,366	0.63%	81	1.95%
Ciudad Real	2,130,819	0.60%	3,601,480	0.69%	2,958,134	0.63%	2,768,656	0.64%	27	0.65%
Lleida	1,964,336	0.55%	2,917,912	0.56%	3,897,062	0.84%	3,710,622	0.86%	24	0.58%
Cantabria	1,903,395	0.54%	6,335,392	1.21%	4,260,738	0.91%	4,115,779	0.95%	24	0.58%
Guadalajar a	1,508,207	0.42%	2,327,418	0.44%	2,452,108	0.53%	2,326,423	0.54%	21	0.51%
Zaragoza	1,473,459	0.41%	3,543,018	0.68%	2,899,610	0.62%	2,812,227	0.65%	31	0.75%
Córdoba	1,442,194	0.41%	2,092,173	0.40%	1,936,486	0.41%	1,832,181	0.42%	22	0.53%
Badajoz	1,395,523	0.39%	1,834,944	0.35%	1,736,537	0.37%	1,586,619	0.37%	21	0.51%
Palencia	1,221,498	0.34%	1,934,493	0.37%	1,759,987	0.38%	1,688,712	0.39%	10	0.24%
Huesca	1,016,461	0.29%	1,813,772	0.35%	1,980,498	0.42%	1,932,931	0.45%	10	0.24%
La Rioja	973,558	0.27%	1,777,516	0.34%	2,126,032	0.46%	2,034,130	0.47%	12	0.29%
Segovia	918,559	0.26%	1,433,754	0.27%	2,134,820	0.46%	1,950,622	0.45%	41	0.99%
Cuenca	539,571	0.15%	1,238,738	0.24%	986,053	0.21%	841,310	0.19%	10	0.24%
Burgos	517,584	0.15%	670,771	0.13%	544,694	0.12%	484,782	0.11%	8	0.19%
Teruel	438,878	0.12%	429,791	0.08%	109,013	0.02%	108,683	0.03%	6	0.14%
Navarra	431,941	0.12%	683,243	0.13%	108,812	0.02%	106,017	0.02%	9	0.22%
Ávila	391,238	0.11%	479,178	0.09%	468,798	0.10%	455,816	0.11%	5	0.12%
Álava	324,362	0.09%	489,392	0.09%	584,092	0.13%	533,167	0.12%	3	0.07%
Cáceres	287,177	0.08%	546,788	0.10%	440,582	0.09%	418,895	0.10%	5	0.12%
Salamanca	253,082	0.07%	315,555	0.06%	318,400	0.07%	295,395	0.07%	4	0.10%
Guipúzcoa	201,038	0.06%	343,422	0.07%	140,422	0.03%	139,082	0.03%	2	0.05%
Zamora	184,000	0.05%	221,960	0.04%	490,083	0.11%	464,931	0.11%	9	0.22%
Soria	103,855	0.03%	187,573	0.04%	254,257	0.05%	215,141	0.05%	1	0.02%
Albacete	76,494	0.02%	188,513	0.04%	102,895	0.02%	90,950	0.02%	4	0.10%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

VI. Min Lien	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
1	350,107,721	98.45%	515,676,054	98.60%	461,578,018	98.90%	428,511,597	98.94%	4,109	98.85%
2	4,093,904	1.15%	5,131,230	0.98%	3,469,567	0.74%	3,049,253	0.70%	39	0.94%
3	1,165,799	0.33%	1,503,561	0.29%	1,322,311	0.28%	1,267,044	0.29%	5	0.12%
4	237,890	0.07%	707,456	0.14%	321,664	0.07%	273,760	0.06%	4	0.10%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

*Characteristics of the Receivables Portfolio
and the Property Portfolio*

VII. Completion %	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
[30% - 40%)	376,007	0.11%	1,693,693	0.32%	152,806	0.03%	148,503	0.03%	6	0.14%
[40% - 55%)	357,413	0.10%	1,183,534	0.23%	888,878	0.19%	866,296	0.20%	11	0.26%
[55% - 69%)	160,943	0.05%	820,575	0.16%	222,600	0.05%	190,439	0.04%	4	0.10%
[69% - 90%)	1,450,888	0.41%	3,005,883	0.57%	1,949,926	0.42%	1,751,437	0.40%	23	0.55%
Complete	351,707,967	98.90%	512,858,233	98.06%	459,307,291	98.42%	426,207,719	98.41%	4,071	97.93%
Wip	1,552,097	0.44%	3,456,384	0.66%	4,170,059	0.89%	3,937,261	0.91%	42	1.01%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

VIII. Appraisal Bucket	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
[0 - 25,000)	9,729,016	2.74%	27,713,262	5.30%	34,369,150	7.36%	30,749,625	7.10%	1,242	29.88%
[25,000 - 50,000)	24,152,098	6.79%	49,129,483	9.39%	51,252,968	10.98%	48,053,731	11.10%	619	14.89%
[50,000 - 75,000)	46,609,943	13.11%	78,804,375	15.07%	78,011,356	16.72%	73,275,683	16.92%	752	18.09%
[75,000 - 100,000)	43,946,756	12.36%	69,226,096	13.24%	74,205,698	15.90%	70,047,876	16.17%	511	12.29%
[100,000 - 150,000)	65,363,219	18.38%	88,322,633	16.89%	86,210,625	18.47%	79,938,583	18.46%	537	12.92%
[150,000 - 200,000)	42,478,235	11.95%	54,926,785	10.50%	51,102,427	10.95%	47,277,123	10.92%	248	5.97%
[200,000 - 300,000)	33,110,905	9.31%	46,387,732	8.87%	32,801,821	7.03%	29,883,542	6.90%	139	3.34%
[300,000 - 400,000)	15,928,332	4.48%	19,499,159	3.73%	16,181,588	3.47%	15,296,690	3.53%	47	1.13%
[400,000 - 500,000)	9,533,124	2.68%	12,025,439	2.30%	10,718,384	2.30%	8,974,148	2.07%	22	0.53%
[500,000 - 1,000,000)	18,580,411	5.23%	28,451,634	5.44%	17,732,175	3.80%	16,412,709	3.79%	29	0.70%
[1,000,000 - 2,000,000)	12,985,758	3.65%	14,277,916	2.73%	12,631,182	2.71%	11,720,374	2.71%	9	0.22%
[2,000,000 and above)	33,187,516	9.33%	34,253,786	6.55%	1,474,186	0.32%	1,471,573	0.34%	2	0.05%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

IX. Foreclosure Phase	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
Not started	83,043,815	23.35%	116,969,391	22.36%	135,020,960	28.93%	125,050,984	28.87%	1,120	26.94%
Claim filing	80,552,997	22.65%	116,749,353	22.32%	78,692,677	16.86%	72,991,553	16.85%	605	14.55%
Auction summoned	58,940,601	16.57%	86,947,293	16.62%	86,425,832	18.52%	81,912,806	18.91%	684	16.45%
Payment requirement	43,084,458	12.12%	68,616,291	13.12%	75,238,955	16.12%	68,955,222	15.92%	597	14.36%
n.a.	40,316,287	11.34%	65,933,419	12.61%	-	0.00%	-	0.00%	490	11.79%
Auction requested	25,482,994	7.17%	35,442,399	6.78%	48,642,926	10.42%	43,878,740	10.13%	313	7.53%
celebrated	8,781,890	2.47%	11,220,288	2.15%	17,271,367	3.70%	16,254,943	3.75%	100	2.41%
Claim admission	7,647,091	2.15%	8,911,183	1.70%	10,793,516	2.31%	10,217,598	2.36%	158	3.80%
Decree of adjudication	5,458,175	1.53%	9,420,713	1.80%	11,091,312	2.38%	10,491,074	2.42%	68	1.64%
Opposition	1,148,619	0.32%	1,332,506	0.25%	1,924,318	0.41%	1,828,105	0.42%	12	0.29%
Pending auction claim	670,661	0.19%	905,015	0.17%	1,113,955	0.24%	1,057,807	0.24%	8	0.19%
Pre legal Possession	380,926	0.11%	460,532	0.09%	293,641	0.06%	288,978	0.07%	1	0.02%
	96,801	0.03%	109,919	0.02%	182,103	0.04%	173,845	0.04%	1	0.02%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

As of the portfolio cut-off date, the portfolio includes 215 loans with suspended judicial proceedings that represent circa Euro 29,823,214 estimate gross collections as per initial business plan

X. Insolvency Phase	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
Not started	255,960,411	71.98%	372,046,908	71.13%	410,160,275	87.89%	382,238,530	88.26%	3,239	77.92%
n.a.	40,316,287	11.34%	65,933,419	12.61%	-	0.00%	-	0.00%	490	11.79%
Concluded	2,122,454	0.60%	3,580,468	0.68%	3,253,994	0.70%	2,914,859	0.67%	57	1.37%
Liquidation	21,801,759	6.13%	36,574,123	6.99%	45,896,670	9.83%	41,311,030	9.54%	323	7.77%
Common phase	2,683,217	0.75%	3,509,203	0.67%	3,241,569	0.69%	3,023,959	0.70%	27	0.65%
Agreement	32,721,187	9.20%	41,374,180	7.91%	4,139,053	0.89%	3,613,275	0.83%	21	0.51%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

*Characteristics of the Receivables Portfolio
and the Property Portfolio*

XI. Judicial district	Appraisal Value	Appraisal Value (%)	Original Valuation	Original Valuation (%)	OB	OB (%)	UPB	UPB (%)	Number of assets	Number of assets (%)
Madrid	26,717,062	7.51%	36,581,499	6.99%	28,890,336	6.19%	27,167,819	6.27%	206	4.96%
Vigo	11,404,302	3.21%	16,033,747	3.07%	13,744,194	2.95%	12,848,520	2.97%	99	2.38%
La Coruña	7,530,277	2.12%	11,713,049	2.24%	10,472,913	2.24%	9,234,342	2.13%	107	2.57%
Pontevedra	5,867,583	1.65%	7,915,725	1.51%	10,113,916	2.17%	7,303,850	1.69%	56	1.35%
Ponteareas	7,977,115	2.24%	10,872,278	2.08%	9,481,260	2.03%	8,489,685	1.96%	80	1.92%
Leon	1,996,506	0.56%	4,092,142	0.78%	7,656,300	1.64%	7,070,304	1.63%	47	1.13%
Alcala De Henares	2,904,389	0.82%	4,980,644	0.95%	6,082,398	1.30%	5,756,455	1.33%	30	0.72%
Cambados	5,091,538	1.43%	6,945,946	1.33%	6,017,626	1.29%	5,430,956	1.25%	38	0.91%
Valencia	3,002,967	0.84%	5,995,547	1.15%	5,723,057	1.23%	5,390,578	1.24%	74	1.78%
Cangas	4,789,057	1.35%	6,934,418	1.33%	5,580,517	1.20%	5,068,492	1.17%	44	1.06%
Barcelona	5,021,916	1.41%	6,083,107	1.16%	5,567,037	1.19%	5,260,875	1.21%	70	1.68%
Sevilla	4,379,680	1.23%	6,236,466	1.19%	5,484,407	1.18%	5,097,999	1.18%	43	1.03%
Castellon De La Plana	2,539,004	0.71%	4,689,887	0.90%	5,298,441	1.14%	4,955,670	1.14%	44	1.06%
Girona	2,081,795	0.59%	1,437,960	0.27%	5,278,884	1.13%	4,871,937	1.12%	3	0.07%
Malaga	3,066,191	0.86%	3,688,703	0.71%	4,706,634	1.01%	4,238,997	0.98%	78	1.88%
Vinaroz	2,959,694	0.83%	3,344,578	0.64%	4,345,877	0.93%	4,187,493	0.97%	35	0.84%
Illescas	1,849,878	0.52%	3,992,401	0.76%	4,301,311	0.92%	4,032,126	0.93%	32	0.77%
Figueres	2,013,846	0.57%	3,824,909	0.73%	4,258,509	0.91%	4,118,532	0.95%	26	0.63%
Ferrol El	3,585,082	1.01%	5,254,470	1.00%	4,257,026	0.91%	3,821,204	0.88%	62	1.49%
Mostoles	3,105,336	0.87%	4,224,344	0.81%	4,083,685	0.88%	3,897,849	0.90%	21	0.51%
Alicante	2,359,854	0.66%	3,752,393	0.72%	4,055,218	0.87%	3,754,887	0.87%	35	0.84%
Sabadell	1,881,090	0.53%	2,921,946	0.56%	3,862,907	0.83%	3,740,073	0.86%	24	0.58%
El Ejido	2,211,677	0.62%	4,107,880	0.79%	3,821,583	0.82%	3,692,886	0.85%	46	1.11%
Bilbao	2,776,128	0.78%	2,952,378	0.56%	3,556,034	0.76%	3,312,921	0.76%	20	0.48%
Collado	2,337,228	0.66%	3,451,298	0.66%	3,476,998	0.75%	3,312,129	0.76%	17	0.41%
Villalba										
Murcia	2,663,435	0.75%	4,171,829	0.80%	3,289,211	0.70%	3,019,608	0.70%	33	0.79%
Manacor	1,904,263	0.54%	3,532,108	0.68%	3,246,019	0.70%	3,065,242	0.71%	5	0.12%
Vendrell El	1,572,600	0.44%	2,089,550	0.40%	3,083,296	0.66%	2,957,238	0.68%	16	0.38%
Fuengirola	2,160,052	0.61%	2,522,016	0.48%	2,971,288	0.64%	2,775,761	0.64%	15	0.36%
n.a.	53,428,566	15.02%	71,558,344	13.68%	73,192,049	15.68%	67,895,445	15.68%	732	17.61%
Other	174,427,203	49.05%	267,116,742	51.07%	210,792,628	45.17%	197,331,781	45.56%	2,019	48.57%
Total	355,605,315	100.00%	523,018,301	100.00%	466,691,561	100.00%	433,101,654	100.00%	4,157	100.00%

WEIGHTED AVERAGE LIFE OF THE NOTES

The actual weighted average life ("WAL") of the Notes cannot be stated or predicted, as the actual amount and timing of recoveries under the Receivables is unpredictable due to the non-performing nature of the Receivables and the timing for disposal of the Properties and a number of other relevant factors are unknown at the date hereof. The weighted average lives of the Notes will be influenced by, among other things, the ability to negotiate restructurings or discounted pay-offs with the Borrowers, the timing of foreclosure proceedings in Spanish courts and the market circumstances under which Properties will be sold.

The WAL indicated below shows the expected average life of the Class A Notes and the Class B Notes and has been prepared on the basis of certain assumptions as described below regarding the characteristics of the Receivables in the Receivables Portfolio and the performance thereof. The WAL information assumes, among other things, that:

- (a) the issue date of the Notes is 9 July 2019;
- (b) the modelled Interest Payment Dates do not take into consideration public holidays;
- (c) the WAL of the Class A Notes and the Class B Notes is estimated as of 9 July 2019;
- (d) the reference rate (EURIBOR for three-month euro deposits) applicable to the payment dates is in line with the EURIBOR forward curve as of 9 July 2019;
- (e) the Servicer's business plan base case expected gross recoveries and expected recovery costs are the inputs used in the model to calculate the WAL;
- (f) for each scenario depicted under the WAL table below, a constant adjustment percentage is applied to both expected gross recoveries;
- (g) the Servicer Fee and their deferral have been assessed in accordance with the terms of the Servicing Agreements;
- (h) the work-out procedures and timings are those as specified in the Servicer's business plan, whose assumptions depend on certain key assumptions, including, among others, the Servicer's work-out strategy expectations, the court location, the stage of legal proceeding, and the Servicer's portfolio review;
- (i) the interest charged to the Transaction Accounts has not been considered for the purposes of the calculations;
- (j) the Cap Transaction has been taken into consideration to support the payment of Interest Amounts on the Notes according to the three-month forward EURIBOR curve with reference rate as of 9 July 2019;
- (k) a Subordination Event is deemed to be actioned on scenarios where the Cumulative Collection Ratio is lower than 90 per cent. of the business plan;
- (l) the Cash Reserve outstanding balance has been modelled according to the Pre-Enforcement Payments Priorities; and
- (m) interim Collections estimated for the period from and including 30 April 2019 to and including 31 May 2019 in the amount of EUR 1,908,574 will be added to the net Collections as of the Issue Date.

The actual characteristics and performance of the Portfolio could differ from the assumptions used in constructing the WAL information set forth below. The WAL projections are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under the Servicer's base case scenario. These estimates have certain inherent limitations and it can be expected that some or all of the assumptions underlying these projections could not materialise or could vary significantly from actual results. No representations can be made with regards to the accuracy of the estimates, nor with regards to their realisation.

Adjustment for the Servicer's base case Business Plan. Positive adjustment means an increase in gross recoveries, negative adjustment means a decrease in gross recoveries and 0% adjustment is the base case as shown on the Business Plan provided at Issue Date.

Adjustment	Weighted Average Life (years)		Class B Notes (assuming Class Z Noteholder Call Option is exercised immediately after redemption of Class A Notes in full)
	Class A Notes	Class B Notes (assuming Class Z Noteholder Call Option not exercised)	
+15	1.82	3.48	3.36
+10%	1.90	3.65	3.36
+5%	2.00	3.86	3.61
0%	2.11	4.10	3.86
-5%	2.18	4.29	3.86
-10%	2.22	4.66	4.11
-15%	2.37	5.26	4.37

The average life of the Class A Notes and the Class B Notes is subject to factors that are largely out of the control of the Issuer. As a consequence, no assurance can be given that the above estimates will prove in any way to be realistic and therefore they must be considered with caution.

SUMMARY OF PORTFOLIO REVIEW

The following is a summary of the portfolio review performed prior to the Issue Date by HipoGes and Situs Asset Management Limited, 25 Canada Square, 34th Floor, London E14 5LB ("**Situs**") for the Sponsor, and by Clifford Chance, S.L.P.U. ("**Clifford Chance**") as legal advisors to J.P. Morgan Securities plc ("**JPM**") as to matters of Spanish law. For the sake of clarity, and as further detailed below, such portfolio review has not been prepared at the request of the Issuer. This summary is not intended to be exhaustive and prospective investors should carry out their own investigations, searches or other actions in respect of the assets contained in the NPL Portfolio (as this term is defined below) and reach their own views prior to making any investment decision.

The legal review in respect of the Avia Portfolio (as defined below) carried out by Clifford Chance was completed upon request of JPM in connection with the financing by JPM of the acquisition by the Transferor from Abanca Corporación Bancaria, S.A. and Abanca Corporación División Inmobiliaria, S.A. of the Receivables Portfolio in the Avia Portfolio (as defined below).

Situs and HipoGes

Situs Asset Management was founded in 1985, as a real estate services company and currently has more than 800 employees. In 2016 Situs evaluated more than \$800 billion of real estate and has more than \$165 billion of assets under management. In 2015 and 2016, Situs evaluated over 4,900 multifamily properties, 1400 retail properties, 900 industrial properties, 700 office properties and 900 hotel properties. Situs also resolved more than \$63 billion in distressed CRE assets.

The business lines of Situs include evaluation capabilities (asset and loan due diligence, asset and loan underwriting, valuation and portfolio benchmark), optimization capabilities (consulting, data analytics and research integrity, technology solutions, transaction execution and talent solutions) and management services (performing and distressed asset management, CMBS special servicing and non-performing loan workouts, loan administration and primary servicing and portfolio monitoring and surveillance).

See "*The Servicer*" for further information on HipoGes.

Receivables Review

With respect to the mortgage loans allocated to the Issuer by compartment "Cell Number 3" (the "**Avia Portfolio**"), Situs undertook a legal review of a sample of 20 borrowers which included court visits, searches to solicitors and bankruptcy administrators, review of legal phases, formulation of optimal enforcement strategy and estimate of recovery timing. A review of the land registry excerpt (Nota Simple) for 2,324 units was also undertaken together with checks on liens attached to the properties, property classification (e.g. Vivienda de Protección Oficial), registered mortgage liability and applicable penalty interests.

In connection with the Avia Portfolio, Situs reviewed 500 mortgage loan agreements backed by 1,257 properties and produced a due diligence report and data file detailing loan by loan findings. Situs have carried out data integrity checks to ensure the accuracy of information provided in the data tapes and have reviewed mortgage deeds, land registry excerpts (Nota Simple), valuation reports and judicial documentation. They have also identified Hipotecas de Maximo and problematic assets to be excluded from the perimeter (for social housing reasons for example).

With respect to the mortgage loans being allocated to the Issuer by compartments "Cell Number 1" and "Cell Number 2", Situs reviewed 302 mortgage loan agreements backed by 544 properties and produced a due diligence report and data file detailing loan by loan findings. Situs have carried out data integrity checks to ensure the accuracy of information provided in the data tapes and have reviewed mortgage deeds, land registry excerpts (*Notas Simples*), valuation reports and judicial documentation. They have also identified Hipotecas de Maximo and problematic assets to be excluded from the perimeter (for social housing reasons for example).

Legal Review

Clifford Chance conducted a legal review of a sample of thirty-four (34) mortgage loan agreements in the Avia Portfolio, about certain legal aspects as requested by JPM with the acquisition by the Transferor of the Receivables Portfolio.

The review was performed based on (i) the contractual, real estate, insolvency and litigation documentation (the "**Documents**") provided to Clifford Chance by HipoGes; (ii) the verbal or written information provided by the Servicer by phone or email; (iii) the answers provided by the Servicer and which were contained in a Q&A document sent to HipoGes by Clifford Chance; and (iv) the land registry extracts obtained from the relevant land registries (the "**Documents and Information**"). Considering that the Receivables Portfolio is dynamic with client, financial, legal and property status changing through the normal lifecycle of the assets, the Receivables Portfolio review performed by Clifford Chance was based on the Receivables Portfolio information received prior to 23 October 2018. All the information provided in this section refers to the review of the Documents and Information that was performed prior to such Cut-off Date and does not include an analysis of any information received or made available to Clifford Chance after 23 October 2018.

The sample of mortgage loan agreement documentation for the Avia Portfolio reviewed was selected by JPM. The set of legal documentation reviewed did not exhaustively represent the entirety of the loans and relevant characteristics included in the Receivables Portfolio, and therefore the review of the loans is not necessarily valid or applicable to all the other Receivables in the Receivables Portfolio.

The legal review conducted by Clifford Chance was limited to the laws of Spain as in force and effect as of 23 October 2018, and no independent investigation of, and no express or implicit opinion or judgement has been made on, the laws of any other jurisdictions.

For the purposes of the Receivables Portfolio review, Clifford Chance relied on and assumed, that (i) the Documents and Information supplied to Clifford Chance were true, accurate and not misleading and that (ii) each contracting party to a Document had the right, power and authority, and had taken all actions necessary to duly execute and deliver, and to exercise its rights and perform its obligations under, the relevant Document and that its obligations thereunder were legally enforceable.

BUSINESS PLAN FOR THE PORTFOLIO

Below are the business plan extracts for the Portfolio, prepared by the Servicer, which acts as Servicer of the Receivables and the Properties included in the Portfolio. The information below is not intended to be exhaustive of any possible projections or forecasts on the relevant assets and prospective investors should carry out their own investigations, searches or other actions in respect of the assets contained in the Portfolio and reach their own views prior to making any investment decision.

Business Plan Assumptions

HipoGes Business Plan

* Interim Period

Date	Month	Calendar year	Asset disposal	Expenses at resolution	Expenses at sale	Net CF from assets (pre servicing fees)	Servicing Fees (under servicer base case scenario)	Net CF from assets (post servicing fees)
30/04/19		2019	810,900	(106,587)	(8,111)	696,201	(47,042)	649,159
31/05/19		2019	1,097,674	(33,108)	(12,437)	1,052,128	(63,679)	988,450
30/06/19	1	2019	972,193	(557,298)	(7,240)	407,655	(444,917)	(37,263)
31/07/19	2	2019	2,236,531	(125,491)	(41,064)	2,069,976	(129,747)	1,940,229
31/08/19	3	2019	2,325,113	(289,516)	(66,507)	1,969,090	(134,886)	1,834,204
30/09/19	4	2019	3,655,679	(339,562)	(153,783)	3,162,334	(212,075)	2,950,259
31/10/19	5	2019	4,108,266	(380,407)	(174,706)	3,553,153	(521,440)	3,031,713
30/11/19	6	2019	4,631,934	(366,262)	(209,413)	4,056,259	(268,710)	3,787,549
31/12/19	7	2019	5,027,555	(335,080)	(231,564)	4,460,911	(291,661)	4,169,250
31/01/20	8	2020	5,292,547	(236,383)	(246,298)	4,809,866	(577,740)	4,232,126
29/02/20	9	2020	5,324,532	(300,913)	(259,731)	4,763,888	(308,889)	4,454,998
31/03/20	10	2020	5,711,750	(346,851)	(287,519)	5,077,380	(331,353)	4,746,027
30/04/20	11	2020	5,881,571	(401,983)	(298,501)	5,181,086	(597,200)	4,583,886
31/05/20	12	2020	5,809,693	(419,711)	(302,791)	5,087,191	(337,035)	4,750,156
30/06/20	13	2020	5,445,127	(552,947)	(281,211)	4,610,969	(315,885)	4,295,084
31/07/20	14	2020	5,388,805	(584,327)	(285,917)	4,518,562	(553,174)	3,965,387
31/08/20	15	2020	5,167,931	(545,335)	(270,399)	4,352,196	(299,805)	4,052,392
30/09/20	16	2020	5,466,932	(567,307)	(288,714)	4,610,911	(317,150)	4,293,761
31/10/20	17	2020	5,413,163	(615,335)	(286,387)	4,511,441	(540,151)	3,971,290
30/11/20	18	2020	5,441,243	(655,113)	(284,223)	4,501,907	(315,660)	4,186,247
31/12/20	19	2020	4,923,887	(744,247)	(293,400)	3,886,239	(285,647)	3,600,592
31/01/21	20	2021	5,220,850	(771,136)	(310,351)	4,139,363	(514,780)	3,624,583
28/02/21	21	2021	5,721,783	(731,108)	(339,799)	4,650,876	(331,935)	4,318,941
31/03/21	22	2021	5,576,072	(793,056)	(329,067)	4,453,949	(323,482)	4,130,468
30/04/21	23	2021	5,566,284	(781,724)	(336,594)	4,447,966	(519,937)	3,928,029
31/05/21	24	2021	5,685,142	(777,965)	(342,650)	4,564,527	(329,809)	4,234,718
30/06/21	25	2021	6,177,452	(716,548)	(373,234)	5,087,671	(358,369)	4,729,301
31/07/21	26	2021	6,604,206	(697,984)	(396,603)	5,509,619	(564,448)	4,945,171
31/08/21	27	2021	5,999,000	(680,894)	(356,265)	4,961,841	(348,017)	4,613,824
30/09/21	28	2021	5,949,480	(699,509)	(349,154)	4,900,817	(345,144)	4,555,673
31/10/21	29	2021	6,077,473	(709,300)	(356,381)	5,011,792	(517,176)	4,494,616
30/11/21	30	2021	6,006,014	(702,253)	(350,290)	4,953,471	(348,424)	4,605,047
31/12/21	31	2021	5,823,063	(716,797)	(343,277)	4,762,989	(337,810)	4,425,179
31/01/22	32	2022	5,967,850	(711,192)	(351,379)	4,905,279	(494,684)	4,410,594
28/02/22	33	2022	5,786,617	(714,792)	(338,326)	4,733,499	(335,696)	4,397,802
31/03/22	34	2022	5,591,817	(703,964)	(322,726)	4,565,127	(324,395)	4,240,732
30/04/22	35	2022	5,595,081	(689,857)	(322,039)	4,583,184	(457,432)	4,125,752
31/05/22	36	2022	5,648,811	(672,765)	(324,772)	4,651,274	(327,702)	4,323,573
30/06/22	37	2022	5,643,568	(604,480)	(324,122)	4,714,965	(327,397)	4,387,568
31/07/22	38	2022	5,657,593	(518,389)	(324,638)	4,814,565	(445,844)	4,368,721
31/08/22	39	2022	5,686,375	(456,462)	(325,961)	4,903,952	(329,881)	4,574,071
30/09/22	40	2022	5,573,617	(443,723)	(318,872)	4,811,022	(323,339)	4,487,682
31/10/22	41	2022	5,366,682	(420,884)	(302,976)	4,642,822	(413,726)	4,229,096
30/11/22	42	2022	5,358,707	(395,226)	(302,362)	4,661,119	(310,872)	4,350,247
31/12/22	43	2022	5,335,559	(373,243)	(300,333)	4,661,982	(309,529)	4,352,453
31/01/23	44	2023	5,250,897	(358,398)	(295,501)	4,596,998	(392,539)	4,204,459
28/02/23	45	2023	5,212,182	(312,181)	(292,868)	4,607,134	(302,372)	4,304,762
31/03/23	46	2023	5,105,564	(283,610)	(286,049)	4,535,906	(296,187)	4,239,719
30/04/23	47	2023	4,868,262	(262,617)	(270,584)	4,335,061	(356,316)	3,978,745
31/05/23	48	2023	4,855,924	(243,705)	(269,543)	4,342,676	(281,704)	4,060,972
30/06/23	49	2023	4,722,650	(225,332)	(262,152)	4,235,166	(273,973)	3,961,193
31/07/23	50	2023	4,519,608	(204,393)	(251,660)	4,063,555	(323,074)	3,740,481
31/08/23	51	2023	4,125,801	(188,812)	(223,659)	3,713,330	(239,348)	3,473,982
30/09/23	52	2023	3,905,466	(175,345)	(211,441)	3,518,680	(226,566)	3,292,114

Date	Month	Calendar year	Asset disposal	Expenses at resolution	Expenses at sale	Net CF from assets (pre servicing fees)	Servicing Fees (under servicer base case scenario)	Net CF from assets (post servicing fees)
31/10/23	53	2023	3,624,153	(142,815)	(190,544)	3,290,793	(259,819)	3,030,974
30/11/23	54	2023	3,592,387	(125,169)	(188,808)	3,278,410	(208,403)	3,070,006
31/12/23	55	2023	3,480,421	(113,438)	(182,532)	3,184,452	(201,908)	2,982,544
31/01/24	56	2024	3,359,522	(95,810)	(176,229)	3,087,483	(234,830)	2,852,653
29/02/24	57	2024	3,225,273	(77,821)	(169,063)	2,978,389	(187,106)	2,791,283
31/03/24	58	2024	2,970,675	(63,681)	(152,898)	2,754,096	(172,336)	2,581,759
30/04/24	59	2024	2,883,989	(55,009)	(147,642)	2,681,337	(198,634)	2,482,703
31/05/24	60	2024	2,805,166	(47,367)	(143,593)	2,614,207	(162,735)	2,451,472
30/06/24	61	2024	2,632,600	(40,139)	(134,667)	2,457,793	(152,724)	2,305,069
31/07/24	62	2024	2,507,791	(38,665)	(128,019)	2,341,107	(169,313)	2,171,794
31/08/24	63	2024	2,273,196	(35,117)	(115,206)	2,122,873	(131,874)	1,990,999
30/09/24	64	2024	2,025,667	(32,606)	(101,739)	1,891,322	(117,514)	1,773,808
31/10/24	65	2024	1,804,977	(30,653)	(89,947)	1,684,376	(122,409)	1,561,967
30/11/24	66	2024	1,733,972	(24,340)	(86,361)	1,623,271	(100,592)	1,522,679
31/12/24	67	2024	1,575,723	(21,548)	(78,376)	1,475,798	(91,412)	1,384,387
31/01/25	68	2025	1,444,339	(20,010)	(71,797)	1,352,531	(96,879)	1,255,652
28/02/25	69	2025	1,335,644	(18,212)	(66,230)	1,251,203	(77,484)	1,173,718
31/03/25	70	2025	1,240,758	(14,296)	(61,394)	1,165,067	(71,979)	1,093,088
30/04/25	71	2025	1,068,339	(14,296)	(52,817)	1,001,225	(71,444)	929,781
31/05/25	72	2025	963,457	(10,089)	(47,278)	906,091	(55,893)	850,198
30/06/25	73	2025	890,807	(10,089)	(43,758)	836,960	(51,678)	785,282
31/07/25	74	2025	812,741	(5,226)	(39,784)	767,731	(53,983)	713,748
31/08/25	75	2025	736,262	(5,222)	(36,131)	694,909	(42,712)	652,197
30/09/25	76	2025	653,299	(3,107)	(32,084)	618,108	(37,900)	580,208
31/10/25	77	2025	604,679	(3,107)	(29,669)	571,903	(39,929)	531,974
30/11/25	78	2025	561,844	(3,107)	(27,535)	531,202	(32,594)	498,608
31/12/25	79	2025	471,160	(3,107)	(22,944)	445,109	(27,333)	417,776
31/01/26	80	2026	430,259	(2,696)	(20,904)	406,659	(28,335)	378,324
28/02/26	81	2026	394,710	(2,696)	(19,152)	372,863	(22,898)	349,965
31/03/26	82	2026	352,434	(2,196)	(17,017)	333,221	(20,446)	312,775
30/04/26	83	2026	296,623	(2,196)	(14,319)	280,108	(19,522)	260,586
31/05/26	84	2026	243,559	(2,196)	(11,764)	229,599	(14,129)	215,469
30/06/26	85	2026	210,425	(1,640)	(10,146)	198,639	(12,207)	186,432
31/07/26	86	2026	199,026	(1,640)	(9,584)	187,802	(13,184)	174,618
31/08/26	87	2026	156,738	(1,514)	(7,569)	147,655	(9,093)	138,562
30/09/26	88	2026	149,635	(808)	(7,250)	141,576	(8,681)	132,896
31/10/26	89	2026	138,205	(808)	(6,750)	130,647	(9,200)	121,446
30/11/26	90	2026	118,975	(808)	(5,841)	112,326	(6,902)	105,424
31/12/26	91	2026	99,544	(260)	(4,843)	94,441	(5,775)	88,666
31/01/27	92	2027	91,661	(260)	(4,444)	86,957	(6,179)	80,779
28/02/27	93	2027	84,150	(260)	(4,086)	79,805	(4,882)	74,923
31/03/27	94	2027	80,446	(260)	(3,910)	76,277	(4,667)	71,610
30/04/27	95	2027	71,564	(260)	(3,481)	67,824	(4,782)	63,042
31/05/27	96	2027	58,421	(260)	(2,810)	55,351	(3,389)	51,962
30/06/27	97	2027	57,871	(260)	(2,810)	54,801	(3,357)	51,444
31/07/27	98	2027	41,160	(260)	(1,956)	38,945	(2,849)	36,096
31/08/27	99	2027	40,326	(260)	(1,916)	38,151	(2,339)	35,812
30/09/27	100	2027	36,922	(260)	(1,742)	34,920	(2,142)	32,778
31/10/27	101	2027	36,519	(260)	(1,742)	34,518	(2,473)	32,045
30/11/27	102	2027	28,013	(260)	(1,325)	26,428	(1,625)	24,803
31/12/27	103	2027	27,663	(260)	(1,310)	26,094	(1,605)	24,489
31/01/28	104	2028	27,663	(260)	(1,310)	26,094	(1,876)	24,218
29/02/28	105	2028	27,652	(118)	(1,310)	26,224	(1,604)	24,620
31/03/28	106	2028	22,571	(118)	(1,047)	21,406	(1,309)	20,096
30/04/28	107	2028	22,326	(118)	(1,047)	21,161	(1,496)	19,665
31/05/28	108	2028	20,932	(118)	(980)	19,834	(1,214)	18,620
30/06/28	109	2028	20,932	(118)	(980)	19,834	(1,214)	18,620
31/07/28	110	2028	20,932	(118)	(980)	19,834	(1,358)	18,476
31/08/28	111	2028	13,928	(100)	(671)	13,158	(808)	12,350
30/09/28	112	2028	12,999	(100)	(627)	12,273	(754)	11,518
31/10/28	113	2028	11,692	(100)	(564)	11,029	(778)	10,250
30/11/28	114	2028	11,014	(100)	(529)	10,385	(639)	9,746
31/12/28	115	2028	11,014	(100)	(529)	10,385	(639)	9,746
31/01/29	116	2029	10,987	(100)	(529)	10,358	(707)	9,651
28/02/29	117	2029	2,989	0	(118)	2,870	(173)	2,697
31/03/29	118	2029	2,940	0	(118)	2,821	(171)	2,651
30/04/29	119	2029	2,939	0	(118)	2,820	(225)	2,595
31/05/29	120	2029	2,939	0	(118)	2,820	(170)	2,650
30/06/29	121	2029	2,939	0	(118)	2,820	(170)	2,650

Date	Month	Calendar year	Asset disposal	Expenses at resolution	Expenses at sale	Net CF from assets (pre servicing fees)	Servicing Fees (under servicer base case scenario)	Net CF from assets (post servicing fees)
31/07/29	122	2029	2,898	0	(118)	2,780	(215)	2,565
31/08/29	123	2029	2,898	0	(118)	2,780	(168)	2,611
30/09/29	124	2029	2,898	0	(118)	2,780	(168)	2,611
31/10/29	125	2029	2,898	0	(118)	2,780	(207)	2,573
30/11/29	126	2029	2,898	0	(118)	2,780	(168)	2,611
31/12/29	127	2029	2,898	0	(118)	2,780	(168)	2,611
31/01/30	128	2030	2,898	0	(118)	2,780	(199)	2,581
28/02/30	129	2030	2,898	0	(118)	2,780	(168)	2,611
31/03/30	130	2030	2,898	0	(118)	2,780	(168)	2,611
30/04/30	131	2030	2,038	0	(79)	1,959	(141)	1,818
31/05/30	132	2030	2,038	0	(79)	1,959	(118)	1,841
30/06/30	133	2030	2,038	0	(79)	1,959	(118)	1,841
31/07/30	134	2030	2,038	0	(79)	1,959	(136)	1,823
31/08/30	135	2030	2,038	0	(79)	1,959	(118)	1,841
30/09/30	136	2030	2,011	0	(79)	1,932	(117)	1,816
31/10/30	137	2030	2,011	0	(79)	1,932	(129)	1,804
30/11/30	138	2030	2,011	0	(79)	1,932	(117)	1,816
31/12/30	139	2030	2,011	0	(79)	1,932	(117)	1,816
31/01/31	140	2031	2,011	0	(79)	1,932	(123)	1,809
28/02/31	141	2031	2,011	0	(79)	1,932	(117)	1,816
31/03/31	142	2031	2,011	0	(79)	1,932	(117)	1,815
30/04/31	143	2031	337	0	(11)	325	(21)	304
31/05/31	144	2031	337	0	(11)	325	(20)	306
30/06/31	145	2031	337	0	(11)	325	(20)	306
31/07/31	146	2031	337	0	(11)	325	(20)	305
31/08/31	147	2031	2	0	0	2	(0)	2
30/09/31	148	2031	0	0	0	0	0	0
31/10/31	149	2031	0	0	0	0	0	0
30/11/31	150	2031	0	0	0	0	0	0
31/12/31	151	2031	0	0	0	0	0	0
31/01/32	152	2032	0	0	0	0	0	0
29/02/32	153	2032	0	0	0	0	0	0
31/03/32	154	2032	0	0	0	0	0	0
30/04/32	155	2032	0	0	0	0	0	0
31/05/32	156	2032	0	0	0	0	0	0
30/06/32	157	2032	0	0	0	0	0	0
31/07/32	158	2032	0	0	0	0	0	0
31/08/32	159	2032	0	0	0	0	0	0

THE ISSUER AND THE TRANSFEROR

Introduction

ProSil Acquisition S.A. is a Luxembourg public limited liability company (*société anonyme*), incorporated and existing under the laws of the Grand Duchy of Luxembourg and existing as an unregulated securitisation company (*société de titrisation*) within the meaning of, and governed by, the Luxembourg law of 22 March 2004 on securitisation, as amended (the "**Luxembourg Securitisation Law**").

The registered office of ProSil Acquisition S.A. is at 2, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg, and the telephone number of the registered office is +352 284 806 89-100.

ProSil Acquisition S.A. was incorporated on 27 July 2016 and is registered with the Luxembourg Register of Commerce and Companies under number B 208.112.

ProSil Acquisition S.A. acting through its compartment "Cell Number 5" has no subsidiaries other than each of the Propcos. The Issuer has no employees.

ProSil Acquisition S.A. has an authorised, issued and fully paid-up share capital of thirty-one thousand euros (EUR 31,000.-) represented by thirty-one thousand shares, each with a value of EUR 1. As at the date of this Offering Circular, ProSil Acquisition S.A. has not issued any beneficiary shares (*parts bénéficiaires*) or preference shares.

Main Activities

The object of ProSil Acquisition S.A. is the entering into and the performance of any transactions permitted under the law of 22 March 2004 on securitisation, as amended (the "**Securitisation Law**") including, inter alia, the acquisition and assumption, by any means, directly or through another vehicle, of risks linked to claims, other assets, moveable or immovable, tangible or intangible, receivables or liabilities of third parties or pertaining to all or part of the activities carried out by third parties and the issuing of securities the value or return of which is dependent upon such risks as defined in the Securitisation Law.

Directors

The directors of ProSil Acquisition S.A., their principal activities outside of the Issuer and their respective business addresses are:

Name	Function	Business Address
Dr. Jan Könighaus	Director	2, rue Edward Steichen, L-2540 Luxembourg
Dr. Wolfgang Zettel	Director	2, rue Edward Steichen, L-2540 Luxembourg
Stefan Lambert	Director	2, rue Edward Steichen, L-2540 Luxembourg

There are no potential conflicts of interest between any duties of the persons listed above to the Issuer and their private interests.

Organisational Structure

ProSil Acquisition S.A. is a securitisation company within the meaning of and governed by the Luxembourg Securitisation Law. Under the Luxembourg Securitisation Law, the assets, liabilities and obligations of the Issuer can be segregated into separate Compartments (together, the "**Compartments**"). The assets of each Compartment are, by reference to the Luxembourg Securitisation Law, only available to satisfy the liabilities and obligations of ProSil Acquisition S.A. which are incurred in relation to that Compartment. The liabilities and obligations of the Issuer incurred or arising in connection with the Notes and all matters connected therewith will only be satisfied or discharged against the assets of Compartment "Cell Number 5". For so long as the Notes remain outstanding, the Issuer will not be permitted to engage in certain activities except where the Issuer is acting in connection with its obligations in connection with the Notes as set out in the Conditions.

The board of directors of ProSil Acquisition S.A. may create one or more Compartments within ProSil Acquisition S.A. pursuant to its articles of incorporation. Each Compartment shall, unless otherwise provided for in the resolution of the board of directors creating such Compartment, correspond to a distinct part of the assets and liabilities of ProSil Acquisition S.A. Each Compartment of ProSil Acquisition S.A. shall be treated as a separate entity. Rights of creditors that (i), when coming into existence, have been

designated as relating to a Compartment or (ii) have arisen in connection with the creation, the operation or the liquidation of a Compartment are, except if otherwise provided for in the constitutive documents, strictly limited to the assets of that Compartment and these assets shall be exclusively available to satisfy such creditors. Creditors of the Issuer whose rights are not related to Compartment "Cell Number 5" of ProSil Acquisition S.A. shall have no rights to the assets of any other Compartment of ProSil Acquisition S.A. Each Compartment of ProSil Acquisition S.A. may be separately liquidated without such liquidation resulting in the liquidation of any other Compartment of ProSil Acquisition S.A. (including the Issuer) or of ProSil Acquisition S.A. itself.

The Shareholder

Stichting Prosil

Capitalisation and Indebtedness of ProSil Acquisition S.A.

The following table and financial information sets out the capitalisation and indebtedness of ProSil Acquisition S.A.:

Capitalisation and Indebtedness of ProSil Acquisition S.A.	As at 31 December 2017 (audited)
Indebtedness	
Total Securitisation Transactions	€ 106,015,544.74
Share capital (Authorised €31,0000; Issued 31,000 shares with a par value of €1 each)	€ 31,000
Net result	€0
Total capitalisation	€ 106,046,844.74

Auditors and Financial Statements

Ernst & Young, Société Anonyme, 35E, Avenue John F. Kennedy, L-1855 Luxembourg, has been appointed as the approved independent auditor (*réviseur d'entreprises agréé*) of the Issuer. Ernst & Young will conduct its audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Ernst & Young is a member of the Luxembourg Institute of Registered Auditors (*Institut des Réviseurs cd'Entreprises*) qualifying as *cabinet de révision agréé*.

The financial statements of the Issuer are audited on an annual basis by Ernst & Young. The accounts are filed and published at the Luxembourg Register of Commerce and Companies (*registre de commerce et des sociétés*).

THE PROPCOS

Beautmoon Spain, S.L.

Beautmoon Spain, S.L. is a Spanish *sociedad limitada*, incorporated under the laws of Spain, with its registered office at Calle Albacete 3, 5th Floor, 28027, Madrid, Spain. The telephone number of the registered office is +34 911549040. Beautmoon Spain, S.L. is registered with the Trade Register of Madrid under volume 34,998, sheet 30 and page M-629431 and holder of Spanish Tax Identification Number B87612917.

Beautmoon Spain, S.L. has no subsidiaries or employees.

Osgood Invest, S.L.

Osgood Invest, S.L. is a Spanish *sociedad limitada*, incorporated under the laws of Spain, with its registered office at Calle Albacete 3, 5a planta, Madrid, Spain. The telephone number of the registered office is +34 911549040. Osgood Invest, S.L. is registered with the Trade Register of Madrid under volume 35,571, sheet 140 and page M-639337 and holder of Spanish Tax Identification Number B-87756219.

Osgood Invest, S.L. has no subsidiaries or employees.

Butepala Servicios y Gestiones S.L.

Butepala Servicios y Gestiones S.L. is a Spanish *sociedad limitada*, incorporated under the laws of Spain, with its registered office at Calle Albacete 3, 5th Floor, 28027, Madrid, Spain. The telephone number of the registered office is +34 911549040. Butepala Servicios y Gestiones S.L. is registered with the Trade Register of Madrid under volume 38,042 sheet 153 and page M-677263 and holder of Spanish Tax Identification Number B-88174651.

Butepala Servicios y Gestiones S.L. has no subsidiaries (other than Vetapana Servicios y Gestiones S.L.) or employees.

Vetapana Servicios y Gestiones S.L.

Vetapana Servicios y Gestiones S.L. is a Spanish *sociedad limitada*, incorporated under the laws of Spain, with its registered office at Calle Albacete 3, 5th Floor, 28027, Madrid, Spain. The telephone number of the registered office is +34 911549040. Vetapana Servicios y Gestiones S.L. is registered with the Trade Register of Madrid under volume 38,184, sheet 145 and page M-679453 and holder of Spanish Tax Identification Number B-88201660.

Vetapana Servicios y Gestiones S.L. has no subsidiaries or employees.

THE TRUSTEE

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services DAC (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U.S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the UK Branch of Elavon Financial Services DAC from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services DAC is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services DAC is authorised by the Central Bank of Ireland and the activities of its UK Branch are also subject to the limited regulation of the UK Financial Conduct Authority and Prudential Regulation Authority.

U.S. Bank Trustees Limited is a limited liability company incorporated under the laws of England and Wales with its office at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

U.S. Bank Trustees Limited, as part of the U.S. Bancorp group and in combination with Elavon Financial Services DAC (the legal entity through which European agency and banking appointments are conducted) and U.S. Bank National Association, (the legal entity through which the Corporate Trust Division conducts business in the United States), is one of the world's largest providers of trustee services with more than USD4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of more than 50 U.S.-based offices and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with USD462 billion in assets as of December 31, 2017, is the parent company of U.S. Bank National Association, the fifth largest commercial bank in the United States. The Company operates 3,067 banking offices in 25 states and 4,771 ATMs, and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at www.usbank.com.

THE SPONSOR AND RETENTION HOLDER

The Sponsor and Retention Holder is Cortland Investors II S.à r.l. ("**Cortland**"), a company incorporated in Luxembourg on 30 December 2014 with registered number B193140. The registered office and principal place of business of Cortland are 2, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg. The issued share capital of Cortland comprises of 20,000 ordinary shares of \$1 each which are wholly owned by Cortland Holdings II S.à r.l. ("**Cortland Holdings**").

The object of Cortland is the acquisition, holding and disposal of debt and/or equity interests in Luxembourg and/or foreign companies and undertakings as well as the administration, development and management of such interests.

Cortland is funded by its shareholder, Cortland Holding II S.à r.l. with a mix of debt and equity. As at the date of this Offering Circular, Cortland has already invested in several debt and equity positions and its financial assets as of 31 December 2017 were approximately \$340,000,000, with the net assets being approximately \$70,000,000. Cortland's investment in the Class Z Notes represents a portion of the wider asset pool in respect of which Cortland has a credit exposure. Cortland intends to continue to invest in a variety of instruments and has required capital to do so, subject to identifying suitable opportunities in accordance with its investment guideline.

Cortland was involved in the negotiations of the terms and documentation with respect to the initial sale of assets comprised in the Receivables Portfolio and the Property Portfolio from the Original Lenders to the Transferor acting for the account of its compartments "Cell Number 1", "Cell Number 2" and "Cell Number 3". Cortland also provided first loss funding to Cell Number 1, Cell Number 2 and Cell Number 3 in order to fund such acquisitions.

Cortland in its capacity as Retention Holder, intends to retain 100% of the Class Z Notes. Cortland has covenanted in the Risk Retention Commitment Letter that it shall, until the Principal Amount Outstanding of the Notes is reduced to zero, to hold a material net economic interest of not less than five per cent. of the nominal value of the securitised exposures.

The board of management of Cortland consists of four individuals appointed as Managers (*Gérants*), including individuals with significant investment management experience.

THE SERVICER

Introduction

Founded in 2008, HipoGes is one of the leading asset management platforms in Southern Europe for distressed assets, with more than €20 billion of assets under management. With offices in Spain, Portugal, Greece and Italy and circa 550 employees worldwide, HipoGes works for some of the leading financial institutions and international investors specialized in the distressed assets sector.

HipoGes provides all types of servicing solutions (primary, special and master servicing) and manages a very broad spectrum of assets including residential mortgages, corporate and SME loans, commercial real estate, unsecured loans, government & corporate receivables, and REO portfolios.

HipoGes is a private limited liability company incorporated under Spanish law under the form of a limited liability company, having its registered office at Calle Albacete 3, Madrid.

Managers

The Servicer's managers are currently Hugo Reinaldo, Carvalho Velez and Claudio Panunzio.

The Servicer's statutory auditor is Deloitte, S.L..

Risk Management and Internal Audit

The internal audit function of the Servicer covers two main areas: monitoring the policies and procedures of the Servicer and providing consultancy services internally to improve and develop business activity. More specifically, this involves assessing compliance with internal policies and procedures, assessing the adequacy of the control environment and performances of controls, risk assessment and general monitoring and communications functions.

The risk management function performs risk assessment (risk identification, analysis and evaluation) and risk treatment, as well as construction and continued development of the risk matrix of the Servicer.

The risk management function is also responsible for the coordination, guidance and supervision of the internal process and procedures guides. This also involves managing the approval process for these guides and any future updates thereto.

Main Activities

HipoGes' corporate purpose is, among other activities, to perform financial and investment advisory services to financial institutions and companies in general, to prepare commercial information obtained from public and private entities, and to provide services of management and purchase and sale of properties. In addition, the activities of HipoGes include developing, licensing and sale of software, and provision of other IT services, in particular those dedicated to financial services.

HipoGes currently manages 4.4 billion euros in a broad spectrum of assets, including residential mortgages, corporate and SME loans, commercial real estate, unsecured loans, government & corporate receivables, and REO portfolios. HipoGes provides services throughout the investment cycle, namely: (i) due diligence and pricing consultancy; (ii) closing and structuring; (iii) loan servicing and legal enforcement (in collaboration with law firms); real estate management and leasing services; communication strategies; reporting and portfolio management.

THE MONITORING AGENT

E&Y Servicios Corporativos S.L. is a private company incorporated under the laws of Spain in the legal form of a limited liability company.

E&Y Servicios Corporativos S.L. is registered under the Spanish House of Companies with registered number 17405.

The corporate purpose of E&Y Servicios Corporativos S.L. is to provide financial advisory services.

THE ACCOUNTS BANK

Citibank Europe plc, Luxembourg Branch is a limited liability company organised under the laws of Ireland, acting through its Luxembourg branch, with its office at 31, Z.A. Bourmicht, L-8070 Bertrange, Luxembourg.

THE CAP COUNTERPARTY

J.P. Morgan AG is a stock corporation (*Aktiengesellschaft*) established and existing in accordance with the laws of the Federal Republic of Germany with registered address Taunusturm, Taunustor 1, 60310 Frankfurt am Main, Germany and registered with the Commercial Register B (*Handelsregister B*) of the local court (*Amtsgericht*) of Frankfurt am Main under registration number HRB 16861. The purpose of J.P. Morgan AG's business is banking transactions of all kinds with the exception of investment and bond transactions. J.P. Morgan AG is an indirect wholly owned subsidiary of JPMorgan Chase & Co., has a full banking licence pursuant to Section 1 (1) of the German Banking Act (*Kreditwesengesetz*) (including, but not limited to, Nos. 1 to 5 (excluding Pfandbrief business) and 7 to 9) and conducts banking business with institutional clients, banks, corporate clients and clients from the public sector. J.P. Morgan AG does not have securities admitted to trading on a regulated market or an equivalent market.

SELECTED ASPECTS OF SPANISH LAW RELEVANT TO THE PORTFOLIO

Granting mortgages in Spain

In Spain, security over a real property is taken by way of a mortgage (*hipoteca*). For a mortgage to be validly set up and effective, it must be: (a) granted in a notarial deed and (b) recorded with the Land Registry. In addition, stamp duty taxes, notarial and registrar costs must be paid.

Granting of mortgages need to comply with certain formal requirements

- (a) The mortgage must be executed before a Spanish notary public by means of a notarial public deed (*escritura pública*).
- (b) Registration of the mortgage with the Land Registry (*Registro de la Propiedad*) is necessary, corresponding to the place where the mortgaged property is located.
- (c) Payment of stamp duty taxes is required.

Signing before a Spanish Notary (Power of Attorneys and NIF)

- (a) It is important to note that signing before a Spanish notary public is rather formalistic and requires entities to be duly represented by one or more individuals who have been granted powers of attorney to that effect.
- (b) If foreign entities, the powers of attorney of the foreign entities must be notarised abroad before the foreign notary of the jurisdiction of incorporation of the foreign entity and apostilled in such relevant jurisdiction afterwards.
- (c) Moreover, foreign entities executing agreements before a Spanish notary public need to apply for a Spanish tax identification number (NIF).

The Land Registry in Spain

Spanish law has established a title recording system intended to provide certainty and public knowledge as regards the ownership of immovable property (both urban and rural) as well as *in rem* rights, charges and encumbrances relating to properties. This system is based on the existence of a public record office, the Land Registry (*Registro de la Propiedad*).

Spain is territorially divided into sectors with one Land Registry per sector (typically one per municipality except in large municipalities where there can be several).

Any acquisition, conveyance or encumbrance of immovable property not recorded with the relevant Land Registry has, in general, no effect *vis-à-vis* bona fide third parties holding registered rights.

Recording of real estate transactions is not needed for validity of the transactions themselves (with the relevant exception of mortgages). In this regard, a transfer of real estate may take place and be legal and valid without being recorded with the Land Registry. However, non-recorded acquirers do not benefit from protection which such registration affords, and cannot uphold their validly acquired rights against *bona fide* recorded third parties.

Registration of a mortgage

- (a) As indicated above, the mortgage must be registered at the Land Registry where the property is located. The registration is usually made by a third-party servicer (*gestoría administrativa*) typically designated by the lender and at the cost of the borrower.
- (b) There is no time limit for registration, but it is highly advisable to register the mortgage immediately. Although the Land Registry creates a "reservation of rights" annotation (*asiento de presentación*) for a period of 60 days (which could be renewed) upon the submission of the notarial public deed (*escritura pública*), the mortgage is only perfected once it is registered and meanwhile the property could be transferred free of any such charge to a good faith purchaser or another charge with prior ranking could be created if the period above elapses (as a consequence of not being renewed) and the mortgage is not registered.

- (c) Even if the mortgage has not been registered, payment of stamp duty tax is triggered, and it must be paid within 30 days from the date of execution of the notarial deed.
- (d) The process for recording a mortgage in the Land Registry is broadly as follows:
 - (i) **Presentation entry:** upon execution of a mortgage deed, the notary public will submit electronically (*envío telemático*) the mortgage to the Land Registry and this latter will take note of such electronic request creating a "reservation of rights" annotation (*asiento de presentación*).
 - (ii) **Examination of the mortgage deed by the Land Registrar:** Once the mortgage deed has been transmitted to the Land Registry, the Land Registrar will examine it. In these regards:
 - (A) Result can be as favourable (*calificación favorable*), in which case the mortgage deed will be registered, or (b) non-favourable to the registry of the mortgage deed (*calificación desfavorable*), in which case it will not be registered.
 - (B) If result is non-favourable, the Land Registrar will have to specify the reasons for not recording the mortgage. Should those reasons be curable (*subsanales*), the parties will be able to amend the mortgage deed to present it again to the Land Registrar so that this time, it is recorded.
- (e) Term for registration:
 - (i) Spanish law sets forth that the Registrars (the individuals in charge of the Land Registry in Spain) have fifteen (15) days from its registration entry date for recording the mortgage.
 - (ii) However, such term may be extended for an additional period of fifteen (15) days in certain circumstances.
 - (iii) It takes around one (1) month from registration entry for a Land Registry to record a mortgage deed, and in some exceptional cases (for example during the busy month of August) it can take a longer period.

Priority: mortgages can have different rankings

Second or further mortgages are permitted but they are subject to the priority system of the Land Registry: the party which registered its mortgage first will have a priority right over the second (first in time, first in right). For this reason, it is market practice to obtain at signing a title search from the Land Registry attesting the existence or non-existence of prior mortgages or encumbrances over the property to be mortgaged. Nevertheless, it should be noted that some encumbrances created by operation of law, such as unpaid property taxes, allocations to the community of neighbours or development expenses may not appear in the title issued by the Land Registry and should be considered in foreclosure proceedings as they might rank senior to the relevant mortgage.

Notwithstanding the above, a senior ranking creditor may agree to subordinate its ranking in favour of another creditor.

Notarial and registrar costs

In addition to the stamp duty costs (described in section 2.7 below), notarial and registrar costs also apply when granting mortgages. Notary fees apply on sliding scales, up to EUR 4.5 per each EUR 1,000. However, for security exceeding EUR 6,010,121, the fees will be negotiated with the notary. Registration fees likewise apply on sliding scales, e.g. up to EUR 1.75 per each EUR 1,000 of the amount secured. For amounts up to EUR 601,012.10 the scale will be EUR 0.20 per each EUR 1,000, up to a cap of EUR 2,181.67.

Stamp duty taxes

The stamp duty tax rate varies depending on the region where the relevant property is located (between 0.5% and 2%).

Please note that execution of the notarial public deed triggers the requirement to pay stamp duty tax at a rate which varies (subject to a 0.5% floor) depending on the region (*comunidad autónoma*) where the relevant property is located. For instance, in Madrid it is 0.75% and in Catalonia it is 2%.

The rate is applied on the total amount secured by the mortgage (*responsabilidad máxima hipotecaria*), which the mortgage deed must specify. This total amount secured by the mortgage is typically calculated as a percentage of the principal amount. It usually ranges between 115% and 140% of the principal amount. This total amount secured by the mortgage must be broken down into (i) principal, (ii) regular interest, (iii) default interest, and (iv) costs (foreclosure costs, lawyers, etc.). The maximum amount allocated to interest must not exceed interest that would accrue over a period of five (5) years.

Enforcement of mortgages in Spain

Introductory considerations

The judicial enforcement of a mortgage that has been properly set up may be channeled through what is known as the foreclosure procedure (*procedimiento de ejecución sobre bienes hipotecados*).

Such procedure may take between 18 to 24 months to be completed. However, this average period is always subject to casuistic issues related to different issues, amongst them, the court's workload.

Enforcement of a mortgage would require the Borrower's debt under the facility to be due and payable.

Please note that Spanish case law is restrictive regarding the possibilities to accelerate a facility. Only material non-remedied breaches or the expiry of its term would allow a Lender to terminate a facility and to enforce the relevant security. A conservative approach on the basis of the existing case-law leads to affirm that the breaches of payment obligations are the only breaches that ensure the possibility to accelerate. So, the fact that a circumstance may be considered a termination event under a facility does not necessarily mean that it would be accepted by the Court for accelerating the loan.

Enforcement of a mortgage requires the Lenders to be the registered beneficiary at the Land Registry. Please note that the assignment of the mortgage from the initial beneficiary to the assignee would trigger stamp duty at an interest rate which varies depending on the location of the asset.

Enforcement of a mortgage also requires possession of original copies of all the relevant deeds with enforceable provisions (*copias con fuerza ejecutiva*). In practice, it is not uncommon that the original copy with enforceable effects has been lost. In such case, both parties would have to give their consent to the issuance of a new enforceable copy by the notary, which is unlikely to happen in most cases. Under such circumstance, please note that the Spanish General Directorate for Registries and Notaries issued a resolution on 28 June 2018 which confirmed that notaries are able to issue a new deed with enforceable provision (*copia con fuerza ejecutiva*) to the new lender that has acceded the financing after the acquisition of the debt secured with a mortgage guarantee, where the new lender has previously been unable to obtain another copy. Moreover, there is also a voluntary proceeding whereby the interested party would request from a court a decision ordering the notary to grant a new enforceable copy of the relevant deed. This proceeding usually takes from 6-8 months.

The notarial procedure may be also available under certain conditions. The requirements to be met are mainly the same stated for the judicial enforcement. Please note that the Notaries are very reluctant to proceed with an enforcement if they can anticipate that some problems will arise during the course of the enforcement procedure. On the other hand, the notarial procedure could permit to save time, as the duration of the enforcement is ordinarily less than in the judicial enforcement, due to the inexistence of downtimes between steps.

It is worth noting that, upon insolvency of the borrower, if the mortgaged assets are "*associated with the business activity*" of the insolvent company, enforcement (both judicial and notarial) will be subject to a standstill for a term up to 12 months.

Please note that if the enforcement of a mortgage has not started before the insolvency declaration of the borrower, and within the following year the Commercial Court in charge of the insolvency decides to liquidate the borrower, the Lenders will lose the right to enforce the mortgage, and the court receivers will be in charge of selling the asset and delivering any proceeds out of the said sale to the Lender up to the lower of the outstanding debt or the amount guaranteed by the mortgage.

In such case, the sale of the mortgaged assets by the court receivers (the same as the sale of any other asset of the insolvent) must be carried out in accordance with the terms and conditions established in the Liquidation Plan, which is drafted by the receivers and approved by the Commercial Court (taking into account the input received from the creditors). Ordinarily, Liquidation Plans include different subsequent means for selling the assets, in such a way that, if one of the means fails, the subsequent one is attempted. Means commonly included in these Liquidation Plans are direct sale, payment in lieu, public auction, selling through an expert or specialized entity etc.

Notwithstanding the relatively agile terms established in the Law for liquidating the assets, there is a possibility that, in complex insolvencies, the assets liquidation process (and the consequent delivery to the Lender of the proceeds of the sale of the mortgaged asset) suffers material delays.

When enforcing a mortgage, the Lenders could ask for the provisional management or interim possession of the mortgaged assets for a maximum term of two (2) years, but please note that (i) if the Borrower is under an insolvency procedure, insolvency regulations regarding management and possession shall prevail and the court in charge of the insolvency procedure will decide in this respect, (ii) Spanish courts are typically reluctant to accept such petition, (iii) the lender shall render detailed justification of the management activities to the courts, and (iv) provisional management would not entitle the lender to sell or dispose on any grounds of the mortgaged assets.

It is not unusual to agree with borrowers the delivery of the mortgaged assets to the lender in exchange of the debt cancellation. Please note that any such agreements should be carefully considered, as in case of insolvency of the borrower within the following two (2) years, any payment of mortgage secured obligations that would have expired after the insolvency declaration would be declared detrimental and further to it, may be challenged and, as the case may be, revoked.

Spanish judicial foreclosure regime

Main features of the foreclosure regime

The main characteristics of the foreclosure judicial procedure for the mortgage enforcement could be summarised as follows:

- (a) according to the Civil Procedure Law, the fastest and most specific procedure for enforcing mortgages is the foreclosure procedure. In practical terms, this is the foreclosure procedure that has been most used by creditors to date. In this procedure, the role of the court is limited to basically guaranteeing that the borrower's rights are fully protected and to monitor the sale of the asset(s);
- (b) the Lender is only entitled to request the enforcement of the mortgage through the foreclosure procedure based on the provisions contained in the deed or deeds of mortgage that have been recorded at the Land Registry (e.g. maturity date, mortgage maximum liability, etc.).

Although there should be other provisions in the deed of mortgage that ideally may serve to early terminate the facility agreement (such as breach of interest cover ratios, loan to value covenants or insurance obligations) a prudent interpretation of the applicable law and case law leads us to understand that the possibility of accelerating a facility and starting the mortgage foreclosure procedure will only arise when the borrower under a facility is in default of its payment obligations. Therefore the early termination of a facility for other reasons (breach of loan-to-value and interest ratios, etc.) although not impossible may encounter several difficulties;

- (c) through this foreclosure procedure, the mortgaged assets may be sold through three different procedures:
 - (i) "*Subasta Judicial*", auction to be published in the official platform for auctions;
 - (ii) "*Convenio de realización*", agreement for execution (the assets could be sold in any way agreed by the parties and approved by the court);
 - (iii) "*Realización por persona o entidad especializada*", sale by an expert or specialised entity.

- (d) the length of these foreclosure proceedings will depend on several circumstances, such as: (a) the workload of the competent court, (b) the defence by the Borrower, (c) the number of mortgaged assets and (d) the success of the final sale (in most cases, the auction);
- (e) assuming that the enforced party opposes the enforcement (as it commonly happens), a foreclosure judicial procedure would take no less than eighteen months and should not exceed twenty-four months, although this may vary quite substantially from case to case since first instance courts in places like Madrid tend to be overstretched (almost at a standstill). In such circumstances, the court would not always be able to fulfil the time scales hereby provided;
- (f) that there are special provisions for consumers considered to be under the risk of social exclusion (e.g. Law 1/2013, dated 14 May, on measures to strengthen the protection of mortgagors, debt restructuring and housing rental, sets forth that from 15 May 2013 until 15 May 2020, there shall not be evictions over the main house of the mortgage debtors at Risk of Social Exclusion which the creditor has adjudicated in the context of a judicial or extra-judicial mortgage enforcement), and that Spanish Autonomous Communities have certain legislative powers transferred and some of them have developed protective measures that may be applicable at a regional level. At this respect, note that some of these measures may impact on mortgagees or on foreclosure proceedings (e.g. measures approved by the Autonomous Community of Catalonia); and
- (g) finally, it should be noted that the brand new Real Estate Credit Contract Law (in force since 16 June 2019) provides that mortgage loans that were not accelerated before 16 June 2019, cannot be early terminated for the purpose of requesting the enforcement of the mortgage unless: (i) during the first half of the loan's term, there are twelve (12) defaults on monthly repayments due (or 3% of the total amount lent); or (ii) during the second half of the loan's term, there are fifteen (15) defaults on monthly repayments due (or 7% of the total amount lent).

Steps of the foreclosure procedure

According to the Civil Procedure Law, the foreclosure judicial procedure for the mortgage enforcement will have the following steps:

(a) Creditor's Claim

The foreclosure procedure starts with the creditor's (in this case, the lender's) claim. The following is an outline of the subsequent procedural steps:

- (i) The lender will have to file the enforcement claim together with:
 - (A) the original and enforceable copy of the enforcement title (*copia con fuerza ejecutiva*);
 - (B) the notarial document (*acta notarial*) incorporating the certificate issued by the lender on the outstanding balance of the debt – document serving to evidence that the determination of the amounts due and payable by the lender have been calculated as agreed in the facility; and
 - (C) documentation evidencing that the borrower has been notified by the lender of the amount due and payable.
- (ii) The court will verify that the enforcement claim fulfils the legal requirements and, in the affirmative, it will issue an enforcement order (*auto de ejecución*) ordering the enforcement of the mortgage. This order will include a demand for payment giving the Borrower a 10-working-day period to pay or to file an opposition to the enforcement.
- (iii) At the same time the Judge will request a certificate from the Land Registry containing a literal transcription of text of the last title registration and a list of all mortgages, charges, etc. to which the property is subject.
- (iv) The Land Registry makes an annotation besides the entry in respect of the mortgage, evidencing the issue of the certificate and providing details of the date and existence of the foreclosure procedure commenced.

- (v) Any third party who, according to the certificate from the Land Registry, appears to have a lien or charge in its favour subsequent to the mortgage securing the loan claimed by the lender, will also be notified by the Land Registry of the existence of the proceedings. These creditors will have the right, but not the obligation, to pay, prior to the auction, the amount owed in respect of the facility, interest and costs guaranteed under the mortgage, in which case they would subrogate the rights of the lender up to the amount paid by them.
- (vi) If the court considers that the enforcement title contains a clause which may be considered as an unfair term, the parties will have 15 days to present its arguments. Having heard both parties the court will decide. If the court decides that the enforcement title contains an unfair term, it shall suspend the foreclosure procedure or shall authorize the enforcement but without applying the unfair terms.

(b) **Grounds for opposition for the borrower**

The procedure does not allow the borrower to challenge the validity of the mortgage or the existence of the debt, as a general rule. There are, however, certain "exceptions" to this general rule:

- (i) When the borrower has shown a certificate from the Land Registry or an original public deed evidencing cancellation of the mortgage title.
- (ii) When the borrower has justified that the amount calculated and certified by the creditor is incorrect.
- (iii) When the borrower has provided evidence of a criminal case being filed before a criminal court (which was granted leave to proceed in a hearing), regarding forgery of the mortgage title.
- (iv) When the borrower filed before the court evidence of a specific civil action regarding an ownership title in favour of a third party and registered at the Land Registry before the date of the mortgage and which is incompatible with the mortgage. This circumstance would be considered quite unusual.
- (v) When the borrower has proved the unfairness of a contractual term which provides the grounds for the foreclosure procedure or which determines the amount due. In case the Judge considers that abusive clauses exist, the Judge will be entitled to either dismiss the enforcement should this be based on the application of such abusive clause, or continue the enforcement but disregarding the abusive clause(s). Please note that the abusiveness regime is only applicable to consumers. Accordingly, companies cannot make use of this ground to oppose the enforcement (although certain isolated precedents have accepted this grounding for SMEs).

In practice, if the borrower opposes on the basis of an abusive clause, the clerk of the court will suspend enforcement and will ask the parties to appear before the court.

If an opposition is filed in court by the Borrower, the procedure will be temporarily suspended.

If the opposition is upheld by the court, the procedure will be terminated (except if the opposition was based on the wrongful calculation of the amount due, in which case the calculations will be amended and the procedure will resume). The lender will be entitled to appeal against the order upholding the borrower's opposition.

If the opposition is dismissed, the procedure will resume, but this resolution is subject to appeal before the Regional Courts (*Audiencias Provinciales*).

Finally, please note that the Third Transitional Provision of the Real Estate Credit Contract Law has created an *ex novo* period for objection to enforcement. Such rule may affect the pending proceedings in which the debtor has not been able to allege yet the existence of unfair clauses.

(c) **Available procedures to sale the asset**

As previously said, the secured asset may be sold through three different procedures: (i) "*Convenio de realización*", agreement for execution (the assets could be sold in any way that is agreed by the parties and approved by the court); (ii) "*Realización por persona o entidad especializada*", sale by an expert or specialised entity, (iii) "*Subasta Judicial*", auction conducted by the court secretary.

In the foreclosure of mortgaged properties and for the purpose of its sale within the said procedure, the starting price and the so-called value of the properties is the amount specified by the lender and the borrower in the deed of mortgage.

(i) **Agreement for execution**

This is the most flexible procedure: the parties are free to propose any way to sell the asset and the court will approve it, provided it does not damage the interest of third parties.

(ii) **Sale by expert**

At the request of the lender (even with the opposition of the Borrower), the court may decide to appoint an expert in order to have the assets sold. The court will not authorise any transfer for a price lower than 50% of the value, unless both parties declare their consent. This percentage is increased to 60% if the enforced party is a consumer and the target of the enforcement is the main residence.

(iii) **Auction**

Since this is the most common way to proceed in the foreclosure procedure, we will deal with it in the point immediately below.

(d) **Judicial auction process**

(i) **Valuation of the asset for auction purposes**

The valuation of the asset for auction purposes will be the price agreed by the parties, provided that the regulation imposes a floor of 75% of the valuation issued by a regulate valuation company, which is typically stated in the mortgage deed (the "**Initial Auction Price**").

It is worth noting that if there are senior ranking mortgages, such initial price for auction purposes will be reduced by the amount secured by those preferred charges (i.e., senior ranking mortgages).

(ii) **Thresholds required for assigning an asset in a judicial auction**

The thresholds applicable for assigning an asset to a bidder are as follows:

- (A) If any **bid is higher to the 70% of the Initial Auction Price**, then the asset will be assigned to the highest bid.

If the enforcing party is the one making the highest bid (higher to the 70% of the valuation of the asset), the enforcing party will solely deposit the difference between the amount of the bid and the liquidated debt (for principal, interests and costs).

- (B) If **no bid is higher than the 70% but there are bids between 69%-51% of the Initial Auction Price (or covers the entire amount of the pending debt)** the procedure is as follows:

- (1) Within 10 days, the borrower or mortgagor (as the case may be) can bring in a third party to the auction making a better offer (higher than the 70% of the valuation at origination of the mortgage or an amount that covers entirely the pending debt).
- (2) If the borrower or the mortgagor (as the case may be) do not accomplish this step, within 5 days the lender can apply for the assignment of the

asset for the 70% of the of the Initial Auction Price or for the entire amount of the pending debt provided that this amount is (i) higher to the 60% of the valuation at the origination of the mortgage of the asset and (ii) higher to the highest bid.

- (3) If the lender does not make this application, then the asset will be assigned to the highest bid, provided that it is higher to the 50% of the valuation at the origination of the mortgage or, if lower, at least covers the entire amount pleaded in the enforcement proceedings (including the amount previewed in the enforcement claim for interest and judicial costs to be accrued along the proceedings).

(C) **If no bid is higher to the 50% of the value of the asset:**

- (1) The court clerk will decide on a case by case basis, taking into account the following (i) the borrower's behaviour in connection with the compliance of the contractual obligations; (ii) the possibilities to satisfy the creditor through the enforcement of other assets; (iii) the economic damage for the debtor that the assignment of the asset at that reduced price will cause; and (iv) the benefits for the enforcing party.

- (2) Expectedly, the court clerk will declare the auction as "blank" (*desierta*).

(D) **If the court clerk declares the auction "blank" (by this term we are referring to unattended auctions, where no bids were made)**

- (1) The lender will be able again to apply (within the term of 20 days) for the assignment of the asset, for the 50% of the **Initial Auction Price** or for the value of the entire pending debt even if the % is lower. In these cases, the 50% of the Initial Auction Price acts as a minimum limit (although the value of the entire pending debt was lower), but such limit increases at least to 60% if the enforced party is a consumer and the collateral is the main residence (article 671 of the Spanish Civil Procedure Law).

- (2) If the lender does not make this application, the court clerk will order to lift the seizure and the debt will still be pending.

Therefore, a bidder will be able to bid with any amount that may consider appropriate (the platform does not limit the amount of the bids). However, any bid under the amount of the pending debt is nearly impossible to be accepted. Bids under the 50% of the value of the asset will have low possibilities of success. Successful bids will likely be those surpassing the 70% of the value of the asset. However, since the platform discloses the highest bid at each moment, any bidder will be able to decide which is the better amount for bidding in real time as closing date approaches.

(iii) **Bidding by the enforcing creditor**

The enforcing creditor can only participate in the bidding if there are other bidders.

The remaining bidders are obliged to make a deposit of the 5% of the **Initial Auction Price** in order to bid. The enforcing creditor (provided that the above requirement is met) can bid without making any deposit.

(iv) **Assignment of auction rights (*cesión de remate*)**

Only the enforcing creditor and the subsequent mortgagors can bid reserving the right to assign the auction rights to a third party. This will be formalized through an appearance of the assignor and the assignee of the bid (*remate*) before the court clerk (who shall have to accept it).

The payment for the auction rights needs to be accomplished and evidenced (documentary) prior or simultaneously to the appearance for formalizing the assignment.

The enforcing party will also be capable of assigning the right to acquire the asset directly (without a previous bid) when the Law permits this direct acquisition (for example, if the court clerk declares the auction as "blank" (**by this term we are referring to unattended auctions, where no bids were made**) or in case the bids are lower than the 70% and the borrower or mortgagor (as the case may be) do not present a bidder in the terms states above).

Please note that the third party assigned with the auction rights of the creditor needs to comply with the payment of price offered in the bid prior to formalize the assignment before the court clerk. The Spanish Procedural Act sets forth that the assignee needs to evidence the payment prior or simultaneously to accept the assignment. However, there is an exception to this in the case of securitising funds, as they can be assignees of the auction rights without it being necessary to prove that they paid a price for the assignment. The reason is that the assignment of an award is the way in which the contributor to the securitising fund fulfils his fiduciary obligation to the fund, as confirmed by the Criteria of First Instance Courts of Barcelona dated 15 July 2016.

(v) **Continuation of the process after a successful bid**

The price of the successful bid will be delivered to the lender on account of the amount for which enforcement was filed. If this amount were exceeded, the successful bid will be withheld to pay the holders of any right registered or entered after the creditor's rights. If a surplus remains after paying the creditors, this will be handed over to the Borrower or to the third-party owner.

Once the bid or award has been verified and the relevant price deposited, a court order (*auto*) will be issued by the Judge approving the same and ordering the cancellation of the mortgage and its removal from the Land Registry.

If the proceeds obtained from the auction are not sufficient to cover the full debt of the borrower, the lender can request from the court to continue the enforcement of any other assets of the borrower.

Total extinguishment of the claims not covered by the collateral

It should be noted that a debtor may benefit from a "second chance" (*exoneración del pasivo insatisfecho*) pursuant to Article 178 bis of the Insolvency Law, which could lead to the extinguishment of the claims against the debtor. This benefit may only be granted, subsequently to the relevant insolvency proceeding, to those debtors qualifying as "debtors in good faith" pursuant to the requisites set forth in said article. If granted (which is increasingly common), unsecured claims (or the surplus of those secured that has not been possible to collect after realising the mortgage security) are fully extinguished.

Security Insolvency Considerations

Effects on contracts

As a general principle, the Insolvency Law 22/2003 dated 9 July (the "**Insolvency Law**") provides for the continuation of bilateral agreements irrespective of the adjudication of the insolvency of any of the parties thereof. Article 61.3 of the Insolvency Law rules that those contractual clauses providing for the automatic termination of an agreement upon insolvency of any of the parties or for the right of the non-defaulting party to terminate such agreement upon the insolvency of the other party shall be null and void.

Notwithstanding the above, the insolvency receivers are entitled pursuant to article 61.2 of the Insolvency Law to request the insolvency Court to declare the early termination of any outstanding bilateral contracts where such termination proves beneficial for the insolvent estate (*conveniente para el interés del concurso*). Article 61.2 of the Insolvency Law also requires that (i) the insolvency court hears not only the insolvency receivers but also the counterparty of the relevant contract; and (ii) the counterparties are indemnified for any damage arising from the early termination of the relevant contract (the amount of which will be determined by the insolvency court in the absence of agreement between the parties). Moreover, these

claims for damages enjoy the treatment and legal ranking of credits against the insolvency estate (*créditos contra la masa*), which must be paid senior to any other claims (unless the Court were to find that the counterparty had acted in bad faith, in which case the counterparty would be treated as a subordinated creditor).

However, article 62.1 of the Insolvency Law provides that the declaration of insolvency of the insolvent party will not prevent the non-defaulting party from terminating the relevant agreement in the event that the insolvent party fails to comply with its obligations thereunder. Moreover, in the case of ongoing contracts (*contratos de tracto sucesivo*), the non-defaulting party may also terminate the agreement on the grounds of failures to comply which have occurred prior to the declaration of insolvency. Notwithstanding the above, the Commercial Court hearing the insolvency is entitled under article 62.3 of the Insolvency Law to prevent the non-defaulting party from terminating the agreement where such continuation is convenient for the insolvency estate.

In accordance with the terms and conditions set forth in article 68 of the Insolvency Law, the insolvency receivers may rehabilitate any facility agreement entered into by the insolvent company, as borrower, in the event that, within the three (3) months period immediately preceding the declaration of the insolvency, the facility agreement is early terminated as a consequence of failure to pay; in these circumstances, the insolvency receivers should pay or consign any amounts due and unpaid; moreover, future payments under the relevant facility agreement will be regarded as "claims against the insolvency estate" (*créditos contra la masa*).

Article 71.1 of the Insolvency Law

Pursuant to Article 71.1 of the Insolvency Law, if a declaration of insolvency (*declaración de concurso*) is made in relation to a company, the relevant court may, on the application of the insolvency receivers (or, should the insolvency receivers have not applied for it within two (2) months following to the date of the formal request of a creditor to do so, on the application of such creditor), set aside any transaction which is found to be detrimental for the insolvency estate entered into by the company within the two-year period preceding the declaration of insolvency.

As a general rule, the burden of proving that any transaction is prejudicial to the insolvency estate must be borne by the insolvency receivers. However:

- (a) pursuant to article 71.2 of the Insolvency Law, any disposal for no consideration (*acto de disposición a título gratuito*) shall always be deemed to be prejudicial for the purposes of the application of article 71.1 of the Insolvency Law; and
- (b) under article 71.3 of the Insolvency Law, disposals made in favour of a "related party" to the insolvent company or the creation of *in rem* security in respect of pre-existent obligations or of new obligations substituting the former are, unless proven otherwise by the counterparty to the insolvent company, presumed to be prejudicial.

Claw back in connection with the mortgages

The creation of the mortgages once the syndication process is completed would entail a claw back risk if insolvency were declared in the following two years. The taking of additional security in relation to existing non-secured obligations is deemed to cause damage to the insolvency estate.

Should the claw back action be upheld, please note that there would be a cash-out risk as, in accordance with the Spanish rules on claw back actions, the mortgagee may not only lose the mortgage, but may end up paying monies if the mortgage loan is rescinded. The usual practice is that, as well as the cancellation of the mortgage, a claim is made against the mortgagee to reimburse the expenses of creation of the rescinded mortgage (notary, registry, advisers). In the most serious cases (by no means rare), the mortgagee may be ordered to reimburse to the debtor the amounts repaid in advance by the latter in the refinancing of the mortgage loan.

However, the presumption of damage can be rebutted. It is generally thought that, when the parties had envisaged the creation of the security at the time of granting the financing, being a solid business reason for that delay, damage would not exist. (i.e. a "contextual security"). In this sense, Court ruling from Commercial Court no. 1 of Oviedo, dated 18 February 2010 (AC 2010\525) indicates that "in order to value if a security is contextual to the creation or birth of the credit, it must be verified if the transactions that

gave rise to granting the credit and the security were conceived by the parties simultaneously, hence reducing any importance given to the temporary delays there may be in order to technically grant the security".

Effects on security, generally

- (a) Pursuant to article 56 of the Insolvency Law, no security interests over assets of an insolvent company which are necessary for the continuation of the business can be enforced after the declaration of insolvency until the earlier of the following dates (the "**Stay-Period End Date**"):
 - (i) the date on which a composition (*convenio*) which does not prevent the enforcement of the relevant security interest has been reached between the insolvent company and their creditors; and
 - (ii) the date on which one year has elapsed since the declaration of the insolvency, without the liquidation of the debtor's assets having been initiated.

Neither the Insolvency Law provides for any definition of the term "assets which are necessary for the continuation of the business" nor Spanish courts have yet coined a precise test of the meaning thereof.

Notwithstanding this, a number of court precedents from low courts (Commercial Courts) suggest that such term is an undetermined concept which must be interpreted and applied always on a case-by-case basis (by having referred to all factual circumstances prevailing at the time of the purported enforcement).

Moreover, pursuant to article 134.3 of the Insolvency Law, secured financial creditors will be bound by any insolvency composition agreement which has been approved by: (i) creditors holding 60% of secured financial indebtedness: where the agreement contemplates a write-off of up to a half of the amount of the debt, an extension of debt maturity for a term less than five years and conversion of debt into a participating loan during that time, or (ii) secured creditors holding 75% of secured financial indebtedness: where the agreement contemplates a write-off of over a half of the amount of the debt, extension of debt maturity of between five and ten years, conversion of debt into a participating loan or similar instrument for an equal term, converting the debt into capital or a participating loan, assignment of assets;

- (b) pursuant to 57.1 of the Insolvency Law in connection with article 56 referred above, enforcement rights will be subject to the jurisdiction of the insolvency court, which shall decide on the availability of those rights and, where applicable, issue an order for the commencement or resumption of the relevant enforcement proceeding.

On the other hand, article 155 of the Insolvency Law enables the insolvency receivers to, prior to the Stay-Period End Date, prevent any security interest from being enforced by immediately paying those secured overdue amounts and by undertaking to pay amounts becoming due in the future under the relevant agreement as "claims against the insolvency estate" (*créditos contra la masa*), –a preferential type of claim, only ranking below secured claims (provided that, should the insolvency receivers fail to pay those future claims as they become due, the secured creditor will be then entitled to enforce the relevant security interest). In this sense, there has been a debate – now well underway but still dragging on– as regards what amount the secured creditor can claim when the property is sold within liquidation proceedings: whether the entire price up to the amount which is owed to it or whether only the price up to the value of its security (which is 90% of the appraised value). Besides, there is also a controversy regarding whether mortgagees can collect the full amount of interests (regular interests and default interests) which accrue after the insolvency order. At this respect, low courts have ruled differently, but recently the Supreme Court has permitted the collection of the entire price up to the amount owed to the creditor with the limit of the total amount secured by the mortgage (*responsabilidad hipotecaria*) (see Judgment of the Supreme Court dated 11 April 2019 which also states default interests accrued after the opening of the insolvency proceedings cannot be collected, and Judgment of the Supreme Court dated 20 February 2019 that indicates that interests (both ordinary and default interest) that accrue after the declaration of insolvency will not be acknowledged (hence, not paid back), if the creditor did not include in its statement of claim a "contingent credit" for such interests); and

- (c) the Fourth Additional Provision of the Insolvency Law provides for a sort of pre-insolvency proceeding (called "*homologación judicial de acuerdos de refinanciación*"), broadly close to the English schemes of arrangement, and dealing with the court approval of refinancing agreements entered into by the debtor and creditors holding at least 51% of the financial indebtedness thereof. Any such refinancing agreement will be binding on all of the secured financial creditors of the debtor if approved by: (i) creditors holding 65% of secured financial indebtedness: where the agreement contemplates the extension of debt maturity for a term less than five years and conversion of debt into a participating loan during that time, or (ii) creditors holding 80% of secured financial indebtedness: where the agreement contemplates write-offs, the extension of debt maturity of between five and ten years, conversion of debt into a participating loan or similar instrument for an equal term, converting the debt into capital or a participating loan or assignment of assets.

Moreover, pursuant to Article 5 bis of the Insolvency Law the communication by a company to the competent court that it has commenced negotiations for the refinancing of its debt will prevent: (i) any creditors from enforcing any security interest over those assets which are necessary for the continuation of the business of the debtor, or (ii) any financial creditors from enforcing any security interest over any assets of the debtor but only to the extent that the commencement of negotiations have been approved by financial creditors holding at least 51% of the financial indebtedness of the debtor. Those "stays" will last until four months have elapsed since the communication to the court or, if earlier, a scheme of arrangement has been approved by the court or the debtor has been declared insolvent.

Set-off against an insolvent counterparty

Article 58 of the Insolvency Law provides that no set-off can take place in relation to claims owed to and by an insolvent party unless the requirements in order for set-off to operate have been met prior to the declaration of insolvency.

It is worth noting that a number of Spanish scholars, supported by old judgments from the Spanish Supreme Court, opine that set-off is admissible even in an insolvency scenario where the relevant claims and counterclaims arise from the same contract or the same "contractual relationship" (thus is, "*ex eadem causa*" claims).

Set-off operated during the fraudulent conveyance period

Finally, please note that the right of a solvent counterparty to set-off claims will be excluded if the possibility to such set-off has been obtained by such solvent counterparty through any legal act which is set aside pursuant to the provisions of the Insolvency Law, particularly in case a claw-back action is upheld.

DESCRIPTION OF THE NOTES IN GLOBAL FORM

General

The Notes of each Class will be offered and sold outside the United States to non-U.S. Persons in reliance on Regulation S and will be represented on issue by a Regulation S Global Note in fully registered form without interest coupons or principal receipts. Beneficial interests in a Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg or their participants at any time. The Notes are intended to be held under the new safekeeping structure for registered global securities which are intended to constitute eligible collateral for Eurosystem monetary policy operations.

The Global Notes will have an ISIN and a common code and will be deposited on or about the Issue Date with a common safekeeper for both Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**") and registered in the name of the nominee for the Common Safekeeper.

All capitalised terms not defined in this section shall be as defined in the Conditions. The Issuer will procure the Registrar to maintain a register in which it will register in the name of the Common Safekeeper as the owner of the Global Notes.

Upon confirmation by the Common Safekeeper that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg will record book-entry interests representing beneficial interests (the "**Book-Entry Interests**") in the Global Notes attributable thereto (as the case may be).

Book-Entry Interests in respect of the Notes will be recorded in Minimum Denominations. Ownership of Book-Entry Interests is limited to Participants in Euroclear or Clearstream, Luxembourg or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee of the Common Safekeeper is the registered holder of the respective Global Notes underlying the Book-Entry Interests, the nominee of the Common Safekeeper will be considered the sole Noteholder of the relevant Global Note for all purposes under the Trust Deed and the Agency Agreement. Except as set forth under "*Issuance of Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Action in Respect of the Global Note and the Book-Entry Interests*" below.

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Global Notes, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the

procedures to be implemented by Euroclear or Clearstream, Luxembourg will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Unless and until Book-Entry Interests in the Global Notes are exchanged for Definitive Notes, the Global Notes registered in the name of a nominee of the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book-Entry Interests in a Global Note will hold Book-Entry Interests in the respective Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each respective Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's book-entry registration and transfer systems.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market sales of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Payments on the Global Notes

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in euro by or to the order of the Principal Paying Agent on behalf of the Issuer to the Common Safekeeper or its nominee as the registered holder thereof with respect to the relevant Global Note. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to, the Common Safekeeper or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law or as otherwise set out in Condition 12 (*Taxation*). If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date, Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The record date, in respect of the Notes shall be one Clearing System Business Day prior to the relevant Interest Payment Date where "**Clearing System Business Day**" means a day on which each clearing system for which the Notes are being held is open for business. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger and Lead Manager or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer

between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

- Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.
- The Issuer understands that under existing industry practices, if any of the Issuer or the Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Safekeeper and, upon final payment, the Registrar will surrender such Global Note (or portion thereof) to or to the order of the relevant Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the relevant Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of the Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the relevant Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

Transfers and Transfer Restrictions

All transfer of Book-Entry Interests will be recorded with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg pursuant to the customary procedures established by each respective system and its Participants.

Each Regulation S Global Note will bear a legend substantially identical to that appearing under "*Subscription and Sale – Legends on Global Note Certificates*".

Beneficial interests in the Global Notes may be held only through Euroclear and Clearstream, Luxembourg. Neither the Global Notes nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend appearing in the Global Notes.

Settlement and transfer of notes

Subject to the rules and procedures of each applicable clearing system, purchases of notes held within a clearing system must be made by or through Participants, which will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note (being the beneficial owner) will in turn be recorded on the Participant's records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such beneficial owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of beneficial owners.

Beneficial owners will not receive individual notes representing their ownership interests in such notes unless use of the book-entry system for the notes described in this section is discontinued.

No clearing system has knowledge of the actual beneficial owners of the notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "*General*", above.

Issuance of Definitive Notes

Holders of Book-Entry Interests in a Global Note will be entitled to receive Definitive Notes in exchange for their respective holdings of Book-Entry Interests if: (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or of any political subdivision therein or thereof having power to tax or in the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding for or on account of Tax from any payment in respect of the Notes which would not be required were the Notes in definitive form.

In order to receive a Definitive Note, a person having an interest in a Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Note.

Any Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Notes issued in exchange for Book-Entry Interests in a Global Note, as the case may be, will not be entitled to exchange such Definitive Note, for Book-Entry Interests in a Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above **provided that** no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Definitive Notes will not be issued in a denomination that is not an integral multiple of the Minimum Denomination. As the Notes have a denomination consisting of the Minimum Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination may not receive a Definitive Note in respect of such holding (should Definitive Notes be issued) and would need to purchase a principal amount of Notes such that its holding amounts to the Minimum Denomination.

Action in Respect of the Global Note and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear and Clearstream, Luxembourg the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Note or the Book-Entry Interests. Any notice shall be deemed to have been duly given to the relevant Noteholders if sent to the applicable clearing system for communication by them to the holders of the relevant Notes and shall be deemed to be given on the date on which it was so sent and (so long as the Rated Notes are listed on the official list of Euronext Dublin and admitted to trading on its regulated market) any notice shall also be published in accordance with the relevant guidelines of Euronext Dublin. See also Condition 21 (*Notices*).

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form in which they will be set out in the Trust Deed. If the Notes were to be represented by Definitive Notes, the Conditions set out on the reverse of each of such Definitive Notes would be as follows. While the Notes are represented by Global Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Notes. These terms and conditions are subject to the detailed provisions of the Trust Documents and the other Transaction Documents (as defined below).

1. General

- 1.1 The €170,000,000 Class A Asset-Backed Floating Rate Notes due 2039 (the "**Class A Notes**"), the €30,000,000 Class B Asset-Backed Floating Rate Notes due 2039 (the "**Class B Notes**" and together with the Class A Notes, the "**Rated Notes**"), the €15,000,000 Class J Asset-Backed Floating Rate Notes due 2039 (the "**Class J Notes**") and the €16,000,000 Class Z Asset-Backed Variable Return Notes due 2039 (the "**Class Z Notes**" and, together with the Class J Notes and the Rated Notes, the "**Notes**") will be issued by ProSil Acquisition S.A., acting in respect of its compartment "Cell Number 5" (the "**Issuer**") on or about the Issue Date.
- 1.2 The Issuer has agreed to issue the Notes subject to and with the benefit of these Conditions and the terms of the Trust Deed and the Agency Agreement. The security for the Notes is created pursuant to, and on the terms set out in, the Security Documents.
- 1.3 The Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.4 Certain provisions of these Conditions are summaries of the Trust Documents, the Agency Agreement, the Incorporated Terms Memorandum and the Servicing Committee Rules and are subject to their detailed provisions.
- 1.5 The Noteholders are bound by the terms and are deemed to have notice of all the provisions of all the Transaction Documents.
- 1.6 Copies of the Transaction Documents are available for inspection by the Noteholders, on reasonable notice, during normal business hours at the registered office of the Issuer, the Trustee and at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.

2. Definitions

Unless expressly defined in these Conditions or if the context requires otherwise, capitalised words and expressions used in these Conditions shall have the meanings and constructions ascribed to them in the Incorporated Terms Memorandum (as the same may be amended and supplemented from time to time), the defined terms of which are included hereto in Condition 23 (*Definitions*).

3. Form and Denomination

- 3.1 The Notes are in fully registered form in the Minimum Denomination for such Notes, without principal receipts or interest coupons.
- 3.2 For so long as any Notes are represented by a Global Note, transfers and exchanges of beneficial interests in Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank S.A./N.V. or Clearstream Banking, *société anonyme*, as appropriate.
- 3.3 For so long as the Notes are represented by a Global Note, and for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in Minimum Denominations.
- 3.4 Definitive Notes will be issued in registered form and serially numbered in the circumstances referred to below. Definitive Notes, if issued, will be issued in Minimum Denominations.

3.5 If, while any Notes are represented by a Global Note:

- (a) in the case of a Global Note held in Euroclear or Clearstream, Luxembourg, both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; or
- (b) as a result of any amendment to, or change in (A) the laws or regulations of the Grand Duchy of Luxembourg or any political sub-division therein or thereof having power to tax or (B) the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is, or will be required to make any deduction or withholding for or on account of Tax from any payment in respect of the Notes which would not be required if the Notes were in definitive form,

(each a "**relevant event**") the Issuer will issue Definitive Notes to Noteholders whose accounts with the relevant clearing systems are credited with interests in that Global Note in exchange for those interests within 30 days of the relevant event but not earlier than the Exchange Date. The Global Note will not be exchangeable for Definitive Notes in any other circumstances.

4. **Title and transfer**

- 4.1 The holder registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note regardless whether the Note is overdue or of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon.
- 4.2 The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers of the Notes.
- 4.3 No transfer of a Note will be valid unless and until entered on the Register.
- 4.4 Transfers and exchanges of beneficial interests in the Global Notes and any Definitive Notes and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Global Note or the transfer of a Definitive Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent or the Registrar to any holder of a Note who so requests (and who provides evidence of such holding where the Notes are in global form) and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.
- 4.5 A Definitive Note may be transferred in whole or in part upon the surrender of the relevant Definitive Note, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Note, a new Definitive Note, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- 4.6 Each new Definitive Note, to be issued upon transfer of Definitive Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed by uninsured first class mail at the request and risk of the holder entitled to the Definitive Note, to such address as may be specified in such request.
- 4.7 Registration of Definitive Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

- 4.8 No holder of a Definitive Note, may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.
5. **Status and Ranking**
- 5.1 **Status:** The Notes in each Class constitute direct, secured and limited recourse obligations of the Issuer.
- 5.2 **Ranking:**
- (a) The Notes in each Class will at all times rank *pari passu* amongst themselves without preference or priority.
 - (b) The Notes represent the right to receive interest (or, in the case of the Class Z Notes, the Class Z Return Amount) from the Issuer in accordance with the relevant Conditions, the Trust Deed and the relevant Payment Priorities.
 - (c) The Class B Notes rank subordinate to the Class A Notes as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class B Noteholders will be subordinated to the interests of holders of the Class A Notes (so long as any Class A Notes remain outstanding).
 - (d) The Class J Notes rank subordinate to the Class A Notes and the Class B Notes as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class J Noteholders will be subordinated to the interests of holders of the Class A Notes and the Class B Notes (so long as any Class A Notes and/or Class B Notes remain outstanding).
 - (e) The Class Z Notes rank subordinate to the Class A Notes, the Class B Notes and the Class J Notes as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class Z Noteholders will be subordinated to the interests of holders of the Class A Notes, the Class B Notes and the Class J Notes (so long as any Class A Notes and/or Class B Notes and/or Class J Notes remain outstanding).
 - (f) The Trust Documents contain provisions requiring the Trustee to have regard to the interests of holders of each Class of the Notes as regards all rights, powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) but requiring the Trustee, where there is a conflict of interests between one or more Classes of Notes, to have regard (except as expressly provided otherwise) to the interests of the holders of the Most Senior Class of Notes.
- 5.3 **Sole Obligations:** The Notes are obligations solely of the Issuer and without recourse to any other assets of the Issuer pertaining to other issuances of securitisation notes by the Issuer or to the Issuer's own funds or to the Issuer's directors, managers or shareholders and are not obligations of, or guaranteed by, any of the other Transaction Parties.
- 5.4 **Issuer Covenants:** So long as any Note remains outstanding the Issuer shall comply with all the covenants of the Issuer as set out in the Transaction Documents, which, among others things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business without the prior written consent of the Trustee, and include a negative covenant of not to create any security interest on any of its assets (other than security (if any) which may be created over the Cap Collateral Account to the benefit of the Cap Counterparty).
- 5.5 **Use of Proceeds:** On or about the Issue Date, the Issuer shall apply the gross proceeds of the Notes solely towards the payment of the Purchase Price of (a) the Receivables included in the Receivables Portfolio, the Propco Shares, the Propco Debt and the Collections received by the Issuer and the Propcos since the Cut-off Date, (b) the funding (together with an amount of Collections received since the Cut-Off Date and reallocated to the Issuer pursuant to the Reallocation Agreement) of the Cash Reserve Account up to the Cash Reserve Account Required Amount as provided for under Condition 6 (*Cash Reserve Account*), and (c) the funding of the Expenses Accounts up to the Expenses Accounts Required Amount.

6. **Security**

6.1 **Security:** The Notes are secured by the Security.

6.2 **Enforceability:** The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with, and subject to the matters referred to in, Condition 13 (*Events of Default and Enforcement*).

7. **Cash Reserve Account**

7.1 **Opening of the Cash Reserve Account:** A cash reserve account will be established on or prior to the Issue Date with the Accounts Bank in the name of the Issuer (the "**Cash Reserve Account**") pursuant to the Accounts Bank Agreement. The Cash Reserve Account will be funded with the Cash Reserve Account Required Amount which, on the Issue Date, will be an amount equal to €7,650,000.

7.2 **Use of the Cash Reserve Account:** The Cash Reserve Account will provide the Issuer with limited funds in order to pay for any Issuer Expenses and certain other items in the Payment Priorities as specified therein. Any amounts standing to the credit of the Cash Reserve Account on final redemption, or on early redemption in whole of the Notes, will be credited to the Issuer Payment Account and treated as Available Distribution Amount on the Final Maturity Date of the Notes or on the date on which all of the Notes are subject to any early redemption in whole, as applicable.

8. **Notes Interest Amount**

8.1 **Accrual of Interest:** The Notes of each Class (other than the Class Z Notes) bear interest on their Principal Amount Outstanding from the Issue Date and will be paid quarterly in arrear on each Interest Payment Date together with the Class Z Return Amount (if any). Interest will accrue from, and including, the immediately preceding Interest Payment Date (or, in the case of the First Interest Payment Date, the Issue Date) to, but excluding, the relevant Interest Payment Date (or, in the case of the first Interest Period, the First Interest Payment Date), subject as provided in Condition 9 (*Payment Priorities*). For the avoidance of doubt, if not paid on the relevant Interest Payment Date, the Interest Amount shall accrue on a daily basis irrespective of whether such day is a Business Day.

"**Interest Amount**" shall mean the amount of the interest payable in respect of each Class of Notes (other than the Class Z Notes) for such Interest Period (including any deferred interest if payable on the relevant Interest Payment Date), to be calculated by the Agent Bank in accordance with this Condition 8.

Each Interest Amount in respect of the Notes of each Class (other than the Class Z Notes) shall be calculated by applying the relevant rate of interest (as described in Condition 8.2) to the Principal Amount Outstanding of the relevant Class of Notes and multiplying such sum by the actual number of days in the relevant Interest Period divided by 360, and rounding the resultant figure downward to the nearest cent.

8.2 **Rate of interest:** The Notes of each Class (other than the Class Z Notes) will represent entitlements to payment of interest in euro in respect of each successive Interest Period from the Issue Date at an annual rate in respect of each Class equal to Three-Month EURIBOR (or in the case of the first Interest Period, the linear interpolation between EURIBOR for three-month and for six-month deposits in Euro), plus the relevant margin, being two per cent. for the Class A Notes, six per cent. for the Class B Notes and twelve per cent. for the Class J Notes, **provided that** if the interest rate applicable during a given interest period on a Class of Notes in accordance with the foregoing would be negative, the relevant interest rate shall be zero per cent.

"**Three-Month EURIBOR**" means, on any Interest Determination Date, the applicable Euro Screen Rate, or if, on such date, the Euro Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations, as at or about 11.00 a.m. (Brussels time) on that date, of the reference banks selected by the Agent Bank for Euro-zone interbank market for euro deposits for three months in the Representative Amount

determined by the Agent Bank after request of the principal Euro-zone office of each of the reference banks; or

- (b) if, on such date, two or three only of the reference banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those reference banks providing such quotations; or
- (c) if, on such date, one only or none of the reference banks provide such a quotation, the Rounded Arithmetic Mean of the rates quoted, as at or about 11.00 a.m. (Brussels time) on such Interest Determination Date, by leading banks in the Euro-zone for loans in euro for three months in the Representative Amount to leading European banks, determined by the Agent Bank after request of the principal office in the principal financial centre of the relevant Member State of each such leading European bank;

"Euro Screen Rate" means, in relation to an Interest Determination Date, the Screen Rate for a three-month period as at or about 11.00 a.m. (Brussels time) on that date;

"Interest Determination Date" means, with respect to the first Interest Period, the date falling on the second Business Day immediately preceding the Issue Date and with respect to each subsequent Interest Period, the date falling on the second Business Day immediately preceding the Interest Payment Date at the beginning of such Interest Period;

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"Rounded Arithmetic Mean" means the arithmetic mean (rounded downwards, if necessary, to the nearest 0.0001, or equal to or above 0.0005 being rounded upwards); and

"Screen Rate" means the euro interbank offered rate administered by the European Money Markets Institute (or any other person which takes over the administration of that rate) for the relevant period displayed on EURIBOR01 Page of the Thomson Reuters Screen; or

- (i) such other page as may replace EURIBOR01 Page as quoted on the Thomson Reuters Screen on that service for the purpose of displaying such rate; or
- (ii) if that service ceases to be available, such page or service displaying the relevant rate (or, if more than one, that one previously approved in writing by the Trustee) as may replace such services.

Whenever it is necessary to compute an amount of interest in respect of the Notes for a period of less than a full year, such interest shall be calculated on the basis of the actual number of days in such period divided by 360.

- 8.3 **Interest Period:** Each period beginning on (and including) the Issue Date or any Interest Payment Date (as applicable) and ending on (but excluding) the next Interest Payment Date is an **"Interest Period"**. Interest accrues on the Notes on a daily basis irrespective of whether such day is a Business Day.
- 8.4 **Cessation of Interest:** The Notes (other than the Class Z Notes) will cease to be entitled to the Interest Amount as from the date on which final redemption is to take place unless payment of principal is improperly withheld or refused, in which case it will continue to be entitled to receive the Interest Amount in accordance with this Condition until the earlier of:
 - (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
 - (b) the day which is seven days after the Principal Paying Agent (or the Trustee) has notified the relevant Noteholder that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- 8.5 **Unpaid Interest:** Interest will accrue on any unpaid interest on any Class of Notes (other than the Class Z Notes), from the due date up to the earlier of the date of actual payment and the day which

is seven days after the Principal Paying Agent (or the Trustee) has notified the relevant Noteholder that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment) at the interest rate from time to time applicable to the relevant Notes and shall be due and payable in accordance with this Condition 8 (*Notes Interest Amount*) or on such other date or dates as the Trustee may specify by written notice to the Issuer. If there are any Interest Amounts in respect of any Class of Notes other than the Class A Notes which are due but not paid on any Interest Payment Date (other than the Final Maturity Date or the date on which all of the Notes are subject to any early redemption in full, as applicable), such amounts shall not be regarded as payable on such date but will instead be deferred until the next Interest Payment Date or such date as interest in respect of such Class of Notes becomes due and payable and shall accrue interest during the period from (and including) the Interest Payment Date upon which such unpaid amounts are deferred to (and excluding) the date of actual payment thereof. As soon as practicable after becoming aware that any part of a payment of interest on a Class of Notes (other than the Most Senior Class of Notes) will be deferred or that a payment previously deferred will be made in accordance with this Condition 8, the Issuer will give notice to the relevant Class of Noteholders, as appropriate, in accordance with Condition 22 (*Notice to Noteholders*).

- 8.6 **Class Z Return Amount:** In respect of any Interest Payment Date, the Class Z Notes will bear an entitlement to payment of the Class Z Return Amount in the amount (if any) calculated by the Cash Manager to be paid from the Available Distribution Amount on any Interest Payment Date. This amount will only be payable to the extent that funds are available to the Issuer for that purpose under the relevant Payment Priorities.
- 8.7 **Failure of Agent Bank:** If the Agent Bank fails at any time to determine the Interest Amount, the Trustee may, or will use commercially reasonable endeavours to appoint a person (at the expense of the Issuer which for the avoidance of any doubt shall be considered as an Issuer Expense) who will, calculate such Interest Amount. Such calculation will be deemed to have been made by the Agent Bank and shall be binding on the Issuer, the Cash Manager, the Principal Paying Agent, the Noteholders and the Trustee. The Trustee shall not be liable for any loss, liability, claim, action, damages or expenses arising out of or in connection with the determination of the Interest Amount pursuant to this Condition 8.7.

9. **Payment Priorities**

- 9.1 **Payment Priorities:** The Issuer is required to apply the Available Distribution Amount in accordance with the Pre-Enforcement Payment Priorities or thereafter in accordance with the Post-Enforcement Payment Priorities, as applicable, without prejudice to what is established in Condition 10 (*Final Redemption, Mandatory Redemption in Part and Optional Redemption*) below.
- 9.2 **Payment Priorities:** Payments of interest and principal on the Notes will at all times be made in accordance with the Payment Priorities, as follows:
- 9.3 **Pre-Enforcement Payment Priorities**

Prior to (i) the delivery of an Enforcement Notice, (ii) a redemption in whole of the Notes for taxation reasons pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation Reasons*), (iii) a redemption in whole of the Notes due to a change in relation to the Retained Interest pursuant to Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*), (iv) an optional redemption pursuant to Condition 10.4 (*Class Z Noteholder Call Option*), (v) an optional redemption pursuant to Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean up call)*) or (vi) redemption at their Final Maturity Date pursuant to Condition 10.6 (*Final Maturity Date*) the Available Distribution Amount shall be applied on each Interest Payment Date in making or providing for the following payments, in the following order of priority (the "**Pre-Enforcement Payment Priorities**") (but in each case only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full):

- (i) *first*, in or towards payment of the Issuer's liability to Tax, if any;
- (ii) *second*, in or towards payment of the Trustee's Fees and Liabilities;

- (iii) *third*, in or towards payment of the Issuer Expenses (including the Servicer Senior Fee to the Servicer), *pari passu* and on a *pro rata* basis, to the extent not yet paid under items (i) and (ii) above;
- (iv) *fourth*, in or towards payment, *pari passu* and on a *pro rata* basis, of the Interest Amount in respect of the Class A Notes on such Interest Payment Date;
- (v) *fifth*, in or towards crediting of the Cash Reserve Account up to an amount equal to the Cash Reserve Account Required Amount;
- (vi) *sixth*, if no Subordination Event has occurred in respect of such Interest Payment Date, and without applying any amounts which, immediately before such Interest Payment Date, were standing to the credit of the Cash Reserve Account, in or towards the payment, *pari passu* and on a *pro rata* basis, of the Interest Amount in respect of the Class B Notes;
- (vii) *seventh*, in or towards payment, *pari passu* and on a *pro rata* basis, of the Principal Amount Outstanding of the Class A Notes until the Class A Notes have been redeemed in full;
- (viii) *eighth*, if a Subordination Event has occurred in respect of such Interest Payment Date, in or towards payment, *pari passu* and on a *pro rata* basis, of the Interest Amount in respect of the Class B Notes;
- (ix) *ninth*, in or towards payment, *pari passu* and on a *pro rata* basis (with reference to the respective amounts thereof), of (i) the Principal Amount Outstanding of the Class B Notes until the Class B Notes have been redeemed in full, and (ii) the Servicer Mezzanine Fee to the Servicer;
- (x) *tenth*, in or towards payment *pari passu* and on a *pro rata* basis, of the Interest Amount in respect of the Class J Notes;
- (xi) *eleventh*, in or towards payment *pari passu* and on a *pro rata* basis, of the Principal Amount Outstanding of the Class J Notes until the Class J Notes have been redeemed in full;
- (xii) *twelfth*, in or towards payment, *pari passu* and on an adjusted *pro rata* basis (with reference to the respective amounts thereof), of (i) the Principal Amount Outstanding of the Class Z Notes until the Principal Amount Outstanding of the Class Z Notes is equal to EUR 5000 and on the Final Redemption Date until redemption in full of the Class Z Notes and (ii) the Servicer Junior Fee to the Servicer; and
- (xiii) *thirteenth*, in or towards payment, *pari passu* and on a *pro rata* basis, of the Class Z Return Amount.

For purposes of calculating the adjusted *pro rata* between the Servicer Junior Fee and the Principal Amount Outstanding of the Class Z Notes under item (xii) of the Pre-Enforcement Payment Priorities above, the proportionate allocation shall be made by considering the calculation of Principal Amount Outstanding of the Class Z Notes as equal to: (a) the sum of the Target Price as at the Issue Date, less (b) the Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class J Notes as at the Issue Date and less (d) the sum of all principal payments paid to the Class Z Notes prior to the relevant Interest Payment Date.

Provided, however, that should the Cash Manager not receive the Servicer Report within 12 (twelve) Business Days after the end of the relevant Collection Period:

- (a) it shall prepare the Investor Report in respect of the immediately following Interest Payment Date by calculating the Available Distribution Amount in an amount not higher than the amounts standing to the credit of the Cash Reserve Account on the immediately preceding Interest Payment Date (after application of the Pre-Enforcement Payment Priorities on such Interest Payment Date), towards payment only of items from (i) to (iv) (but excluding from the Issuer Expenses the Servicer Senior Fees due to the Servicer under item (iii) of the Pre-Enforcement Payment Priorities); and

- (b) any amount that would otherwise have been payable under items from (v) to (xii) of the Pre-Enforcement Payment Priorities will not be included in the relevant Investor Report and shall not be payable on the relevant Interest Payment Date and shall be payable (together with the relevant Servicer Fee) in accordance with the applicable Payment Priorities on the first following Interest Payment Date on which there are enough Available Distribution Amount and on which details for the relevant calculations will be timely provided to the Cash Manager.

9.4 **Post-Enforcement Payment Priorities**

(i) Following the delivery of an Enforcement Notice, (ii) on a redemption in whole of the Notes for taxation reasons pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation Reasons*), (iii) on a redemption in whole of the Notes due to a change in relation to the Retained Interest pursuant to Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*), (iv) on an optional redemption pursuant to Condition 10.4 (*Class Z Noteholder Call Option*), (v) on an optional redemption pursuant to Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean up call)*) or (vi) on redemption at their Final Maturity Date pursuant to Condition 10.6 (*Final Maturity Date*), all amounts received or recovered by the Issuer and/or the Trustee will be applied by the Trustee or the Cash Manager or (if applicable) the Principal Paying Agent (in both cases on behalf of the Trustee) in making the following payments in the following order of priority (the "**Post-Enforcement Payment Priorities**") but in each case only to the extent that all payments of a higher priority have been made in full:

- (i) *first*, (other than following the delivery of an Enforcement Notice) in or towards payment of the Issuer's liability to Tax, in relation to the transaction, if any;
- (ii) *second*, in or towards payment of the Trustee's Fees and Liabilities in relation to this Transaction;
- (iii) *third*, in or towards payment of the Issuer Expenses, to the extent not yet paid under items (i) and (ii) above;
- (iv) *fourth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class A Notes, but so that interest past due will be paid before current interest;
- (v) *fifth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class A Notes until the Class A Notes have been redeemed in full;
- (vi) *sixth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class B Notes, but so that interest past due will be paid before current interest;
- (vii) *seventh*, in or towards payment *pari passu* on a *pro rata* basis (with reference to the respective amounts thereof), of (a) the Principal Amount Outstanding of the Class B Notes until the Class B Notes have been redeemed in full, (b) the Servicer Mezzanine Fee to the Servicer; and (c) any amounts due and payable by the Issuer pursuant to the Subscription Agreement to the Arranger (including any amounts due and payable as indemnity);
- (viii) *eighth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class J Notes, but so that interest past due will be paid before current interest;
- (ix) *ninth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class J Notes until the Class J Notes have been redeemed in full;
- (x) *tenth*, in or towards payment *pari passu* on an adjusted *pro rata* basis (with reference to the respective amounts thereof), of (i) the Principal Amount Outstanding of the Class Z Notes until the Principal Amount Outstanding of the Class Z Notes is equal to euro 10,000 or, on the Final Redemption Date, until redemption in full of the Class Z Notes and (ii) the Servicer Junior Fee to the Servicer; and

- (xi) *eleventh*, in or towards payment, *pari passu* and on a *pro rata* basis, of the Class Z Return Amount.

For purposes of calculating the adjusted *pro rata* between the Servicer Junior Fee and the Principal Amount Outstanding of the Class Z Notes under item (x) of the Post-Enforcement Payment Priorities above, the proportionate allocation shall be made by considering the calculation of Principal Amount Outstanding of the Class Z Notes as equal to: (a) the sum of the Target Price as at the Issue Date, less (b) the Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class J Notes as at the Issue Date and less (d) the sum of all principal payments paid to the Class Z Notes prior to the relevant payment date.

9.5 **Cap Collateral Account Payment Priorities**

Amounts standing to the credit of the Cap Collateral Account will not be available for the Issuer to make payments to the Noteholders and the other Secured Creditors generally, but shall be applied only in accordance with the following provisions:

- (a) prior to the occurrence or designation of an Early Termination Date in respect of the Cap Transaction, solely in or towards payment or transfer of:
 - (i) any Return Amounts (as defined in the Credit Support Annex);
 - (ii) any Interest Amounts and Distributions (each as defined in the Credit Support Annex);
 - (iii) any return of collateral to the Cap Counterparty upon a novation of the Cap Counterparty's obligations under the Cap Transaction to a replacement cap counterparty, on any day (whether or not such day is an Interest Payment Date), directly to the Cap Counterparty in accordance with the terms of the Credit Support Annex;
- (b) upon or immediately following the occurrence or designation of an Early Termination Date (as defined in the Cap Agreement) in respect of the Cap Transaction where (A) such Early Termination Date (as defined in the Cap Agreement) has been designated following an Event of Default (as defined in the Cap Agreement) in respect of which the Cap Counterparty is the Defaulting Party (as defined in the Cap Agreement) or an Additional Termination Event (as defined in the Cap Agreement) resulting from a Cap Counterparty Rating Event and in respect of which the Cap Counterparty is the Affected Party (as defined in the Cap Agreement) and (B) the Issuer enters into a replacement Cap Transaction in respect of such Cap Transaction on or around the Early Termination Date of such Cap Transaction, on the later of the day on which such replacement Cap Transaction is entered into and the day on which the Replacement Cap Premium (if any) payable to the Issuer has been received (in each case, whether or not such day is an Interest Payment Date), in the following order of priority:
 - (i) *first*, in or towards payment of any Replacement Cap Premium (if any) payable by the Issuer to a replacement cap counterparty in order to enter into a replacement Cap Transaction with the Issuer with respect to the Cap Transaction being novated or terminated;
 - (ii) *second*, in or towards payment of any termination payment due to the outgoing Cap Counterparty pursuant to the Cap Transaction; and
 - (iii) *third*, the surplus (if any) (a "**Cap Collateral Account Surplus**") on such day to be transferred to the Issuer Payment Account for an amount equal to the relevant Cap Collateral Account Surplus and deemed to form part of the Available Distribution Amount;
- (c) following the occurrence or designation of an Early Termination Date in respect of the Cap Transaction where (A) such Early Termination Date has been designated following an Event of Default (as defined in the Cap Agreement) in respect of which the Cap Counterparty is the Defaulting Party (as defined in the Cap Agreement) or an Additional

Termination Event (as defined in the Cap Agreement) resulting from a Cap Counterparty Rating Event and in respect of which the Cap Counterparty is the Affected Party (as defined in the Cap Agreement) and (B) the Issuer is unable to or elects not to enter into a replacement Cap Transaction on or around the Early Termination Date of such Cap Transaction, on any day (whether or not such day is an Interest Payment Date) in or towards payment of any termination payment due to the Cap Counterparty pursuant to the Cap Transaction;

- (d) following the occurrence or designation of an Early Termination Date in respect of the Cap Transaction where such Early Termination Date has been designated otherwise than as a result of one of the events specified at items (b) and (c) above, on any day (whether or not such day is an Interest Payment Date) in or towards payment of any termination payment due to the outgoing Cap Counterparty pursuant to the Cap Transaction; and
- (e) following payment of any amounts due pursuant to (c) and (d) above, if amounts remain standing to the credit of the Cap Collateral Account, such amounts may be applied on any day (whether or not such day is an Interest Payment Date) only in accordance with the following provisions:
 - (i) *first*, in or towards payment of any Replacement Cap Premium (if any) payable by the Issuer to a replacement cap counterparty in order to enter into a replacement Cap Transaction with the Issuer with respect to the Cap Transaction being terminated; and
 - (ii) *second*, the surplus (if any) (a "**Cap Collateral Account Surplus**") remaining after payment of such Replacement Cap Premium to be transferred to the Issuer Payment Account and deemed to form part of the Available Distribution Amount,

provided that if the Issuer has not entered into a replacement cap agreement with respect to the Cap Agreement on or prior to the earlier of:

- (A) the day that is 10 (ten) Business Days prior to the date on which the Principal Amount Outstanding of all Classes of Notes is reduced to zero (other than following the occurrence of an Event of Default to Condition 13 (*Events of Default and Enforcement*)); or
- (B) the day on which an Enforcement Notice is given pursuant to Condition 13 (*Events of Default and Enforcement*),

then the Collateral Amount on such day shall be transferred to the Issuer Payment Account for an amount equal to the relevant Cap Collateral Account Surplus and deemed to form part of the Available Distribution Amount. In accordance with this Condition 9.5 (*Cap Collateral Account Payment Priorities*) may not be amended without the Cap Counterparty's express consent.

9.6 **Available Distribution Amount:** For the purposes of this Condition, "**Available Distribution Amount**" means, in respect of each Interest Payment Date, the amount calculated by the Cash Manager as of the Calculation Date immediately preceding such Interest Payment Date, which is equal to:

- (a) all amounts credited or transferred, in respect of the Receivables Portfolio and the Property Portfolio and in respect of the Collection Period immediately preceding such Interest Payment Date, into the Issuer Payment Account;
- (b) all amounts due and payable to the Issuer in respect of such Interest Payment Date under the terms of the Cap Transaction (if and to the extent paid) other than (1) any Collateral Amounts, any termination payment required to be made under the Cap Transaction, any collateral payable or transferable (as the case may be) under the Cap Transaction and any Replacement Cap Premium paid to the Issuer (which will not be available to the Issuer to make payments to its creditors generally, but may only be applied in accordance with the Cap Collateral Account Payment Priorities) and (2) any Cap Tax Credit Amounts (which amounts shall be paid when due in accordance with the Cap Transaction, without regard

to the Cap Collateral Account Payment Priorities or any Payment Priorities). For the sake of clarity, no funds standing to the credit of the Cap Collateral Account will be part of the Available Distribution Amount;

- (c) all other amounts credited or transferred during the Collection Period immediately preceding such Interest Payment Date into the Issuer Payment Account;
- (d) all interest accrued in each of the Transaction Accounts and credited to such Transaction Accounts (except for the Cap Collateral Account) during the Collection Period immediately preceding such Interest Payment Date;
- (e) if any, all amounts received by the Issuer from the Transferor pursuant to the Reallocation Agreement during the Collection Period immediately preceding such Interest Payment Date (including any amount received by the Issuer from the Transferor as indemnity in case of breach by the Transferor of any of the Asset Representations and Warranties);
- (f) all amounts standing to the credit of the Cash Reserve Account;
- (g) on the earlier of (1) the Final Maturity Date and (2) such other prior date on which the Notes are all to be redeemed in full, all the amounts standing to the credit of each Collections Account and each Expenses Account;
- (h) any amounts (other than the amounts already allocated under other items of the Available Distribution Amount) paid into the Issuer Payment Account during the Collection Period immediately preceding such Interest Payment Date other than the Available Distribution Amount utilised on the immediately preceding Interest Payment Date,

but excluding, for the avoidance of doubt, any amount of negative interest debited to the Transaction Accounts by the Accounts Bank or the Cap Collateral Account Bank (if applicable).

9.7 **Notifications to be final:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 8 (*Notes Interest Amount*) and this Condition 9 by the Cash Manager shall (in the absence of any negligence, bad faith, wilful default, fraud or manifest error) be binding on the Issuer and the Noteholders and the other Secured Creditors and no liability towards the Noteholders shall attach to the Cash Manager in connection with the exercise or non-exercise by it of its powers, duties and discretions under Condition 8 (*Notes Interest Amount*) and this Condition 9, when in accordance with the Transaction Documents.

9.8 **Interpretation:** In these Conditions, "**Business Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System ("**TARGET2**") is open for settlement of payments in Euro (a "**TARGET2 Day**") and a day on which banks are open for business in London, Dublin, Madrid and Luxembourg, and if the relevant day is not a such Business Day, the immediately preceding TARGET2 Day on which banks are open for business in London, Dublin, Madrid and Luxembourg.

10. Final Redemption, Mandatory Redemption in Part and Optional Redemption

10.1 **Mandatory Redemption in part of the Notes:** On each Interest Payment Date, subject to the relevant Payment Priorities, the Issuer will cause any Available Distribution Amount to be applied in or towards payment of the Principal Amount Outstanding of the Notes in each case in an amount rounded downward to the nearest 0.01 euro and as determined on the related Calculation Date.

10.2 **Optional Redemption in Whole for Taxation Reasons:** The Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date:

- (a) after the date on which, by virtue of a change in Tax law of the Issuer Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would be required to make a Tax Deduction from any payment in respect of the Notes (other than by reason of the relevant Noteholder having some connection with the Kingdom of Spain, other than the holding of the Notes); or

- (b) after the date on which, by virtue of a change in the Tax law of the Issuer Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would not be entitled to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or the Issuer would be treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive under the Transaction Documents; or
- (c) after the date of a change in the Tax law of the Issuer Jurisdiction (or the application or official interpretation of such Tax law) which would cause the total amount payable in respect of any of the Notes to cease to be receivable by the Noteholders including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to any Receivables or the Issuer being obliged to make a Tax Deduction in respect of any payment in relation to any Note,

subject to the following:

- (i) that the Issuer has given not more than 60 (sixty) nor less than 30 (thirty) days' notice to the Noteholders and the Trustee (and copying the Cap Counterparty), in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes; and
- (ii) that the Issuer has provided to the Trustee:
 - (A) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in the Issuer Jurisdiction (approved in writing by the Trustee), opining on the relevant change in Tax law; and
 - (B) a certificate signed by two directors of the Issuer to the effect that the obligation to make a Tax Deduction cannot be avoided; and
 - (C) a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the relevant Payment Priorities,

provided that if on such Interest Payment Date, the funds available to the Issuer are not sufficient to redeem the Class Z Notes at their Principal Amount Outstanding, the Class Z Notes shall be deemed to be redeemed in full and all the claims of the relevant Noteholder for any shortfall in the Principal Amount Outstanding of such Class Z Notes shall be extinguished.

Redemption in whole of the Notes by the Issuer referred to in any of the items above may only occur provided that the Issuer fully complies with the Bid Process and is overseen by the Monitoring Agent and approved by the Servicing Committee, unless the Class J Noteholders exercise the Class Z Noteholder Call Option, as described below, to redeem the Notes on the relevant Interest Payment Date.

- 10.3 ***Optional Redemption in Whole due to a change in relation to the Retained Interest:*** The Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date after the date on which, by virtue of a change in, or the adoption of, any new law, rule, direction, guidance or regulation which requires the manner in which the Retained Interest is held by the Retention Holder to be restructured after the Issue Date or which would otherwise result in the manner in which the Retained Interest is held by the Retention Holder to become non-compliant in relation to a Noteholder, subject to the following:

- (a) that the Issuer has given not more than 60 (sixty) nor less than 30 (thirty) days' notice to the Noteholders and the Trustee (and copying the Cap Counterparty), in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes; and
- (b) that the Issuer has provided to the Trustee:

- (i) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in the Issuer Jurisdiction (approved in writing by the Trustee), opining on the relevant change in law; and
- (ii) a certificate (which the Trustee may rely on absolutely without further enquiry and without liability) signed by two directors of the Issuer to the effect that (A) the obligation to restructure the Retained Interest cannot be avoided; and (B) it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the relevant Payment Priorities,

provided that if on such Interest Payment Date the funds available to the Issuer are not sufficient to redeem the Class Z Notes at their Principal Amount Outstanding, the Class Z Notes shall be deemed to be redeemed in full and all the claims of the relevant Noteholder for any shortfall in the Principal Amount Outstanding of such Class Z Notes shall be extinguished.

10.4 **Class Z Noteholder Call Option:** The Issuer shall redeem all (but not some only) of the Notes in each Class at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date, **provided that** the following conditions are met on or prior to the relevant Interest Payment Date (the "**Call Option Conditions**"):

- (a) the Class A Notes (together with all interest accrued thereon) have been redeemed in full prior to the exercise of the Class Z Noteholder Call Option;
- (b) the Issuer has received from the majority of the Class Z Noteholders a written resolution confirming that the Class Z Noteholders are exercising their option (the "**Class Z Noteholder Call Option**") to decide to have all (but not some only) of the Class B Notes, the Class J Notes and the Class Z Notes redeemed at their Principal Amount Outstanding; and
- (c) the Issuer will have the necessary available funds in the Available Distribution Amount to discharge all its outstanding liabilities in respect of the Class B Notes and the Class J Notes and all other amounts required, under the Post-Enforcement Payment Priorities, to be paid in priority to or *pari passu* with the Class J Notes on the relevant Interest Payment Date; and
- (d) the Class Z Noteholders exercising the Class Z Noteholder Call Option have established to the satisfaction of the Issuer that they hold the relevant Class Z Notes on the date on which the Class Z Noteholder Call Option is exercised and that they will be the holders of such Class Z Notes on the Interest Payment Date on which the Class Z Noteholder Call Option is to be settled; and
- (e) the exercise of the Class Z Noteholder Call Option by the Class Z Noteholders is valid to discharge all of the Issuer's obligations under or in connection with the Notes towards the holders of the Class B Notes, the Class J Notes and the Secured Creditors (other than the Class Z Noteholders); and
- (f) the disposal of the Portfolio for the purposes of the exercise of the Class Z Noteholder Call Option complies with the Bid Process and is monitored by the Monitoring Agent (save where in connection with the exercise of the Class Z Noteholder Call Option, the Class Z Noteholders have committed to provide the Issuer with sufficient funds in order for the Issuer to discharge all of its outstanding liabilities in respect of the Class B Notes and the Class J Notes and all other amounts required under the Post-Enforcement Payment Priorities to be paid in priority to or *pari passu* with the Class J Notes on the relevant Interest Payment Date); and
- (g) the exercise of the Class Z Noteholder Call Option satisfies all applicable legal requirements,

and, subject to the receipt by the Trustee of a certificate (which the Trustee may rely on absolutely without further enquiry and without liability) signed by two directors of the Issuer to the effect that

all Call Option Conditions have been or will be duly met up to the relevant Interest Payment Date, the Issuer shall give not more than 60 nor less than 30 days' notice to the Trustee, the Cash Manager, the Principal Paying Agent, the Noteholders, the Cap Counterparty and the Rating Agencies of the exercise of the Class Z Noteholder Call Option.

It is expressly stated and agreed that the exercise of the Class Z Noteholder Call Option by the Class Z Noteholders shall be conditional upon there being sufficient funds to redeem the Class B Notes and the Class J Notes (unless, in the case of the Class J Notes, the Class J Noteholders otherwise agree) at their Principal Amount Outstanding together with accrued interest and all other amounts required under the Post-Enforcement Payment Priorities to be paid in priority to or *pari passu* with the Class J Notes, and the Issuer shall have no obligation whatsoever to actually redeem the Class B Notes and the Class J Notes in the event that there are no such sufficient funds, and the Issuer shall not be obliged to use any efforts to procure that such sufficient funds are made available to it. If the Call Option Conditions are not met (including, without limitation, if there are insufficient funds available to redeem the Class B Notes and the Class J Notes at their Principal Amount Outstanding together with accrued interest and all other amounts required under the Post-Enforcement Payment Priorities to be paid in priority to or *pari passu* with the Class J Notes on the relevant Interest Payment Date), the exercise of the Class Z Noteholder Call Option will become ineffective, which shall not affect the Class Z Noteholders' right to exercise the Class Z Noteholder Call Option at a later date in accordance with the terms of this Condition.

The Class B Noteholders and the Class Z Noteholders acknowledge, agree and confirm that, subject to the satisfaction of the Call Option Conditions, upon the settlement of the Junior Noteholder Call Option, the Issuer will:

- (i) redeem all (but not some only) of the Class B Notes;
- (ii) to the extent that it has sufficient funds available in the Available Distribution Amount (or if lower, the Class J Noteholders have so agreed) redeem the Class J Notes; and
- (iii) to the extent it has sufficient funds available in the Available Distribution Amount, redeem the Class Z Notes,

and that, thereafter, any outstanding Class J Notes and Class Z Notes will be cancelled.

It has been further expressly stated and agreed that, to the extent applicable and subject to all operational requirements being fulfilled, any amount due by the Issuer to a Class Z Noteholder under this Condition 10.4 (*Class Z Noteholder Call Option*) may be set-off against any amount due and payable by that Class Z Noteholder to the Issuer under any Transaction Document.

10.5 ***Redemption in Whole at the Option of the Issuer (10% clean-up call)***: The Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date when, on the Collateral Determination Date immediately preceding such Interest Payment Date:

- (i) the aggregate Principal Amount Outstanding of the Notes at such Collateral Determination Date is equal to or less than ten per cent. of all of the aggregate Principal Amount Outstanding of the Notes as at the Issue Date.

The redemption of the Notes under this Condition is subject to the following:

- (a) that the Issuer has given not more than 60 (sixty) nor less than 30 (thirty) days' notice to the Noteholders and the Trustee (and copying the Cap Counterparty), in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes; and
- (b) that the Issuer has provided to the Trustee a certificate (which the Trustee may rely on absolutely without further enquiry and without liability) signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the relevant Payment Priorities,

provided that if on such Interest Payment Date the funds available to the Issuer are not sufficient to redeem the Class Z Notes at their Principal Amount Outstanding, the Class Z Notes shall be deemed to be redeemed in full and all the claims of the relevant Noteholder for any shortfall in the Principal Amount Outstanding of such Class Z Notes shall be extinguished.

- 10.6 ***Final Maturity Date:*** Unless previously redeemed and cancelled, the Notes will be redeemed at their Principal Amount Outstanding, together with accrued interest (if any), on the Interest Payment Date falling on 31 October 2039 (the "**Final Maturity Date**").

The actual final redemption date of the Notes may be earlier, and could be substantially earlier, than their Final Maturity Date. If the Notes will be redeemed on the Final Maturity Date pursuant to these Conditions, any payments in respect of the Principal Amount Outstanding as of the relevant Final Maturity Date, and of interest in respect of the Notes shall be made in accordance with the Post-Enforcement Payment Priorities set out in Condition 9.4 (*Post-Enforcement Payment Priorities*) above.

- 10.7 ***No other redemption:*** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in this Condition 10 (*Final Redemption, Mandatory Redemption in Part and Optional Redemption*).

- 10.8 ***Sale of the Receivables Portfolio and the Property Portfolio:*** In the following circumstances:

- (a) in the case of a redemption pursuant to Condition 10.2 (*Optional Redemption in Whole for Taxation*); or
- (b) in the case of a redemption pursuant to Condition 10.3 (*Optional Redemption in Whole due to a change in relation to the Retained Interest*); or
- (c) in the case of a redemption pursuant to Condition 10.4 (*Class Z Noteholder Call Option*) (save where in connection with the exercise of the Class Z Noteholder Call Option, the Class Z Noteholders have committed to provide the Issuer with sufficient funds in order for the Issuer to discharge all of its outstanding liabilities in respect of the Class B Notes and the Class J Notes and all other amounts required under the Post-Enforcement Payment Priorities to be paid in priority to or *pari passu* with the Class J Notes on the relevant Interest Payment Date); or
- (d) in the case of a redemption pursuant to Condition 10.5 (*Redemption in Whole at the Option of the Issuer (10% clean-up call)*); or
- (e) in the case of a redemption pursuant to Condition 10.6 (*Final Maturity Date*); or
- (f) if, after an Enforcement Notice has been served on the Issuer (with a copy to the Cap Counterparty, the Rating Agencies and the Servicer) pursuant to Condition 13 (*Events of Default and Enforcement*), an Extraordinary Resolution of the holders of the Most Senior Class of Notes resolve to request the Issuer to sell all (or part only) of the Receivables Portfolio and the Property Portfolio to one or more third parties,

the Issuer will be authorised to (and shall in the case of (f)) search for potential purchasers of all (or part only) of the Receivables Portfolio and the Property Portfolio (including by way of a share sale of the Propcos), in order to enable the relevant Notes to be redeemed, subject to the following paragraph.

Following the Class A Notes having been redeemed in full, or in any of the circumstances (a) to (e) above apply, the Issuer will organise a Bid Process. The Bid Process procedure shall be carried out in compliance with the best practices of the industry and in line with transparency standards, in order to maximize the purchase price of the Receivables Portfolio and the Property Portfolio and the Issuer will be able to sell the Receivables Portfolio and the Property Portfolio (including by way of a share sale of the Propcos) to the selected party only if the proceedings deriving from the

sale of the Receivables Portfolio and the Property Portfolio are sufficient to allow the Issuer, on the following Interest Payment Date:

- (a) to redeem the Class B Notes and, to the extent that the Class A Notes have not yet been redeemed in full, the Class A Notes in whole (but not in part) at their Principal Amount Outstanding (together with any interest accrued and unpaid thereon until the date on which such redemption occurs); and
- (b) to pay any amounts required under the Post-Enforcement Payment Priorities to be paid in priority to or *pari passu* with such amounts payable on the Class B Notes.

The Issuer will apply any amounts in excess of the amounts required under (a) and (b) above in accordance with the Post-Enforcement Payments Priorities and, thereafter, any outstanding Class J Notes and Class Z Notes will be cancelled.

10.9 **Cancellation:** The Notes so redeemed shall be cancelled and may not be reissued or resold.

10.10 **No Purchase:** The Issuer may not at any time purchase any of the Notes.

11. Payments

11.1 **Payments in euro:** Payments of principal and interest in respect of the Notes may only be made in euro.

11.2 **Payments of principal and interest:** Payments of principal and interest shall be made by transfer to an account in euro, maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Notes at the Specified Office of any Paying Agent in accordance with the terms of the Agency Agreement.

11.3 **Record Date:** Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Note shall be the only person entitled to receive payments in respect of Notes represented by such Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

11.4 **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 12 (*Taxation*), no commissions or expenses shall be charged to the holder of the Notes in respect of such payments.

11.5 **Partial Payments:** If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note.

11.6 **Payments on Business Days:** If the due date for payment of any amount in respect of the Notes is not a business day in the place of presentation the holder shall not be entitled to payment of the amount due until next succeeding business day in the place of presentation on which banks are open for business in such place of presentation and shall not be entitled to any further interest or other payment in respect of any such delay.

12. Taxation

12.1 **Payments free of Tax:** All payments of principal and interest (and the Class Z Return Amount) in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes imposed, levied, collected, withheld or assessed by the Issuer Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall

make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted. Notwithstanding any other provision in these Conditions, the Issuer, the Trustee and the Paying Agent shall be permitted to withhold or deduct any amounts required pursuant to a FATCA withholding.

- 12.2 **No payment of additional amounts:** None of the Issuer, the Trustee or the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction. None of the Issuer, the Trustee or the Paying Agent shall have any obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, the Trustee, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.
- 12.3 **Tax Jurisdiction:** If the Issuer becomes subject at any time to any taxing jurisdiction other than the Grand Duchy of Luxembourg, references in these Conditions to the Grand Duchy of Luxembourg or to Luxembourg shall be construed as references to such other taxing jurisdiction.
- 12.4 **Tax Deduction not Event of Default:** Notwithstanding that the Issuer or the Principal Paying Agent is required to make a Tax Deduction in accordance with Condition 12.1 (*Payments free of Tax*) it shall not constitute an Event of Default.
13. **Events of Default and Enforcement**
 - 13.1 **Events of Default:** Each of the following events shall be treated as an event of default under the Notes ("**Event of Default**"):
 - (a) **Non-payment:** (1) the Issuer defaults in the payment of the Principal Amount Outstanding of the Notes on the Final Maturity Date (provided that a 3 (three) Business Days' grace period shall apply); or (2) on any Interest Payment Date (provided that a 3 (three) Business Days' grace period shall apply), the amount paid by the Issuer as interest on the Class A Notes is lower than the relevant Interest Amount; or (3) on the relevant Final Maturity Date (provided that a 3 (three) Business Days' grace period shall apply) the amount paid by the Issuer as interest on the Notes, is lower than the relevant Interest Amount on such Class of Notes;
 - (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or any of the Transaction Documents to which it is a party and (except where, in the sole opinion of the Trustee, such default is incapable of remedy, in which case no notice requiring remedy will be required) such default remains unremedied for thirty days (or such longer period as the Trustee may agree) after the Trustee has given written notice thereof to the Issuer, certifying that such default is, in the sole opinion of the Trustee, materially prejudicial to the interests of the Most Senior Class of Noteholders and requiring the same to be remedied; or
 - (c) **Insolvency:** an Insolvency Event occurs with respect to the Issuer; or
 - (d) **Authorisations and consents:** any action or condition (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Transaction Documents, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of England is not taken, fulfilled or done; or
 - (e) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any of the Transaction Documents it is a party to.

- 13.2 **Delivery of Enforcement Notice:** If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:
- (a) if so requested in writing by the holders of at least 25% (twenty-five per cent.) of the Principal Amount Outstanding of the Most Senior Class of Notes outstanding; or
 - (b) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding,
- deliver a notice (an "**Enforcement Notice**") to the Issuer (and copying the Cap Counterparty, the Servicer, the Cash Manager and the Rating Agencies).
- 13.3 **Conditions for delivery of Enforcement Notice:** Notwithstanding Condition 13.2 (*Delivery of Enforcement Notice*) above, the Trustee shall not be obliged to deliver an Enforcement Notice unless:
- (a) in case of Condition 13.1(b) (*Breach of other obligations*), the Trustee, shall have certified in writing that the occurrence of such event is in its opinion materially prejudicial to the interests of the Noteholders; and
 - (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby become liable or to which it may incur by so doing.
- 13.4 **Consequences of delivery of Enforcement Notice:** Upon the delivery of an Enforcement Notice, the Notes of each Class shall become immediately due and payable without further action or formality at their Principal Amount Outstanding together with any accrued interest and deferred interest, in accordance with Condition 9.4 (*Post-Enforcement Payment Priorities*).
- 13.5 **Powers of attorney:** following the delivery of an Enforcement Notice, each of the Noteholders shall deliver to the Trustee a notarised power of attorney appointing the Trustee to take any enforcement action in accordance with the terms of the Transaction Documents on behalf of such Noteholder.
- 13.6 **Proceedings:** After the occurrence of an Event of Default, the Trustee may, at its discretion and without further notice, institute such steps, actions or proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each Class (including these Conditions), the Security Documents or under the other Transaction Documents or to enforce the Security, but it shall not be bound to do so unless:
- (a) so requested in writing by the holders of at least 25% (twenty-five per cent.) of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; or
 - (b) so directed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding,
- and in any such case, only if it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby become liable or which it may incur by so doing in accordance with the terms of the Trust Deed.
14. **Prescription**
- 14.1 **Principal:** Claims for principal in respect of the Notes shall become void unless the relevant payment is claimed within 20 (twenty) years after the appropriate Relevant Date.
- 14.2 **Interest:** Claims for interest in respect of the Notes shall become void unless the relevant payment is claimed within 5 (five) years after the appropriate Relevant Date.

"**Relevant Date**" for the purposes of this Condition 14 (*Prescription*) means, in respect of any Notes, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date 7 (seven) days after the date on which notice is duly given to the Noteholders and the Trustee in accordance with Condition 21 (*Notices*) that, upon

further presentation of the Notes being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

15. **Trustee and Agents**

15.1 **Trustee's right to Indemnity:** Under the Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

15.2 **Trustee not responsible for loss or for monitoring:** The Trustee is not responsible for any loss, expense or Liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee (as applicable). The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

15.3 **Agents and Cash Manager solely agents of Issuer:** In acting under the Agency Agreement and the Cash Management Agreement and in connection with the Notes, the Agents and the Cash Manager act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

15.4 **Trustee Discretions:** In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class (and will not be responsible for any consequence for individual holders of the Notes of any such Class of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction) **provided that:**

- (a) so long as any of the Class A Notes are outstanding, if there is a conflict of interest between the interests of the holders of the Class A Notes and the interests of the holders of the Class B Notes and/or the Class J Notes and/or the Class Z Notes, the Trustee shall only have regard to the interests of the holders of the Class A Notes;
- (b) after the Class A Notes have been redeemed in full, if there is a conflict of interest between the interests of the holders of the Class B Notes and the interests of the holders of the Class J Notes and/or the Class Z Notes, the Trustee shall only have regard to the interests of the holders of the Class B Notes;
- (c) after the Class A Notes and the Class B Notes have been redeemed in full, if there is a conflict of interest between the interests of the holders of the Class J Notes and the interests of the holders of the Class Z Notes, the Trustee shall only have regard to the interests of the holders of the Class J Notes;

provided further that, while any Notes of a Class ranking senior to any other Class of Notes are then outstanding, the Trustee shall not and shall not be bound to, act at the request or direction of the Noteholders of any other Class of Notes unless:

- (d) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of all the Classes of Notes ranking senior to such other Class; or
- (e) (if the Trustee is not of that opinion) such action of each Class is sanctioned by a Resolution of the Noteholders of the Class or Classes of the Notes ranking senior to such other Class,

and in any such case, only if it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may whereby become liable or which it may incur by so doing in accordance with the terms of the Trust Deed.

16. **Substitution of Issuer**

- 16.1 **Substitution of Issuer:** The Trustee may, without the consent of the Noteholders or any other Secured Creditor, subject to such further conditions as are specified in the Trust Deed, concur with the Issuer to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Transaction Documents, the Notes, and the Secured Amounts.
- 16.2 **Notice of Substitution of Issuer:** Not later than fourteen days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents.
- 16.3 **Change of Law:** In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or the other Secured Creditors to a change of the law governing the Notes and/or any of the Transaction Documents **provided that** such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class, **provided that** the Rating Agencies are notified by the Issuer. For the avoidance of doubt, a Transaction Document cannot be amended without the agreement of all the parties thereto.

17. **Servicing Committee**

The Noteholders of each Class and the Trustee hereby agree and acknowledge that in respect of any matter that falls within the scope of the powers of the Servicing Committee as described in the relevant Transaction Documents and the Servicing Committee duly passes any resolution in respect of such matter in accordance with the Servicing Committee Rules, the Noteholders of each Class, the Trustee and the other Transaction Parties, subject to the terms and conditions of the Transaction Documents, shall be bound by such resolution of the Servicing Committee.

18. **Meetings of Noteholders**

- 18.1 **Meetings:** The Trust Deed contains "*Provisions for Meetings of Noteholders*" for convening separate or combined meetings of Noteholders of any Class to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed, which modification may be made if sanctioned by an Extraordinary Resolution.
- 18.2 **Separate and combined meetings:** The Trust Deed provides that:
- (a) a Resolution which in the opinion of the Trustee affects the interests of the Noteholders of only one Class of Notes shall be transacted at a separate meeting of the Noteholders of that Class;
 - (b) a Resolution which in the opinion of the Trustee affects the interests of the Noteholders of more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the holders of one Class of Notes and the holders of another Class of Notes shall be transacted either at separate meetings of the Noteholders of each such Class or at a single meeting of the Noteholders of all such Classes of Notes, as the Trustee shall determine in its absolute discretion; and
 - (c) a Resolution which in the opinion of the Trustee affects the Noteholders of more than one Class of Notes and gives rise to any actual or potential conflict of interest between the Noteholders of one Class of Notes and the Noteholders of any other Class of Notes shall be transacted at separate meetings of the Noteholders of each such Class.
- 18.3 **Request of Noteholders:** A meeting of Noteholders of a particular Class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders of a particular Class holding not less than 10 per cent. in aggregate of the Principal Amount Outstanding of the outstanding Notes of that Class. However, so long as no Event of Default has occurred and is continuing, the Noteholders are not entitled to instruct or direct the Issuer to take any action, either directly or indirectly through the Trustee, without consent of the

Issuer and, if applicable, certain other Transaction Parties pursuant to any relevant Transaction Documents, unless the Issuer has an obligation to take such action under the relevant Transaction Documents.

18.4 **Quorum:** The quorum at any meeting convened to vote on:

- (a) an Ordinary Resolution, relating to a meeting of a particular Class or Classes of the Notes will be one or more persons present and holding or representing in aggregate not less than 25 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or, at any adjourned meeting, one or more persons present and holding or representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding;
- (b) an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular Class or Classes of the Notes will be one or more persons holding or representing, in aggregate, more than 50 per cent. of the Principal Amount Outstanding of the outstanding Notes in that Class or those Classes or, at any adjourned meeting, one or more persons holding or representing, in aggregate, not less than 25 per cent. of the Principal Amount Outstanding of the outstanding Notes so held or represented in such Class or those Classes; and
- (c) an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each Class of Noteholders) will be one or more persons holding or representing not less than 75 per cent. in aggregate of the Principal Amount Outstanding of the outstanding Notes in the relevant Class or, at any adjourned meeting, one or more persons holding or representing more than 50 per cent. in aggregate of the Principal Amount Outstanding of the outstanding Notes in the relevant Class.

18.5 **Majorities:** The majorities required to pass a Resolution at any meeting shall be the majority more than 50% (fifty) per cent. of the votes cast at the relevant meeting if in respect of a Resolution not regarding a Reserved Matter or if in respect to a Resolution regarding a Reserved Matter (which must be proposed separately to each Class of Noteholders), more than 50 (fifty per cent.) of the Principal Amount Outstanding of the Notes of the relevant Class then outstanding or, at any adjourned meeting by at least 2/3 (two-thirds) of the votes cast at the relevant meeting.

18.6 **Relationship between Classes:** In relation to each Class of Notes, and except as provided under Condition 18.8 (*Reserved Matters*) and Condition 18.9 (*Retained Matters*):

- (a) no Resolution involving a Reserved Matter that is passed by the holders of one Class of Notes shall be effective unless it is sanctioned by a Resolution of the holders of each of the other Classes of Notes (to the extent that there are outstanding Notes in each such other Classes). A Class of Noteholders may only sanction a Reserved Matter by way of Extraordinary Resolution;
- (b) no Resolution to approve any matter other than a Reserved Matter of any Class of Notes shall be effective unless it is sanctioned by a Resolution of the holders of each of the other Classes of Notes then outstanding ranking senior to such Class to the extent that there are Notes outstanding ranking senior to such Class unless the Trustee considers that none of the holders of each of the other Classes of Notes ranking senior to such Class, would be materially prejudiced by such matter (for the purpose of this Condition 17.6(b), Class A Notes rank senior to the Class B Notes, which rank senior to the Class J Notes, which rank senior to the Class Z Notes);
- (c) except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other Classes of Notes; and
- (d) any Resolution passed at a Meeting of Noteholders of one or more Classes of Notes duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting.

18.7 **Resolutions in writing or by Electronic Consents:** A Written Resolution shall take effect as if it were an Extraordinary Resolution. Any resolution passed by way of Electronic Consents given by holders through the relevant clearing system(s) in accordance with these Conditions and the Trust Deed shall also be binding on the relevant Noteholders.

18.8 **Reserved Matters:** Reserved Matter means any of the following proposals:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest due on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity (excluding, for the avoidance of doubt, any changes made pursuant to Condition 20.2 (*Additional Right of Modification*));
- (b) to the extent legally admissible, to effect the exchange, conversion or substitution of the Notes, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or corporate body formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes will be payable;
- (d) to alter the priority of payment of interest or principal in respect of the Notes;
- (e) to change the quorum required at any Meeting or the majority required to approve an Ordinary Resolution or an Extraordinary Resolution;
- (f) to remove the Trustee and appoint a new Trustee;
- (g) to approve the replacement of the Issuer (or any previous substitute) as principal obligor under the Notes;
- (h) to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of any act or omission which might constitute an Event of Default under the Notes, without prejudice to Condition 20.3 (*Waiver*);
- (i) to sanction any proposal by the Issuer for any alteration, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer or against any of its property or against any other person whether such rights shall arise under these Conditions, the Notes or otherwise, without prejudice to Condition 20.1 (*Modification*) and Condition 20.2 (*Additional Right of Modification*);
- (j) to assent to any modification of the Conditions or any Transaction Document proposed by the Issuer and/or the Trustee or any other party, without prejudice to Condition 20.1 (*Modification*) and Condition 20.2 (*Additional Right of Modification*); and
- (k) to amend this definition of Reserved Matter or the definition of Retained Matter.

For the avoidance of doubt, any Resolutions dealing with any matters related to the servicing of the Receivables shall not be deemed as corresponding to a Resolution on a Reserved Matter for the purposes of this definition, except as specified above.

18.9 **Retained Matters:** Notwithstanding any other provision of this Condition, the holders of the below referenced Classes of Notes (or in the case of (c) by the Servicing Committee in the circumstances set out therein) have the following powers (each a "**Retained Matter**"):

- (a) to resolve on, or to approve any proposal by the Issuer for, the withdrawal of any rating assigned to the Class A Notes, which shall be resolved exclusively by the holders of the Class A Notes;
- (b) to resolve on, or to approve any proposal by the Issuer for, the withdrawal of any rating assigned to the Class B Notes, which shall be resolved exclusively by the holders of the Class B Notes;

- (c) to resolve on, or to approve any proposal by the Issuer for, the termination of the appointment of the Cash Manager or any Agent, and the appointment of any substitute, or to approve any proposal from the Issuer to amend the fees payable to any of the above, which shall be resolved exclusively by the holders of the Class A Notes (and in case the Class A Notes are no longer outstanding, any such matters shall be decided by the Servicing Committee);
- (d) to resolve on, or to approve any proposal by the Issuer, for the termination of the Servicer in respect of a Servicer Termination Event for Underperformance, which shall be resolved exclusively by the holders of the Most Senior Class of Notes then outstanding;
- (e) subject to paragraph 19 of the Servicing Committee Rules, to approve any amendment to, or to resolve any disputes arising out of or in connection with, the Servicing Committee Rules, which shall be resolved exclusively by the holders of the Class B Notes, the holders of the Class J Notes and the holders of the Class Z Notes, in separate meetings (and without the exception provided for in Condition 17.6(c) applying); and
- (f) to resolve on the exercise of the Class Z Noteholder Call Option, which shall be resolved exclusively by the holders of the Class Z Notes (and without the exception provided for in Condition 17.6(c) applying).

19. Consultation rights

19.1 **Issuer to consult with the Servicing Committee:** The Issuer shall be bound to consult the Servicing Committee in respect of all issues arising from or connected with the exercise of the Issuer's rights against the Transferor, including, but not limited to, the decision to initiate a claim process or the appointment of legal and technical advisors.

19.2 **Consultation notice and mechanism:** Immediately upon becoming aware of any action or omission caused by the Transferor which entitles or is likely to entitle the Issuer to claim a breach of the Transferor's obligations under the Transaction Documents to which it is a party to, the Issuer shall notify the Servicing Committee of any such breach prior to exercising any of its rights against the Transferor arising by virtue thereof and the Servicing Committee may, not later than 5 (five) Business Days thereafter, opine on the course of action to be taken by the Issuer in order to perfect its rights against the Transferor.

If, following the delivery of the notice referred to in previous number, no opinion is notified to the Issuer within the period of 10 (ten) Business Days, then the Issuer shall exercise its rights against the Transferor as it deems convenient, acting in the best interest of the Noteholders.

19.3 **Issuer to account for the Servicing Committee's opinion:** In exercising any of the rights to which it is entitled to against the Transferor, the Transaction Parties and any third parties and to, the extent legally permitted, the Issuer shall take into account the opinion of the Servicing Committee and shall act in the best interest of the Noteholders.

20. Modification and Waiver

20.1 **Modification:** The Trustee may (and shall pursuant to (iii)), at any time and from time to time, without the consent or sanction of the Noteholders or any other Secured Creditors concur with the Issuer and any other relevant parties in making:

- (i) any modification to these Conditions, the Notes or any of the Transaction Documents (other than in respect of a Reserved Matter described in Condition 18.8(a)-(g) only, a Retained Matter or any provisions of these Conditions, the Notes or the other Transaction Documents referred to in the definition of a Reserved Matter described in Condition 18.8(a)-(g) only or a Retained Matter) which, in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding; or
- (ii) any modification (other than in respect of a Reserved Matter described in Condition 18.8(a)-(g) only, a Retained Matter or any provisions of these Conditions, the Notes or the other Transaction Documents referred to in the definition of a Reserved Matter

described in Condition 18.8(a)-(g) only or a Retained Matter) if, in the opinion of the Trustee, such modification is of a formal, minor, administrative or technical nature or is made to correct a manifest error,

- (iii) any amendments to the Servicing Agreement or the Monitoring Agent Agreement (other than the Servicing Committee Rules) when instructed by a resolution of the Servicing Committee in accordance with Servicing Committee Rules, subject to being indemnified and/or secured and/or prefunded to its satisfaction and the terms of the Servicing Agreement and the Monitoring Agent Appointment Agreement;

provided that notice thereof has been delivered to the Noteholders and the Rating Agencies in accordance with the Notices Condition only to the extent the Trustee requires such notice to be given. The Issuer shall cause any potential modification under this Condition 19.1 (*Modification*) to be notified in advance to the Rating Agencies.

Notwithstanding anything to the contrary herein and in the Trust Deed, the Issuer shall not agree to amend, modify or supplement any Transaction Document without the prior written consent of the Cap Counterparty if such amendment affects the amount, timing or priority of any payments due from the Issuer to the Cap Counterparty, including but not limited to Condition 9.5 (*Cap Collateral Account Payment Priorities*).

20.2 ***Additional Right of Modification:***

Notwithstanding the provisions of Condition 20.1 (*Modification*) but subject in its entirety to Condition 20.2(f), the Trustee shall be obliged, without any consent or sanction of the Noteholders, or, subject to proviso (iii) below, any other Secured Creditor, to concur with the Issuer in making any modification (other than in respect of a Reserved Matter described in Condition 18.8(a)-(g) only or a Retained Matter) to these Conditions or any other Transaction Document to which it is a party or in relation to which it holds security that the Issuer considers necessary:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, **provided that** the Issuer certifies in writing to the Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria;
- (b) for the purpose of complying (or continuing to comply) with any changes in the requirements of Article 6 of the Securitisation Regulation or Section 15G of the Securities Exchange Act of 1934, as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, after the Issue Date, including as a result of the adoption of regulatory technical standards in relation to the Securitisation Regulation or any other provisions of the Securitisation Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, **provided that** the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (c) for the purpose of enabling the Rated Notes to be (or to remain) listed on Euronext Dublin, **provided that** the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation or regulations or official guidance in relation thereto or in replacement thereof, **provided that** the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (e) for the purpose of changing the benchmark rate from EURIBOR in respect of each Class of Notes other than the Class Z Notes (the "**Applicable Benchmark Rate**") to an alternative benchmark rate (any such rate, an "**Alternative Benchmark Rate**") and making such other amendments to these Conditions or any other Transaction Document

as are necessary or advisable in the reasonable judgment of the Issuer to facilitate the changes envisaged pursuant to this Condition 20.2(e) (for the avoidance of doubt, this may include modifications to when the Rate of Interest applicable to any Class of Notes is calculated and/or notified to Noteholders or other such consequential modifications) (a "**Benchmark Rate Modification**"), **provided that** the Issuer certifies to the Trustee in writing that:

- (i) the Benchmark Rate Modification is being undertaken due to any one or more of the following:
 - (A) a material disruption to the Applicable Benchmark Rate, a material change in the methodology of calculating the Applicable Benchmark Rate or the Applicable Benchmark Rate ceasing to exist or be published, or the administrator of the Applicable Benchmark Rate having used a fallback methodology for calculating the Applicable Benchmark Rate for a period of at least 30 calendar days; or
 - (B) the insolvency or cessation of business of the administrator of the Applicable Benchmark Rate (in circumstances where no successor administrator has been appointed); or
 - (C) a public statement by the administrator of the Applicable Benchmark Rate that it will cease publishing the Applicable Benchmark Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Applicable Benchmark Rate) with effect from a date no later than 6 months after the proposed effective date of such Benchmark Rate Modification; or
 - (D) a public statement by the supervisor of the administrator of the Applicable Benchmark Rate that the Applicable Benchmark Rate has been or will be permanently or indefinitely discontinued or there will be a material change in the methodology of calculating the Applicable Benchmark Rate with effect from a date no later than 6 months after the proposed effective date of such Benchmark Rate Modification; or
 - (E) a public statement by the supervisor of the administrator of the Applicable Benchmark Rate that means the Applicable Benchmark Rate will be prohibited from being used or that its use is subject to restrictions or adverse consequences with effect from a date no later than 6 months after the proposed effective date of such Benchmark Rate Modification; or
 - (F) a change in the generally accepted market practice in the publicly listed asset backed floating rate notes market to refer to a Benchmark Rate endorsed in a public statement by the applicable regulatory authorities for such purpose; or
 - (G) it having become unlawful and/or impossible and/or impracticable for any Paying Agent, Agent Bank, the Issuer or the Cash Manager to calculate any payments due to be made to any Noteholder using the Applicable Benchmark Rate; or
 - (H) it being the reasonable expectation of the Issuer that any of the events specified in sub-paragraphs (A), (B) or (G) will occur or exist within six months of the proposed effective date of such Benchmark Rate Modification; or
 - (I) a Benchmark Rate Modification is being proposed pursuant to Condition 20.2(h); and
- (ii) the Alternative Benchmark Rate is any one or more of the following:

- (A) a benchmark rate with an equivalent term to the Applicable Benchmark Rate as published, endorsed, approved or recognised as a replacement to the Applicable Benchmark Rate by the applicable regulatory authorities for such purpose; or
 - (B) a benchmark rate with an equivalent term utilised in a material number of publicly-listed new issues of asset backed floating rate notes denominated in euro in the six months prior to the proposed effective date of such Benchmark Rate Modification; or
 - (C) such other benchmark rate as the Issuer reasonably determines, **provided that** this option may only be used if the Issuer certifies to the Trustee that, in the reasonable opinion of the Issuer, neither Condition 20.2(e)(ii)(A) nor Condition 20.2(e)(ii)(B) are applicable and/or practicable in the context of the transaction constituted by the Transaction Documents, and sets out the rationale in the Modification Certificate (as defined below) for choosing the proposed Alternative Benchmark Rate; and
- (iii) the same Alternative Benchmark Rate will be applied to all Classes of Notes (other than the Class Z Notes); and
 - (iv) the details of and the rationale for any Note Rate Maintenance Adjustment (as defined below) proposed in accordance with item (v)(C) of the proviso to Conditions 20.2(a) to (g) are as set out in the notice to Noteholders given pursuant to sub-paragraph (v) below; and
 - (v) the modifications proposed are required solely for the purpose of applying the Alternative Benchmark Rate and making consequential modifications to these Conditions or any Transaction Document which are, as reasonably determined by the Issuer necessary or advisable, and the modifications have been drafted solely to such effect; and
 - (vi) the Issuer has agreed to pay, all fees, costs and expenses (including legal fees and any initial or ongoing costs associated with the Benchmark Rate Modification) incurred by the Issuer and the Trustee or any other Transaction Party in connection with the Benchmark Rate Modification

(the certificate to be provided by the Issuer or the relevant Transaction Party, as the case may be, pursuant to paragraphs (A) to (H) above being a "**Modification Certificate**"), **provided that:**

- (i) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee;
- (ii) the Modification Certificate in relation to such modification shall be provided to the Trustee both at the time the Trustee is notified of the proposed modification and on the date that such modification takes effect;
- (iii) the consent of each Secured Creditor which is party to the relevant Transaction Document or whose ranking in any Payment Priorities is affected has been obtained;
- (iv) either:
 - (A) the Issuer obtains from each of the Rating Agencies a written Rating Agency Confirmation (or in the case of a Non-Responsive Rating Agency only, certifies in the Modification Certificate that the provisions of Condition 21 (*Non-Responsive Rating Agency*) have been satisfied in relation to the request for such Rating Agency Confirmation with respect to the Non-Responsive Rating Agency; or

- (B) the Issuer certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and
- (v) the Issuer certifies in writing to the Trustee (which certification may be in the Modification Certificate) that the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with the Notices Condition and by publication on Bloomberg on the "Company News" screen relating to the Notes, and Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification. In the case of a Benchmark Rate Modification, the notice to Noteholders given pursuant to this sub-paragraph (v) shall confirm:
 - (A) the sub-paragraph(s) of Condition 20.2(e) under which the Benchmark Rate Modification is being proposed; and
 - (B) which Alternative Benchmark Rate is proposed to be adopted pursuant to Condition 20.2(e)(ii), and, where Condition 20.2(e)(ii)(C) is being applied, the rationale for choosing the proposed Alternative Benchmark Rate; and
 - (C) details of the adjustment which the Issuer proposes to make (if any) to the margin payable on each Class of Notes which are the subject of the Benchmark Rate Modification in order to, so far as reasonably and commercially practicable, preserve what would have been the expected Rate of Interest applicable to each such Class of Notes had no such Benchmark Rate Modification been effected (the "**Note Rate Maintenance Adjustment**"), **provided that:**
 - (1) in the event that any relevant committee or other body established, sponsored or approved by applicable regulatory authorities for such purpose has published, endorsed, approved or recognised a note rate maintenance adjustment mechanism which could be used in the context of a transition from the Applicable Benchmark Rate to the Alternative Benchmark Rate, then the Issuer shall propose that note rate maintenance adjustment mechanism as the Note Rate Maintenance Adjustment, or otherwise the Issuer shall set out in the notice to Noteholders the rationale for concluding that this is not a commercial and reasonable approach in relation to the Notes and the proposed Benchmark Rate Modification; or
 - (2) in the event that it has become generally accepted market practice in the publicly listed asset backed floating rate notes to use a particular note rate maintenance adjustment mechanism in the context of a transition from the Applicable Benchmark Rate to the Alternative Benchmark Rate, then the Issuer shall propose that note rate maintenance adjustment mechanism as the Note Rate Maintenance Adjustment, or otherwise the Issuer shall set out in the notice to Noteholders the rationale for concluding that this is not a commercial and reasonable approach in relation to the Notes and the proposed Benchmark Rate Modification; or

- (3) in the event that neither (1) nor (2) above apply, the Issuer shall use reasonable endeavours to propose an alternative Note Rate Maintenance Adjustment as reasonably determined by the Issuer and shall set out the rationale for the proposal or otherwise the Issuer shall set out in the notice to Noteholders the rationale for concluding that this is not a commercial and reasonable approach in relation to the Notes and the proposed Benchmark Rate Modification; and
- (4) if any Note Rate Maintenance Adjustment is proposed, the Note Rate Maintenance Adjustment applicable to each Class of Notes other than the Most Senior Class of Notes shall be at least equal to that applicable to the Most Senior Class of Notes. In circumstances where the Issuer proposes a lower Note Rate Maintenance Adjustment on any Class of Notes other than the Most Senior Class of Notes than that which is proposed for the Most Senior Class of Notes or another Class of Notes which ranks senior to the Class of Notes to which the lower Note Rate Maintenance Adjustment is proposed to be made, the Benchmark Rate Modification will not be made unless an Extraordinary Resolution is passed in favour of such modification in accordance with Condition 18 (*Meetings of Noteholders*) by the Noteholders of each Class of Notes then outstanding to which the lower Note Rate Maintenance Adjustment is proposed to be made; and
- (5) for the avoidance of doubt, the Note Rate Maintenance Adjustment may effect an increase or a decrease to the margin or may be set at zero; and
- (D) details of (i) other amendments which the Issuer proposes to make (if any) to these Conditions or any other Transaction Document and (ii) any new, supplemental or additional documents into which the Issuer proposes to enter to facilitate the changes envisaged pursuant to this Condition 20.2 (*Additional Right of Modification*).

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held, a copy of which notification the Issuer shall promptly provide to the Trustee) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 18 (*Meetings of Noteholders*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Issuer's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes.

- (f) Notwithstanding anything to the contrary in this Condition 20.2 (*Additional Right of Modification*) or any Transaction Document:
 - (i) when implementing any modification pursuant to this Condition 20.2 (*Additional Right of Modification*) (save to the extent the Trustee considers that the proposed modification would constitute a Reserved Matter described in Condition 18.8(a)-(g) only or a Retained Matter), the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely, and without further enquiry or Liability, on any certificate (including any Modification Certificates) or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 20.2 (*Additional*

Right of Modification) and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

- (ii) the Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee would have the effect of (i) exposing the Trustee to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Trustee in the Transaction Documents and/or these Conditions.
 - (g) Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:
 - (i) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
 - (ii) the Secured Creditors; and
 - (iii) the Noteholders in accordance with Condition 23 (*Notices*).
 - (h) Following the making of a Benchmark Rate Modification, if it becomes generally accepted market practice in the publicly listed asset backed floating rate notes market to use a Benchmark Rate of interest which is different from the Alternative Benchmark Rate which had already been adopted by the Issuer in respect of the Notes pursuant to a Benchmark Rate Modification, the Issuer is entitled to propose a further Benchmark Rate Modification pursuant to this Condition 20.2 (*Additional Right of Modification*).
- 20.3 **Waiver:** In addition, the Trustee may, at any time and from time to time, without the consent of the Noteholders or any other Secured Creditors, concur with the Issuer and any other Secured Creditor in authorising or waiving any proposed breach or actual breach by the Issuer of any of the covenants or provisions contained in the Notes, the Trust Deed or other Transaction Documents (other than in respect of a Reserved Matter described in Condition 18.8(a)-(g) only, a Retained Matter or any provisions of these Conditions, the Notes or the other Transaction Documents referred to in the definition of a Reserved Matter described in Condition 18.8(a)-(g) only or a Retained Matter) which, in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding (except that the Trustee may not and only the Noteholders may by Extraordinary Resolution determine that any Event of Default shall not be treated as such for the purpose of the Trust Deed, the Notes or any of the other Transaction Documents), provided that notice thereof has been delivered to the Noteholders in accordance with Condition 21 (*Notices*) only to the extent the Trustee requires such notice to be given. The Issuer shall cause any potential authorisation or waiver under this Condition 19.2 (*Waiver*) to be notified in advance to the Rating Agencies.
- 20.4 **Restriction on power to waive:** The Trustee shall not exercise any powers conferred upon it by Condition 19.2 (*Waiver*) in contravention of any of the restrictions set out therein or any express direction by a Resolution of the holders of the Most Senior Class of Notes then outstanding or of a request or direction in writing made by the holders of not less than 50 (fifty per cent.) in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, but so that no such direction or request (a) shall affect any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter described in Condition 18.8(a)-(g) only (unless the holders of each Class of Notes then outstanding has, by Extraordinary Resolution, so authorised its exercise) or a Retained Matter (unless the holders of the relevant Class of Notes has, by Extraordinary Resolution, so authorised its exercise).
- 20.5 **Notification:** Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, consent, waiver, modification or determination to be notified to the Noteholders, the other Secured Creditors in accordance with the Notices Condition and the relevant Transaction Documents, as soon as practicable after it has been made. The Issuer shall cause any such authorisation, consent,

waiver, modification or determination to be notified in advance to the Rating Agencies, as soon as practicable after it has been made.

- 20.6 **Binding Nature:** Any authorisation, waiver, determination or modification referred to in Condition 19.1 (*Modification*) or Condition 19.2 (*Waiver*) shall be binding on the Noteholders and the other Secured Creditors.

21. **Non- Responsive Rating Agency**

- 21.1 In respect of the exercise of any power, duty, trust authority or discretion as contemplated hereunder or in relation to the Rated Notes and any of the Transaction Documents, the Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Trustee) from the Rating Agencies that the then current ratings of the Rated Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Rating Agency Confirmation**");
- 21.2 If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Trustee) and:
- (i) (A) one or more Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and (if there is only one Non-Responsive Rating Agency); or
 - (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts, then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Trustee a certificate signed by two directors certifying and confirming that, if there is only one Non-Responsive Rating Agency, each of the events in paragraphs (i)(A) or (B) and this paragraph (ii) has occurred or if there is more than one Non-Responsive Rating Agency that the events in paragraphs (i)(A) or (i)(B) are satisfied. The Trustee may rely on such certificate absolutely without further enquiry and without liability.

22. **Limited Recourse and Non-Petition**

- 22.1 **Trustee action:** Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Noteholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Noteholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:
- (a) otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;
 - (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders or any other Secured Creditors;
 - (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any insolvency proceeding in relation to the Issuer; or
 - (d) to take or join in the taking of any steps or proceedings which would result in the Payments Priorities not being observed.

22.2 **Limited recourse**

- (a) If at any time following:
 - (i) the occurrence of either:
 - (A) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or
 - (B) the service of an Enforcement Notice; or
 - (ii) Realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Payment Priorities,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Payment Priorities, to pay in full all amounts then due and payable under any respective Class of Notes, then the amount remaining to be paid (after such application in full of the amounts first referred to in (ii) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in (ii) above, cease to be due and payable by the Issuer and will be deemed to be discharged in full and all claims against the Issuer in respect of the payment of such amounts will be extinguished and discharged.

"Realisation" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

- (b) No Noteholder or any other Secured Creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer or its or their directors, officers, successors or assigns, or join in any institution against the Issuer of, any bankruptcy, examinership, reorganisation, arrangement, insolvency, winding up or liquidation proceedings or for the appointment of a liquidator, administrator, receiver or any other insolvency official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings of the Issuer excluding (only in respect of the Noteholders) directing the Trustee to enforce the Security in accordance with the Transaction Documents.

23. **Notices**

- 23.1 **Valid notices:** For so long as the relevant Notes are in global form, any notice to Noteholders shall be validly given to the relevant Noteholders if sent to the Clearing Systems for communication by them to the holders of the relevant Class of Notes and shall be deemed to be given on the date on which it was so sent. While the Notes are represented by Definitive Notes, any notice to the holders thereof shall be validly given if published in the Financial Times, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Trustee shall approve in advance having a general circulation in the United Kingdom. So long as the Rated Notes are listed on the official list of Euronext Dublin and admitted to trading on its regulated market any notice shall also be published in accordance with the relevant guidelines of Euronext Dublin by a notification in writing to its Company Announcements Office, and any notice so published shall be deemed to have been given on the date of publication.
- 23.2 **Date of publication:** Any notices so published shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication was made.
- 23.3 **Other Methods:** The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on

which the Notes are then listed and **provided that** notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

24. **Governing Law and Jurisdiction**

24.1 **Governing Law:** The Transaction Documents (other than the Spanish Security Document, the Servicing Agreements, the Monitoring Agent Appointment Agreement and the Luxembourg Security Documents), the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law. The application to the Notes, the Transaction Documents and these Conditions of the provisions set out in article 470-1 (in respect of the register of the Notes) and articles 470-3 to 470-19 of the Luxembourg Law on Commercial Companies is excluded.

24.2 **Jurisdiction:** The Courts of England and Wales are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and the Transaction Documents (other than the Spanish Security Documents, the Servicing Agreements, the Monitoring Agent Appointment Agreement and the Luxembourg Security Documents) (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Transaction Documents may be brought in such Courts. The Issuer has in each of the Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of such Courts.

25. **Definitions**

"**Accounts Bank Agreement**" means the accounts bank agreement to be entered into on or about the Issue Date between, among others, the Issuer and the Accounts Bank;

"**Accounts Bank**" means Citibank Europe plc, Luxembourg Branch acting as accounts bank and Citibank N.A., London Branch acting as account agent, or such other bank or banks as, in accordance with the Accounts Bank Agreement, may for the time being be nominated in addition thereto or substituted therefore with which the Transaction Accounts are maintained;

"**Adjusted Aggregate Principal Outstanding Balance**" means the Aggregate Principal Outstanding Balance multiplied by the Discount Factor;

"**Aggregate Principal Outstanding Balance**" means the aggregate of the Principal Outstanding Balance of each Receivable in the Receivables Portfolio;

"**Affiliate**" means, with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with, such person (for purposes of this definition, "control" means the power to direct the management or policies of a person, directly or indirectly, whether through the ownership of shares or other securities, by contract or otherwise, provided that the direct or indirect ownership of 50.01 per cent. or more of the voting share capital of a person is deemed to constitute control of that person, and "**controlling**" and "**controlled**" have corresponding meanings);

"**Agency Agreement**" means the agreement so named and dated on or about the Closing Date between the Issuer, the Agents and the Trustee.

"**Agency Services**" means the services to be provided by the Agents as listed in Schedule 1 (*Agency Services*) to the Agency Agreement;

"**Agent Bank**" means Elavon Financial Services DAC in its capacity as agent bank pursuant to the Agency Agreement (or any successor duly appointed);

"**Agents**" means the Agent Bank, the Paying Agents and the Registrar (or any successors duly appointed) and "**Agent**" means any one of them;

"**Ancillary Rights**" means all collections, income and payments, whether present or future, made in cash or otherwise, and owed by the Borrowers in respect of the Receivables, including:

- (a) those relating to principal, remuneratory interest, including accrued and not paid interest and interest falling due, late payment interest, fees, repayments (whether pre-payments or otherwise);
- (b) fees and/or expenses related to such Receivables and owed by the Borrowers;
- (c) Cash in Court;
- (d) proceeds from insurance payments under any insurance agreements entered into by the Transferor or the Borrowers to insure the assets mortgaged as security for the repayment of the Receivables or life or multi-risk insurances, amongst other (if any), to secure the repayment of the Receivables, including any rights to claim any such payments from insurers, legal actions, or from extrajudicial agreements, including but not limited to the guarantees provided to secure repayment of the Receivables, to the extent that these are assignable to the Purchaser; and
- (e) the assets acquired in lieu of payment, including, among others, the Properties and, if applicable, the proceeds resulting from the sale of the Properties;

"Approved Bank" means any depository institution organised under the laws of any state which is a member of the European Union or of the United States and having at least the Minimum Rating;

"Arranger and Lead Manager" means J.P. Morgan Securities plc, a company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, registered in England & Wales under registration number 02711006, whose registered office is at 25 Bank Street, Canary Wharf, London E14 5JP;

"Authorised Investments" means euro-denominated senior (unsubordinated) debt securities in dematerialised form, bank account or deposit (including, for the avoidance of doubt, time deposits) or other debt instruments, provided that, in all cases:

- (a) such investments are immediately repayable on demand (without penalty) or have a maturity date falling on or before the Calculation Date preceding the Interest Payment Date immediately following the date of the investment;
- (b) such investments provide a fixed principal amount at maturity (such amount not being lower than the initially invested amount) or in case of repayment, the principal amount upon repayment is at least equal to the principal amount invested or deposited; and
- (c) the debt securities or other debt instruments are issued by, or fully and unconditionally guaranteed on an unsubordinated basis by, an institution whose unsecured and unsubordinated debt obligations have at least the following ratings:
 - (i) with respect to Moody's,
 - (A) to the extent such investments have a maturity not exceeding 30 (thirty) calendar days: a long term rating of at least "Baa2" and a short term rating of at least "P-2"; or
 - (B) to the extent such investments have a maturity exceeding 30 (thirty) calendar days but not exceeding the immediately subsequent Interest Payment Date after the relevant investment is made: a long-term rating of at least "Baa1";
 - (ii) with respect to DBRS:
 - (A) with regard to investments having a maturity of less than, or equal to, 30 (thirty) calendar days, (a) if the issuer or the guarantor (on the basis of an unconditional, irrevocable, independent first demand guarantee) of such investments are rated "BBB(low)" in respect of long-term debt or "R-2 (low)" in respect of short-term debt, or (b) if the issuer or the guarantor (on the basis of an unconditional, irrevocable, independent first demand

guarantee) of such investments are not rated by DBRS, the issuer or the guarantor of such investments has the DBRS minimum rating of "BBB(low)" in respect of long term debt;

- (B) with regard to investments having a maturity between 31 (thirty-one) calendar days and 90 (ninety) calendar days, (a) if the issuer or the guarantor (on the basis of an unconditional, irrevocable, independent first demand guarantee) of such investments are rated by DBRS "R-2 (middle)" in respect of long-term debt or "BBB(low)" in respect of short-term debt, or (b) if the issuer or the guarantor (on the basis of an unconditional, irrevocable, independent first demand guarantee) of such investments are not rated by DBRS, the issuer or the guarantor of such investments has the DBRS minimum rating of "BBB(low)" in respect of long term debt; or
- (C) with regard to investments having a maturity between 91 (ninety-one) calendar days and 365 (three hundred and sixty-five) calendar days, (a) if the issuer or the guarantor (on the basis of an unconditional, irrevocable, independent first demand guarantee) of such investments are rated by DBRS "BBB" in respect of long-term debt or "R-2 (high)" in respect of short-term debt, or (b) if the issuer or the guarantor (on the basis of an unconditional, irrevocable, independent first demand guarantee) of such investments are not rated by DBRS, the issuer or the guarantor of such investments has the DBRS minimum rating of "BBB" in respect of long term debt; or
- (D) which has such other lower rating being compliant with the criteria established by DBRS from time to time;

provided that, in no case such investment shall be made, in whole or in part, actually or potentially, in (i) tranches of other asset-backed securities; or (ii) credit-linked notes, swaps or other derivatives instruments, or synthetic securities; and **further provided that**, in case of downgrade below the rating allowed with respect to DBRS or Moody's, as the case may be, the Issuer shall:

- (1) in case of Authorised Investments being securities or time deposits, sell the securities or terminate the time deposits, if it could be achieved without a loss, otherwise the relevant security or time deposits shall be allowed to mature; and
- (2) in case of Authorised Investments being deposits, transfer within 30 calendar days the deposits to another account opened with an Approved Bank.

"Available Distribution Amount" has the meaning ascribed to such term in Condition 9.6 (*Available Distribution Amount*).

"Bid Process" means a competitive bid process in order to sell the Receivables Portfolio and the Property Portfolio, organised by the Issuer, assisted by the Servicer and upon direction of the Monitoring Agent;

"Borrower" means, in respect of any Receivable, the borrower or borrowers or other person or persons who is or are under any obligation to repay part or all of that Receivable, including any guarantor (if any) of any such borrower;

"Business Day" has the meaning ascribed to it in Condition 9.8 (*Interpretation*);

"Business Plan" means the business plan included as Schedule 8 (*Business Plan*) to the Servicing Agreement;

"Calculation Date" means the second Business Day prior to an Interest Payment Date, referring to the Calculation Period immediately prior to the relevant Interest Payment Date;

"Calculation Period" means the period commencing on (and including) a Calculation Date and ending on (but excluding) the next succeeding Calculation Date, and in relation to the first Collection Period, commencing on (and including the Issue Date) and ending on (but excluding) the next Calculation Date;

"Call Option Conditions" has the meaning provided in Condition 10.4 (*Class Z Noteholder Call Option*);

"Cap Agreement" means collectively the ISDA Master Agreement, the Schedule, the Credit Support Annex and the Cap Confirmation to be entered into between the Issuer and the Cap Counterparty on or about the Issue Date;

"Cap Collateral Account" means the bank account number 0203621647, IBAN LU750340000203621647, and SWIFT/BIC CITILULX opened in the name of the Issuer with the Cap Collateral Account Bank;

"Cap Collateral Account Bank" means Citibank Europe plc, Luxembourg Branch, or such other bank or banks as, in accordance with the Accounts Bank Agreement, may for the time being be substituted therefore with which the Cap Collateral Account is maintained;

"Cap Collateral Account Payment Instruction" means a drawdown instruction from the Cap Collateral Account given by the Issuer to the Accounts Bank, in accordance with Clause 3.8 (*Cap Collateral Account and Cap Collateral Account Payment Instruction*) of the Accounts Bank Agreement;

"Cap Collateral Account Pledge" means the pledge governed by Luxembourg law over the Cap Collateral Account dated on or about the Issue Date between the Issuer and the Cap Counterparty;

"Cap Collateral Account Payment Priorities" has the meaning ascribed to such term it in Condition 9.5 (*Collateral Account Payment Priorities*);

"Cap Collateral Account Surplus" has the meaning ascribed to such term it in Condition 9.5 (*Cap Collateral Account Payment Priorities*);

"Cap Confirmation" means the cap confirmation evidencing the Cap Transaction;

"Cap Counterparty" means J.P. Morgan AG, in its capacity as cap counterparty, or its permitted successors or assigns from time to time or any other person for the time being acting as Cap Counterparty pursuant to the Cap Agreement;

"Cap Counterparty Rating Event" means the failure of the Cap Counterparty or its guarantor, as applicable, to satisfy the rating requirements specified in Part 6 of the Schedule to the Cap Agreement;

"Cap Tax Credit Amount" means any amount received by the Issuer and attributable to a Tax Credit (as defined in the Cap Agreement) payable by the Issuer to the Cap Counterparty pursuant to the Cap Agreement;

"Cap Transaction" means the cap transaction to be entered into by and between the Issuer and the Cap Counterparty on or about the Issue Date for purposes of hedging the Issuer's floating interest rate exposure in relation to the Rated Notes;

"Cash in Court" means any monies that are deposited in the name of the Transferor in court proceedings related with the Receivables regardless of the return date of such amounts if the Transferor has not yet collected from the court;

"Cash Management Agreement" means the so named agreement to be entered into on or about the Issue Date between the Issuer, the Cash Manager and the Trustee;

"Cash Manager" means US Bank Global Corporate Trust Ltd, named in the Cash Management Agreement together with any successor or additional Cash Managers appointed from time to time;

"Cash Reserve Account" means the bank account number 0203621639, IBAN LU970340000203621639, and SWIFT/BIC CITILULX opened in the name of the Issuer with the Accounts Bank;

"Cash Reserve Account Required Amount" means, on the Issue Date, €7,650,000 and on each Interest Payment Date, an amount equal to 4.50 per cent. of the Principal Amount Outstanding of the Class A Notes as of the Business Day following the immediately preceding Interest Payment Date, provided that the Cash Reserve Account Required Amount will be equal to zero on the earlier of:

- (a) the Interest Payment Date on which the Class A Notes can be redeemed in full through the application of the Cash Reserve Amount or any other Available Distribution Amount, and
- (b) the Final Maturity Date or on the date on which all of the Notes are subject to any early redemption in whole, as applicable;

"Cash Reserve Amount" means the amount standing to the credit of the Cash Reserve Account from time to time;

"Charged Property" means all the property of the Issuer and each Propco which is subject to the Security.

"Class" means the Class A Notes, the Class B Notes, the Class J Notes or the Class Z Notes, as the context may require and **"Classes"** shall be construed accordingly;

"Class A Global Note" means the Regulation S global note in fully registered form without interest coupons or principal receipts attached, representing the Class A Notes.

"Class B Global Note" means the Regulation S global note in fully registered form without interest coupons or principal receipts attached, representing the Class B Notes.

"Class J Global Note" means the Regulation S global note in fully registered form without interest coupons or principal receipts attached, representing the Class J Notes.

"Class Z Global Note" means the Regulation S global note in fully registered form without interest coupons or principal receipts attached, representing the Class Z Notes.

"Class A Notes" means the €170,000,000 Class A Asset-Backed Floating Rate Notes due 2039, with the ISIN XS1843432078 to be issued by the Issuer on the Issue Date;

"Class B Notes" means the €30,000,000 Class B Asset-Backed Floating Rate Notes due 2039, with the ISIN XS1843431930 to be issued by the Issuer on the Issue Date;

"Class J Notes" means the €15,000,000 Class J Asset-Backed Floating Rate Notes due 2039, with the ISIN XS1843431856 to be issued by the Issuer on the Issue Date;

"Class Z Noteholder Call Option" means the junior noteholder call option set out in Condition 10.4 (*Class Z Noteholder Call Option*);

"Class Z Notes" means the €16,000,000 Class Z Asset-Backed Variable Return Notes due 2039, with the ISIN XS1843431773 to be issued by the Issuer on the Issue Date;

"Class Z Return Amount" means the amount available (if any) to be distributed on an Interest Payment Date or other payment date to the Class Z Noteholders from the Available Distribution Amount, to the extent that all payments required to be made or provided for on such Interest Payment Date or other payment date under the relevant Payment Priorities ahead of the payment foreseen in the last paragraph thereof have been so paid or provided for;

"Clearing Systems" means Clearstream, Luxembourg and Euroclear;

"Clearstream, Luxembourg" means Clearstream Banking, société anonyme, with offices at 42 Avenue J.F. Kennedy L-1855 Luxembourg;

"Collateral Amount" means any amounts standing to the credit of the Cap Collateral Account, which were paid into such account by the Cap Counterparty in accordance with the Credit Support Annex, together with interest and other amounts accrued thereon;

"Collateral Determination Date" means the last day of each Collection Period;

"Collateral Security" means, in relation to a Receivable, any security, rights, guarantees or other interests, whether provided by a Borrower or any other person, which provides collateral security for the repayment of that Receivable;

"Collection Period" means the period commencing on (and including) a Collection Start Date and ending on (and excluding) the next Collection Start Date, and in relation to the first Collection Period, commencing on (and including) the Issue Date and ending on (and excluding) the Collection Start Date falling in October 2019;

"Collection Start Date" means the first calendar day of January, April, July and October in each year;

"Collections" means the Receivable Collections and the Propco Collections;

"Collections Account" means each Issuer Collections Account and each Propco Collection Account;

"Collections Account Bank" means Abanca Corporación Bancaria, S.A.;

"Conditions" means the terms and conditions of the issue of the Notes in or substantially in the form set out in Schedule 1 (*Terms and Conditions of the Notes*) of the Trust Deed and any reference to a particular numbered Condition shall be construed in relation to the Notes accordingly;

"Court Proceedings" means all suits, judicial proceedings and other enforcement proceedings taken by the creditor to enforce a Receivable;

"CRA Regulation" means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies;

"Credit Support Annex" means the 1995 ISDA Credit Support Annex supplementing and forming part of the Cap Agreement;

"Cumulative Collection Ratio" means, in respect of an Interest Payment Date, the percentage aggregate ratio, as indicated in the Servicer Report delivered immediately prior to such Interest Payment Date between: (i) the aggregate Net Collections received on or after the Issue Date and (ii) the aggregate of Net Expected Collections expected to be received on or after the Issue Date;

"Current Principal Outstanding Balance" means, in respect of a Receivable, the amount corresponding to all the individual principal amounts outstanding that are owed by the corresponding Borrower(s) to the Issuer; for the avoidance of doubt, the Current Principal Outstanding Balance does not include any interest, default interest, penalties, fees or expenses in arrears owed by the Borrower;

"DBRS" means (i) for the purpose of identifying which DBRS entity which has assigned the credit rating to the Rated Notes, DBRS Ratings Limited or DBRS Ratings GmbH, and in each case, any successor to this rating activity, and (ii) in any other case, any entity that is part of DBRS, which is either registered or not under the CRA Regulation, as it appears from the last available list published by European Securities and Markets Authority (ESMA) on the ESMA website, or any other applicable regulation;

"Debt Relationship" means the aggregate of all Receivables pertaining to the same Borrower;

"Definitive Note" means any individual note certificate issued to a Noteholder in respect of its holding of the Notes in, or substantially in, the form set out in the Trust Deed.

"Dispute" means any suit, action, proceeding and/or dispute or difference arising out of or in connection with any Transaction Document (including a dispute regarding the existence, validity or termination of any Transaction Document or the consequences of its nullity or any dispute arising out of any non-contractual obligations of any nature (including those to which Regulation (EC) No. 864/2007 applies) arising out of the Disputes, which shall be construed accordingly);

"Discount Factor" means 3.5 per cent.;

"Early Termination Date" means the Early Termination Date (as defined in the Cap Agreement);

"Electronic Consent" means consent given by way of electronic consents communicated through the electronic communications system of the relevant clearing system(s) to the Principal Paying Agent or another specified agent and/or the Trustee in accordance with the operating rules and procedures of the relevant clearing system(s);

"EMIR Reporting Agent" means J.P. Morgan AG, in the capacity of EMIR reporting agent;

"EMIR Reporting Agreement" means the so named agreement entered into between the Issuer and the EMIR Reporting Agent;

"English Deed of Charge" means the deed of charge to be entered into on or about the Issue Date by the Issuer in favour of the Trustee;

"Enforcement Notice" means a notice delivered by the Trustee to the Issuer in accordance with Condition 13 (*Events of Default and Enforcement*) which declares the Notes to be immediately due and payable;

"Euroclear" means Euroclear Bank S.A./N.V., with offices in 1 Boulevard du Roi Albert II B-1210 Brussels, Belgium, and any successor to such business;

"Euronext Dublin" means The Irish Stock Exchange plc trading as Euronext Dublin;

"Event of Default" means any one of the events specified in Condition 13.1 (*Events of Default*);

"Exchange Date" means the first day following the expiry of forty days after the Issue Date;

"Exhausted Debt Relationship" means a Debt Relationship which the Servicer under the Receivables Servicing Agreement considers to be exhausted (either following being collected in full or sold or written off or for any other reason, including for having received an instruction from the Servicing Committee to classify it as exhausted), in accordance with the conditions foreseen in the Receivables Servicing Agreement;

"Expenses Account" means each of the Issuer Expenses Account and each Propco Expenses Account;

"Expenses Account Required Amount" means, as of the Issue Date, €100,000;

"External Lawyer" means any external lawyer appointed by a Servicer to provide legal advice on the Receivables and assist on the enforcement and collection actions in respect of a Receivable;

"External Lawyers Agreements" means the agreements entered into between the Servicer and any of the External Lawyers;

"External Lawyers Invoices Agreement" means any invoice issued by an External Lawyer who has entered into an External Lawyers Agreement with the Servicer.

"Extraordinary Resolution" means: (i) a resolution passed at a Meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of more than 50% (fifty) per cent. of the votes cast; (ii) a Written Resolution; or (iii) consent given by way of Electronic Consent by or on behalf of the Noteholders of more than 50% (fifty) per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding.

"Final Discharge Date" means the date on which the Trustee is satisfied that all Issuer Obligations and/or all other monies and other Liabilities due or owing by the Issuer in connection with the Notes have been paid or discharged in full;

"Final Maturity Date" means the Interest Payment Date falling on 31 October 2039;

"Final Redemption Date" means the earlier of (i) the Final Maturity Date or (ii) such earlier date on which all the Notes are fully redeemed or discharged, in accordance with the Conditions;

"First Interest Payment Date" means 31 October 2019;

"Global Note" means the Class A Global Note, the Class B Global Note, the Class J Global Note and the Class Z Global Note.

"Gross Recovery Value" means the recovery amounts for each of the Receivables forecasted by the Servicer, as identified in the Business Plan;

"Included Performing Receivables" means the Receivables which are performing and are claimed by the Original Lender together with non-performing Receivables to the same Borrower in the context of the same Court Proceeding;

"Incorporated Terms Memorandum" means the Incorporated Terms Memorandum to be entered into on or about the Issue Date between the Issuer, the Transferor, the Servicer, the Agents, the Trustee (or another by it), the Cash Manager, the Accounts Bank, the Monitoring Agent, the EMIR Reporting Agent, the Cap Counterparty and the Retention Holder;

"Incorrect Payment" means any payment incorrectly paid or transferred to a Collections Account, identified as such by the Servicer and notified by the Servicer to the Issuer via an Incorrect Payment Notification no later than five Business Days subsequent to the relevant receipt;

"Incorrect Payment Notification" means the notification to be delivered by the Servicer to the Issuer, the Accounts Bank and the Monitoring Agent under Clause 11.4 (*Incorrect Payments*) of the Servicing Agreement;

"Insolvency Event" means, in respect of a natural person or entity:

- (a) the initiation of, or consent to, any Insolvency Proceedings by such person or entity;
- (b) the initiation of Insolvency Proceedings against such a person or entity and such proceeding is not contested in good faith on appropriate legal advice;
- (c) the application (and such application is not contested in good faith on appropriate legal advice) to any court for, or the making by any court of, a bankruptcy, an insolvency or an administration order against such person or entity;
- (d) the enforcement of, or any attempt to enforce (and such attempt is not contested in good faith on appropriate legal advice) any security over the whole or a material part of the assets and revenues of such a person or entity;
- (e) any distress, execution, attachment or similar process (and such process, if contestable, is not contested in good faith on appropriate legal advice) being levied or enforced or imposed upon or against any material part of the assets or revenues of such a person or entity;
- (f) the appointment by any court of a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, Trustee, trustee or other similar official in respect of all (or substantially all) of the assets of such a person or entity generally;
- (g) the making of an arrangement, composition or reorganisation with the creditors of such a person or entity; or
- (h) in case of the Issuer, the occurrence of a dissolution or liquidation with respect to its Compartment "Cell Number 5";

"Insolvency Proceedings" means:

- (a) the presentation of any petition for the bankruptcy or insolvency of a natural person (whether such petition is presented by such person or another party);
- (b) the winding-up, dissolution or administration of an entity; or
- (c) in case of the Issuer, the dissolution or liquidation of its Compartment "Cell Number 5";

and shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such person or entity is ordinarily resident or incorporated (as the case may be) or of any jurisdiction in which such person or entity may be liable to such proceedings;

"Interest Amount" has the meaning ascribed to it in Condition 8.1 (*Accrual of Interest*);

"Interest Determination Date" means, with respect to the first Interest Period, the date falling on the second Business Day immediately preceding the Issue Date and with respect to each subsequent Interest Period, the date falling on the second Business Day immediately preceding the Interest Payment Date at the beginning of such Interest Period;

"Interest Payment Date" means the last calendar day of January, April, July and October in each year (or, if such day is not a Business Day, the immediately preceding Business Day);

"Interest Period" means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next (or the First) Interest Payment Date;

"Investor Report" means the investor report prepared by the Cash Manager, and loaded to Pivot no later than the second Business Day prior to an Interest Payment Date. The form of the Investor Report, so agreed as of the Issue Date, is attached as Schedule 3 (*Form of Investor Report*) to Cash Management Agreement;

"Issue Date" means 29 July 2019;

"Issuer" means ProSil Acquisition S.A., a *société anonyme* incorporated under the laws of the Grand Duchy of Luxembourg with registered number 13208.112, having its registered office at 2 rue Edward Steichen, L-2540 Luxembourg, acting for the account of its compartment "Cell Number 5";

"Issuer Collections Accounts" means each bank account with the Collection Accounts Bank, opened in the name of the Issuer and managed by Servicer, to which all Receivables Collections received by the Issuer shall be credited, as provided under the Receivables Servicing Agreement;

"Issuer Covenants" has the meaning given to such term in Condition 5.4 (*Issuer Covenants*);

"Issuer Expenses" means any fees, Liabilities and expenses, in relation to this transaction, the Notes, the preparation of the Transaction Documents, the integration of the Notes with Euroclear and Clearstream, Luxembourg, payable by the Issuer to the Servicer (or any successor and including the Servicer Senior Fee due to the Servicer and the Recovery Expenses), the Cash Manager (or any successor), the Agents, the Accounts Bank, the Trustee (whenever appointed), the Monitoring Agent, the Cap Counterparty, the EMIR Reporting Agent and the Rating Agencies in relation to this transaction, if any, in respect of any director's fees or emoluments, professional advisers and any Third Party Expenses that would be paid or provided for by the Issuer on the next Interest Payment Date, and including as well the Issuer's Ongoing Management Fee, and any amount to be credited on the relevant Interest Payment Date to the Expenses Account in the amount necessary to replenish the balance thereof to the respective Expenses Account Required Amount in accordance with paragraph 8.2.5 of Part 6 of Schedule 1 of the Servicing Agreement;

"Issuer Expenses Accounts" means the bank account with the Collection Accounts Bank, opened in the name of the Issuer and managed by Servicer as provided under the Receivables Servicing Agreement;

"Issuer Jurisdiction" means the Grand Duchy of Luxembourg;

"Issuer Obligations" means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to the Noteholder or the other Secured Creditors under the Transaction Documents;

"Issuer Payment Account" means the bank account number 0203621620, IBAN LU280340000203621620 and SWIFT/BIC CITILULX, opened in the name of the Issuer with the Accounts Bank;

"Issuer's Ongoing Management Fee" means the fees payable to the Issuer as follows:

- (a) on each Interest Payment Date, an on-going management fee equal to EUR 20,594.88; and
 - (b) on each Interest Payment Date falling in January, EUR 4000,
- payable to the Issuer as an Issuer Expense;

"Junior Notes" means the Class J Notes and the Class Z Notes;

"Liabilities" means, in respect of any person or company, any losses, liabilities, damages, costs, awards, fees, expenses (including properly incurred legal fees) and penalties incurred by that person or company together with any VAT thereon;

"Luxembourg Accounts Pledge Agreement" means the agreement to be entered into on or about the Issue Date pursuant to which the Issuer grants a first ranking pledge over the Transaction Accounts held in Luxembourg in favour of the Trustee for and on behalf of the Secured Creditors;

"Meeting" means a meeting of holders of the Notes (whether originally convened or resumed following an adjournment);

"Minimum Denomination" means, in respect of the Notes represented by the Global Notes and (if issued) the Definitive Notes, and, for so long as Euroclear and Clearstream, Luxembourg (as applicable) so permit, €125,000 and integral multiples of €1,000 in excess thereof.

"Minimum Rating" means:

- (a) with respect to the Accounts Bank:
 - (i) with respect to Scope: such entity's long-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "BB" if such entity having a credit rating assigned by Scope;
 - (ii) with respect to Moody's: such entity's long-term deposit rating being rated "Baa3" and such entity's short-term deposit rating being rated "P3" by Moody's; and
 - (iii) with respect to DBRS: the higher of a rating one notch below the entity's long-term Critical Obligations Rating (COR) as determined by DBRS and a DBRS Long-Term Rating of BBB (low) or an entity's short-term, unsecured, unsubordinated and unguaranteed debt obligations being rated R-2 (middle) by DBRS, or, in the absence, a DBRS Equivalent Rating of BBB (low) and R-2 (middle);
- (b) with respect to the Cap Collateral Account Bank:
 - (i) with respect to Scope: such entity's long-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "BB" if such entity having a credit rating assigned by Scope;
 - (ii) with respect to Moody's: such entity's long-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "Baa3" and such entity's short-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "P3" by Moody's; and

- (iii) with respect to DBRS: the higher of a rating one notch below the entity's long-term Critical Obligations Rating (COR) as determined by DBRS and a DBRS Long-Term Rating of BBB (low) or an entity's short-term, unsecured, unsubordinated and unguaranteed debt obligations being rated R-2 (middle) by DBRS, or, in the absence, a DBRS Equivalent Rating of BBB (low) and R-2 (middle),
- (c) with respect to the Collections Account Bank:
 - (i) with respect to Scope: such entity's long-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "BB" if such entity has a credit rating assigned by Scope;
 - (ii) with respect to Moody's: such entity's long-term, unsecured, unsubordinated and unguaranteed debt obligations being rated "Ba2" by Moody's; and
 - (iii) with respect to DBRS: a DBRS Long-Term Rating of BB;

or, in each case, such other rating or ratings as may be agreed by the relevant Rating Agency from time to time as would maintain its then current ratings of the Rated Notes and the expression "**Minimum Rating**" shall (where appropriate) be construed accordingly;

"**Monitoring Agent**" means E&Y Servicios Corporativos S.L., in its capacity as Verification Agent in accordance with the Conditions and the terms of the Monitoring Agent Appointment Agreement;

"**Monitoring Agent Appointment Agreement**" means the verification agent appointment agreement to be entered into on or about the Issue Date between the Issuer, the Servicer and the Monitoring Agent;

"**Most Senior Class of Notes**" means the Class of Notes ranking in priority to the other Classes of Notes in the Post-Enforcement Payments Priorities (with the Class A Notes ranking senior to the Class B Notes, which rank senior to the Class J Notes, which rank senior to the Class Z Notes, in each case as then outstanding);

"**Net Collections**" means, for a given Collection Period, the difference between (i) the gross Collections in each relevant Collection Period, and (ii) the Recovery Expenses. For the purpose of this definition, "Collections" includes only those Realisation Values which have been effectively collected and delivered by the Servicer to the Issuer (and not Realisation Values still to be collected, such as cash in court);

"**Net Expected Collections**" means, for a given Collection Period, the difference between (i) the expected gross Collections and (ii) the expected Recovery Expenses for such Receivables, both up to the end of the immediately preceding Collection Period in accordance with the relevant Business Plan. For the purpose of this definition, "Collections" includes only those Realisation Values which have been effectively collected and delivered by the Servicer to the Issuer (and not Realisation Values still to be collected, such as cash in court);

"**Noteholders**" means the holders of Notes of any of the specified Class of Notes;

"**Notes**" means the Class A Notes, the Class B Notes, the Class J Notes and the Class Z Notes and "**Note**" shall be construed accordingly;

"**Notice**" means any notice delivered under or in connection with any Transaction Document;

"**Notices Condition**" means Condition 21 (*Notices*);

"**Notices Details**" means, in relation to any Agent, the provisions set out in Schedule 10 (*Notice Details*) of the Incorporated Terms Memorandum;

"NPV" means the amount calculated according to the following formula:

$$NPV(X) = \frac{X}{(1 + i)^{\frac{t}{360}}}$$

where:

"X" means the corresponding cash flow amount in Euros;

"i" means the Discount Factor; and

"t" means the number of days passed between the date on which the X amount is collected or paid and the Issue Date, assuming that all the Collections are received on the last day of the Collection Period in which they occur or are anticipated to occur;

"NPV Cumulative Profitability Ratio" means, in respect of each Interest Payment Date, the aggregate ratio indicated in the immediately preceding Servicer Report between (i) the sum of the NPV of the Net Collections received on or after the Issue Date of all Debt Relationships which are Exhausted Debt Relationships, and (ii) the sum of the Target Price of all Debt Relationships which are Exhausted Debt Relationships;

"Ordinary Resolution" means: (i) a resolution passed at a Meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of more than 50 per cent. of the votes cast; (ii) a Written Resolution; or (iii) consent given by way of Electronic Consent by or on behalf of the Noteholders of more than 50 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding;

"Original Lender" means each of Abanca Corporación Bancaria, S.A. and Abanca Corporación División Inmobiliaria S.L.;

"outstanding" means, in relation to the Notes, the amounts other than:

- (a) those which have been fully paid and redeemed in accordance with the Conditions;
- (b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Agents or, if applicable, to the Trustee (whenever appointed), in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholder in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions; and
- (c) those which have become void under the Conditions,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any Meeting;
- (ii) the determination of which amounts are for the time being outstanding; and
- (iii) any discretion, power or authority which the Noteholder (and/or the Trustee, whenever appointed) is/are required to exercise, the latter in or by reference to the interests of the Noteholder,

those amounts in relation to the Notes (if any) which are for the time being held by or for the benefit of the Issuer, the Transferor or the Servicer shall (unless and ceasing to be so held) be deemed not to remain outstanding, except if all the Notes are held by or to the benefit of the Transferor;

"Paying Agents" means the Principal Paying Agent and any other paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Agency Agreement;

"Payment Priorities" means the Pre-Enforcement Payment Priorities and the Post-Enforcement Payment Priorities, as specified in Condition 9 (*Payment Priorities*);

"Pivot" means the Cash Manager's website, currently located at <https://pivot.usbank.com> and any replacement notified to the Issuer and the Trustee;

"Post-Enforcement Payment Priorities" has the meaning ascribed to it in Condition 9.4 (*Post-Enforcement Payment Priorities*);

"Pre-Enforcement Payment Priorities" has the meaning ascribed to it in Condition 9.3 (*Pre-Enforcement Payment Priorities*);

"Principal Amount Outstanding" means, at any moment in time in relation to a Note, the principal amount outstanding of such Note; in relation to the Notes, the aggregate principal amounts outstanding of the Notes;

"Principal Outstanding Balance" means in relation to any Receivables and on any date, the aggregate of:

- (a) the original principal amount advanced to the Borrower; plus
- (b) any other disbursement, legal expense, fee, charge or premium capitalised; plus
- (c) any further advance of principal to the Borrower; less
- (d) any repayments of such amounts,

but, in respect of each Written-off Receivable, the Principal Outstanding Balance of such Receivable will be zero;

"Principal Paying Agent" means Elavon Financial Services D.A.C., named in the Agency Agreement together with any successor or additional paying agents appointed from time to time;

"Propco" means each of:

- (a) Beautmoon Spain, S.L., a Spanish *sociedad limitada* incorporated under the laws of Spain registered with the Trade Register of Madrid under volume 34,998, sheet 30 and page M-629431 and holder of Spanish Tax Identification Number B87612917, having its registered office at Calle Albacete 3, 5a planta, 28027 Madrid, Spain;
- (b) Osgood Invest, S.L., a Spanish *sociedad limitada* incorporated under the laws of Spain registered with the Trade Register of Madrid under volume 35,571, sheet 140 and page M-639337 and holder of Spanish Tax Identification Number B-87756219, having its registered office at Calle Albacete 3, 5a planta, 28027 Madrid, Spain;
- (c) Butepala Servicios y Gestiones S.L., a Spanish *sociedad limitada* incorporated under the laws of Spain registered with the Trade Register of Madrid under volume 38,042, sheet 153 and page M-677263 and holder of Spanish Tax Identification Number B-88174651, having its registered office at Calle Albacete 3, 5a planta, 28027 Madrid, Spain; and
- (d) Vetapana Servicios y Gestiones S.L., a Spanish *sociedad limitada* incorporated under the laws of Spain registered with the Trade Register of Madrid under volume 38,184, sheet 145 and page M-679453 and holder of Spanish Tax Identification Number B-88201660, having its registered office at Calle Albacete 3, 5a planta, 28027 Madrid, Spain;

"Propco Accounts" means each Propco Collections Account and each Propco Expenses Account.

"Propco Accounts Pledge Agreement" means each agreement to be entered into on or about the Issue Date pursuant to which each Propco grants a first ranking pledge over its Propco Accounts in favour of the Trustee for and on behalf of the Secured Creditors;

"Propco Collections" means, all cash collections in respect of the Properties, including but not limited to:

- (i) any settlement proceeds of any Property;
- (ii) any proceeds of sale/assignment of any Property;
- (iii) any rental income received from the Properties;
- (iv) any insurance proceeds received in respect of the Properties; and
- (v) any proceeds from any guarantees and governmental subsidies in respect of the Properties.

"Propco Collections Account" means each bank account with the Collection Accounts Bank, opened in the name of each Propco and managed by Servicer, to which all Collections received by each Propco shall be credited, as provided under the Propco Servicing Agreement;

"Propco Debt" means any loan or other indebtedness owing by any Propco (as borrower) to the Issuer (as lender);

"Propco Debt Pledge Agreement" means the agreement to be entered into on or about the Issue Date pursuant to which the Issuer grants a first ranking pledge over the Propco Debt in favour of the Trustee and to the ultimate benefit of the Noteholders;

"Propco Expenses Account" means each bank account with the Propco Accounts Bank, opened in the name of each Propco and managed by Servicer, to which all Collections received by each Propco shall be credited, as provided under the Servicing Agreement;

"Propco Servicing Agreement" means the so named agreement entered into on or about the Issuer Date between the Issuer, the Servicer and the Trustee;

"Propco Shares" means all of the issued shares in each Propco;

"Propco Shares Pledge Agreement" means each agreement to be entered into on or about the Issue Date pursuant to which the Issuer (or in the case of the issued shares in Vetapana Servicios y Gestiones S.L., Butepala Servicios y Gestiones S.L.) grants a first ranking pledge over the entire share capital of each of the Propcos in favour of the Trustee in favour of the Trustee and on behalf of the Secured Creditors;

"Property" means each Property owned by the Propcos as at the Issue Date as specified in Schedule 2 (*Properties*) to the Reallocation Agreement and each property acquired by a Propco pursuant to and in accordance with the terms of the Servicing Agreements, including as a result of (i) the foreclosure of the relevant property in the context of judicial enforcement proceedings regarding a given Receivable or (ii) the acquisition thereof in lieu of payment of a given Receivable;

"Property Portfolio" means the Properties owned by the Propcos from time to time;

"Property Recovery Expenses" means, with respect to a Property, all out-of-pocket costs, fees, expenses, disbursements and other amounts paid or otherwise incurred by or on behalf of the Servicer (including through set-off, deductions or other reductions in liabilities) or for which the Issuer is otherwise ultimately responsible, including the following, to the extent paid by the Servicer, as the case may be: (i) the allocable portion of the fees incurred or paid with respect to that Property (other than, if "Property Recovery Expenses" is being determined solely for use in the calculation of a particular fee for a particular payment period, such fee, in the allocable portion with respect to such Property, for such payment period) (ii) taxes and other taxes, duties, fees and other amounts payable to any governmental agencies with respect to such Property or in connection with the related Services, (iii) costs of, and losses under, any agreements entered into directly or indirectly with respect to such Property (iv) if applicable, insurance premiums with respect to such Property;

"Purchase Price" means the total consideration paid by the Issuer to the Transferor for the Receivables Portfolio, the Propco Shares and the Propco Debt on the Issue Date in the terms set out in Clause 3.1 of the Reallocation Agreement;

"Purchaser" means the Issuer, as purchaser of the Receivables Portfolio, the Propco Shares and the Propco Debt under the Reallocation Agreement;

"Purchaser Representations and Warranties" means the representations and warranties given by the Purchaser to the Transferor in accordance with Schedule 3 (*Purchaser Representations and Warranties*) of the Reallocation Agreement;

"Quarterly Transaction Report" means the quarterly transaction report prepared by the Servicer, and uploaded to Pivot no later than 10 (ten) Business Days after the end of a Collection Period. The form of the Quarterly Transaction Report, so agreed as of the Issue Date, is attached as Schedule 10 (*Form of Quarterly Transaction Report*) to the Servicing Agreements;

"Rated Notes" means the Class A Notes and the Class B Notes;

"Rating Agencies" means DBRS, Moody's and Scope; each a **"Rating Agency"**;

"Realisation Value" means the amount (i) for which each Property has been sold by the Servicer to a third party, or (ii) any cash in court or any other amount related to a given Property attributed to the Servicer in accordance with the terms of the Servicing Agreement;

"Receivable Agreements" means in respect of a Receivable, a Receivable contract or agreement, including any other agreements or documents related to such contract or agreement, entered into by and between the Transferor and a Borrower by which the Transferor has granted to such Borrower a Receivable, as amended or supplemented from time to time, which has been terminated by the Transferor, namely on the grounds of a failure to timely and fully repay the relevant Receivable by the Borrower;

"Receivable Plan" means, with respect to the Receivables Portfolio, a receivable plan prepared by the Servicer and approved by the Issuer, and which shall include the target resolution strategy, the Target Recovery, the Target Receivables Recovery Expenses and the target resolution month for the relevant Receivables;

"Receivables" means all amounts that have fallen due and are payable (but remain unpaid) under the Receivable Agreements together with the related Ancillary Rights, granted by the Original Lender (and acquired by the Transferor) to the relevant Borrowers which are non-performing, or Included Performing Receivables, and include mortgage-secured Receivables and non-secured Receivables, as of the Collateral Determination Date (exclusive) plus all amounts that have become payable from the Collateral Determination Date, the payment of which may be claimed under the relevant Receivable Agreements or under applicable Spanish laws;

"Receivables Collections" means all cash collections in respect of the Receivables Portfolio, including:

- (i) any principal, interest, default or penalty interest, fees (including prepayment penalties), expenses or other amounts paid in relation to any receivable;
- (ii) any foreclosure proceeds of any Collateral Security supporting any Receivable;
- (iii) any settlement proceeds of any Receivable;
- (iv) any proceeds of sale/assignment of any Receivable (or any refinancing of the same) and/or its related Collateral Security;
- (v) any insurance proceeds received in respect of the Receivables;
- (vi) any proceeds received from the enforcement of any guarantee or Collateral Security supporting any Receivables;
- (vii) any interest received on any invested funds in connection with the Receivables;
- (viii) any proceeds from any guarantees and governmental subsidies in respect of the Receivables; and

- (ix) any net proceeds received under swap agreements (if any);

provided that "Receivables Collections" shall not include any amounts received from Propcos due to the payment of any assignment of the award or adjudication right (*derecho de cesión de remate*) by the Issuer to a Propco or in connection with the acquisition, by any means, by a Propco of an Receivable or Collateral Security.

"Receivables Pledge Agreement" means the agreement to be entered into on or about the Issue Date pursuant to which the Issuer grants a first ranking pledge over the Receivables in the Receivables Portfolio in favour of the Trustee for and on behalf of the Secured Creditors;

"Receivables Portfolio" means the aggregate of all the Receivables, which comprises each of the credits duly identified in electronic support encrypted and recorded in a CD-ROM corresponding to Schedule 10 (*List of Receivables in the Receivables Portfolio*) to the Reallocation Agreement, and including the Receivables and the related Ancillary Rights granted to the Borrowers and that are assigned by the Transferor to the Issuer under the terms of the Reallocation Agreement;

"Receivables Recovery Expenses" means all amounts charged by Third Parties to the Servicer that the Issuer is required to pay or cause to be paid under Clause 14 (*Costs and Expenses*) of the Servicing Agreement and all costs and expenses reasonably incurred by Third Parties and charged to the Servicer in the ordinary course of business, consistent with the standard of performance set forth in Clause 5 (*Standard of Care and Performance*) of the Receivables Servicing Agreement, to preserve, protect, maintain or secure the Receivables or otherwise reasonably incurred by Third Parties and charged to the Servicer in the course of the Servicer's performance of the Services under the Servicing Agreement, or similar costs incurred directly by the Issuer in connection with the Receivables (excluding any operational costs of the Servicer) and including the following:

- (a) costs and expenses related to the management, collection and disposition of specific Receivables, including commissions, fees and expenses of construction, brokerage, property management, inspection, appraisal, legal, accounting, investment banking and other professional firms, the costs of defending third-party claims or counterclaims against the Issuer or its personnel, costs of environmental assessments, filing and recording fees, custodian fees, costs of credit reports and investigations, repair and maintenance expenses, insurance premiums and deductibles, and taxes, assessments and other fees and expenses incurred by a property owner;
- (b) costs and expenses in marketing, selling and otherwise disposing of the Receivables, including the preparation of marketing brochures, and auction services, legal fees, surveys, title insurance premiums and other title company costs;
- (c) legal fees and other costs and expenses of foreclosures, bankruptcies, lawsuits and other actions and proceedings to exercise or enforce rights and remedies relating to the Receivables or to enforce obligations relating thereto;
- (d) storage costs (if any) regarding the Receivables documentation;
- (e) any refunds or payments to customers in respect of the Receivables; and
- (f) all capitalised costs corresponding to costs which may be charged back to the relevant Borrower, including, without limitation, (A) advances on loans, letters of credit and other unfunded commitments relating to the Receivables, including advances for payments in respect of senior liens or otherwise to protect, preserve or enhance collateral for the Receivables, (B) costs of capital expenditures relating to the Receivables, such as tenant improvements, capital repairs and improvements and environmental remediation, (C) the return of tenant security deposits, tax and insurance escrow funds and other similar third party deposits and escrows, and (D) funding deposits with utility companies, operating accounts with property management companies, escrows with title companies, cash bonds with courts and other similar funding in connection with operating, collecting and disposing of the Receivables.

For the sake of clarity, any costs incurred by any Sub-contractor of the Servicer and which would not have been incurred if the Servicer had not so subcontracted the relevant Services (including

any fees owed to such Sub-contractor) shall be a cost to be borne by the Servicer and not the Issuer and accordingly shall not be part of the Receivables Recovery Expenses;

"Reallocation Agreement" means the so named agreement entered into on or about the Issue Date between the Transferor and the Issuer;

"Receivables Servicing Agreement" means the so named agreement entered into on or about the Issuer Date between the Issuer, the Servicer and the Trustee;

"Receiver" means any receiver, manager, administrator, receiver or manager, or administrative receiver appointed in respect of the Issuer by the Issuer at the request of the Trustee or by the Trustee in accordance with clause 18 (*Appointment and Removal of Administrators and Receivers*) of the English Deed of Charge;

"Records" means, in respect of each Receivable and Ancillary Rights, the information elements on each Receivable provided by the Transferor to the Purchaser as listed in Schedule 10 (*List of Receivables in the Receivables Portfolio*) to the Reallocation Agreement, as well as all correspondence sent or received by the Transferor and/or its advisers under or in respect of any of the Receivables, if any, and any applicable court documentation, receivables agreements or any other security documentation or other;

"Recovery Expenses" means Receivables Recovery Expenses and Property Recovery Expenses;

"Register" means the register on which the names and addresses of the holders of the Notes, and the particulars of the Notes shall be kept by the Registrar at the Specified Office of the Registrar;

"Registrar" means the party responsible for the Register, which at the Issue Date is Elavon Financial Services DAC acting in such capacity pursuant to the Agency Agreement (or any successor duly appointed);

"Relevant Date" means, in respect of the Notes, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date 7 (seven) days after the date on which notice is duly given to the Noteholders in accordance with the Notices Condition that, upon further presentation of the Notes being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation;

"Replacement Cap Premium" means the amount payable by the Issuer to the replacement cap counterparty or by the replacement cap counterparty to the Issuer (as the case may be) in order to enter into a replacement cap agreement to replace or novate the Cap Agreement;

"Report Recipients" means (i) the Issuer, (ii) the Cash Manager, (iii) the Noteholders, (iv) the Trustee, (v) the Monitoring Agent, (vi) the Arranger and Lead Manager, (vii) the Cap Counterparty and (viii) the Rating Agencies, if applicable.

"Reserved Matter" means any matter specified in Condition 18.8 (*Reserved Matters*);

"Resolution" means an Ordinary Resolution or an Extraordinary Resolution;

"Retained Interest" means in relation to the Notes, the retention, on an ongoing basis, of a net economic interest in the securitisation of not less than five per cent. in accordance with the text of article 6(3)(d) of the Securitisation Regulation;

"Retained Matter" means any matter specified in Condition 17.9 (*Retained Matters*);

"Retention Holder" means Cortland Investors II S.à r.l., a *société à responsabilité limitée* incorporated under the laws of the Grand Duchy of Luxembourg with registered number B193140, having its registered office at 2, rue Edward Steichen, L-2540, Luxembourg, Grand Duchy of Luxembourg;

"Retention Obligation" means in relation to the Notes, the obligation of the Retention Holder to retain the Retained Interest, in accordance with the Risk Retention Commitment Letter;

"Risk Retention Commitment Letter" means the so-named commitment letter under which the Retention Holder undertakes to the Issuer, the Trustee, in its capacity of Trustee of the Noteholders, and the Cap Counterparty to comply with the Retention Obligation and the remaining obligations related therewith, as applicable, until the Principal Amount Outstanding of the Notes is reduced to zero;

"Schedule" means the Schedule supplementing and forming part of the Cap Agreement;

"Scope" means Scope Ratings GmbH;

"Secured Creditors" means the Noteholders, the Trustee, the Agents, the Cash Manager, the Servicer, the Accounts Bank, the Monitoring Agent, the Cap Counterparty and the EMIR Reporting Agent and the other persons listed as entitled to payment in accordance with the Post-Enforcement Payment Priorities;

"Securitisation Regulation" means Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012, as amended;

"Security" means the security granted by the Issuer to the Trustee under and pursuant to the Security Documents in favour of the Secured Creditors;

"Transferor" means ProSil Acquisition S.A., a *société anonyme* incorporated under the laws of the Grand Duchy of Luxembourg with registered number B 208.112, having its registered office at 2 rue Edward Steichen, L-2540, Luxembourg, acting for the account of each of its respective compartments in "Cell Number 1", "Cell Number 2" and "Cell Number 3".

"Servicer" means HipoGes Iberia S.L.U., as servicer under the Servicing Agreement;

"Servicer Covenants" means the coVenants of the Servicer contained in Schedule 3 (*Servicer's Covenants*) and in Schedule 4 (*Servicer Specific Warranties and Covenants*) of the Servicing Agreement;

"Servicer Fee" means the Servicer Junior Fee, the Servicer Mezzanine Fee and the Servicer Senior Fee;

"Servicer Junior Fee" means the servicer fee identified as such in Clause 11 (*Servicing Remuneration*) of the Servicing Agreement plus any part of the Servicer Junior Fee due and not paid in the previous Interest Payment Date(s) to the Servicer (and which part, for the avoidance of doubt, shall not accrue any interest);

"Servicer Mezzanine Fee" means the servicer fee identified as such in Clause 11 (*Servicing Remuneration*) of the Servicing Agreement plus any part of the Servicer Mezzanine Fee due and not paid in the previous Interest Payment Date(s) to the Servicer (and which part, for the avoidance of doubt, shall not accrue any interest);

"Servicer Report" means the servicer report, in the form established in Schedule 9 (*Form of the Servicer Report*) of the Servicing Agreements, to be delivered to the Report Recipients no later than 10 (ten) Business Days after the end of a Collection Period;

"Servicer Senior Fee" means the servicer fee identified as such in Clause 13 (*Servicer Fee*) of the Servicing Agreements plus any part of the Servicer Senior Fee due and not paid in the previous Interest Payment Date(s) to the Servicer;

"Servicer Termination Event" has the meaning set forth in Clause 13 (*Servicer Termination Event*) of the Servicing Agreements;

"Services" means the servicing services to be provided by the Servicer with respect to the Receivables pursuant to the Servicing Agreement, as specified in Schedule 1 (*Services to be provided by the Servicer*) to the Servicing Agreement;

"Servicing Agreements" means the Receivables Servicing Agreement and the Propco Servicing Agreement;

"Servicing Committee" means the committee of members appointed by the Class B Noteholders, the Class J Noteholders and the Class Z Noteholders, in accordance with the Servicing Committee Rules;

"Servicing Committee Rules" means the rules governing the Servicing Committee, attached as Schedule 3 (*Servicing Committee Rules*) to the Monitoring Agent Appointment Agreement forming an integral part thereof for all legal and contractual purposes;

"Spanish Securities Market Law" means the Spanish Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October.

"Specified Office" means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with the provisions of the Agency Agreement;

"Sponsor" means Cortland Investors II S.à r.l., a *société à responsabilité limitée* incorporated under the laws of the Grand Duchy of Luxembourg with registered number B193.140, having its registered office at 2, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg.

"Sponsor Representations and Warranties" means the representations and warranties to be given by the Sponsor under the Reallocation Agreement;

"SPV Criteria" means the criteria established from time to time by the Rating Agencies for a single purpose company in the Issuer Jurisdiction.

"Successor Cash Manager" means an entity identified in accordance with Clause 14 (*Replacement of Cash Manager and Successor Cash Manager*) of the Cash Management Agreement;

"Sub-contractor" means any sub-contractor, sub-agent, delegate or representative;

"Substituted Obligor" means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria.

"Subordination Event" means any of the following, in respect of a given Interest Payment Date:

- (a) the Cumulative Collection Ratio as indicated in the Servicer Report delivered immediately prior to such Interest Payment Date is lower than 90 per cent.; or
- (b) the NPV Cumulative Profitability Ratio as indicated in the Servicer Report immediately preceding such Interest Payment Date is lower than 90 per cent; or
- (c) the amount to be paid by the Issuer as interest on the Class A Notes is lower than the relevant Interest Amount due on the Class A Notes on such Interest Payment Date.

"Target Price" means the NPV of Net Collections to be received on or after the Issue Date in respect of a Debt Relationship as calculated at a rate equal to a Discount Factor and on the basis of the Business Plan, as determined prior to the Issue Date and set out in Schedule 8 (*Business Plan*) of the Servicing Agreement, for the Receivables to be serviced by the Servicer.

"Target Receivables Recovery Expenses" shall mean the estimated recovery expenses of a Receivable, as formulated in the Receivable Plan and to be agreed between the Servicer and the Issuer;

"Target Recovery" shall mean the estimated recovery value of a Receivable, as formulated in the Receivable Plan and to be agreed between the Servicer and the Issuer;

"Tax" means: (a) all forms of direct and indirect tax, levy, duty, charge, impost, withholding, contribution, sewerage connection or maintenance taxes, municipal taxes or charges, as well any other amount whenever created or imposed, in each case in the nature of taxation; or (b) all charges, interest, penalties, surcharges or fines incidental or relating to any taxes falling within paragraph (a) above or which arise as a result of the failure to pay any such taxes on the due date or to comply with any obligation relating to such taxes, whatever the underlying reason and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly;

"Tax Deduction" means any deduction or withholding on account of Tax;

"Third Parties" mean, with respect to a party, all persons and entities other than (a) such party, (b) its Affiliates, successors and assignees, and (c) all of the respective officers, directors, partners, shareholders, employees, agents and controlling persons of such party and its Affiliates, successors and assignees;

"Third Party Expenses" means any amounts due and payable by the Issuer to third parties (not being Secured Creditors) including any liabilities payable in connection with:

- (a) the purchase or disposal of any Authorised Investments;
- (b) any filing or registration of any Transaction Documents;
- (c) any provision for and payment of the Issuer's liability to tax (if any) in relation to the transaction contemplated by the Transaction Documents;
- (d) any law or any regulatory direction with whose directions the Issuer is accustomed to comply with;
- (e) any legal or audit or other professional advisory fees;
- (f) any advertising, publication, communication and printing expenses including postage, telephone and telex charges;
- (g) any other amounts then due and payable to third parties and incurred without breach by the Issuer of the provisions of the Transaction Documents;

"Transaction Accounts" means, together, (i) the Issuer Payment Account, (ii) the Cash Reserve Account and (iii) the Cap Collateral Account;

"Transaction Documents" means the Conditions, the Incorporated Terms Memorandum, the Reallocation Agreement, the Servicing Agreement, the Cash Management Agreement, the Agency Agreement, the Accounts Bank Agreement, the Cap Agreement, the EMIR Reporting Agreement, the Monitoring Agent Appointment Agreement, the Trust Deed, each Propco Shares Pledge Agreement, each Propco Debt Pledge Agreement, the Luxembourg Accounts Pledge Agreement, each Propco Accounts Pledge Agreement, the English Deed of Charge, the Receivables Pledge Agreement, the Risk Retention Commitment Letter and any other agreement or document entered into from time to time by the Issuer pursuant thereto. For the sake of clarity, the Cap Collateral Account Pledge is not a Transaction Document;

"Transaction Parties" means the Issuer, the Noteholders, the Servicer, the Accounts Bank, the Agents, the Cash Manager, the Trustee, the Monitoring Agent, the Cap Counterparty, the EMIR Reporting Agent and any other entity which, from time to time, may come to be a party to the Transaction Documents, including any subsequent successors and transferees in accordance with their respective interests;

"Treaty" means the treaty establishing the European Communities, as amended by the Treaty on European Union;

"Trust Deed" means the so named agreement entered into on or about the Issue Date between the Issuer and the Trustee;

"Trustee" means U.S. Bank Trustees Limited, in its capacity as Trustee in accordance with the Conditions and the terms of the Trust Deed;

"Trustee's Fees and Liabilities" means all costs, fees, expenses, indemnity payments, Liabilities and all other amounts due and payable by the Issuer to the Trustee (or any Appointee or Receiver appointed by the Trustee) pursuant to the Transaction Documents together with any VAT thereon;

"VAT" means value added tax provided for in the applicable value added tax legislation in Luxembourg and any other tax of a similar fiscal nature whether imposed in Luxembourg (instead of or in addition to value added tax) or elsewhere;

"Written Resolution" means a resolution in writing signed by or on behalf of the relevant Noteholders who for the time being are entitled to receive notice of a Meeting in accordance with the provisions for Meetings, whether contained in one document or several documents in the same form, each signed by or on behalf of the Noteholder;

"Written-off Receivable" means, on any day, any Receivable in respect of which:

- (a) the net proceeds of realisation of such Receivable have been realised, including those arising from the sale or other disposition of other property of the related Borrower or any other party directly or indirectly liable for payment of the Receivable;
- (b) Insolvency Proceedings have been commenced by or against the relevant Borrower; or
- (c) a classification as a written-off Receivable has been made by the Issuer.

TAXATION

Taxation in Luxembourg

Taxation of the Issuer

The Issuer is a securitisation company which is fully taxable in Luxembourg and liable to Corporate Income Tax and Municipal Business Tax at the applicable rate (24.94% for Luxembourg City for 2019). All payments made to a holder of a Note issued by the Issuer and all payments to any creditors as well as all commitments for such payments to a holder of a Note and creditors are fully tax deductible for the Issuer according to the Luxembourg Securitisation Law.

However, according to the Luxembourg law dated 21 December 2018 transposing the anti-tax avoidance rules laid down in the Council Directive (EU) 2016/1164 of 12 July 2016 (the "**ATAD**"), the tax deduction of interest payments made by the Issuer may be denied as from fiscal year 2019 if (a) the Issuer has exceeding borrowings costs (i.e. tax-deductible borrowing costs that are in excess of the taxable interest income and other economically equivalent taxable income of the Issuer) and (b) such exceeding borrowing costs are higher than (i) 30 % of the Issuer's EBITDA and (ii) EUR 3 million. This rule would however not apply to, notably, a securitisation entity within the meaning of article 2(2) of Regulation (EU) No 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012.

Furthermore, the tax deductions of payments made by the Issuer may also be denied as from fiscal year 2019 if (a) such payments are not included in the taxable base of the ultimate recipient/beneficiary as a result of a hybrid mismatch and (b)(i) the ultimate recipient/beneficiary of the payment and the Issuer are associated enterprises or (ii) the ultimate recipient/beneficiary and the Issuer have concluded a structured arrangement which entails this hybrid mismatch. While this rule only targets hybrid mismatches within the EU at the moment, it should be noted that the anti-hybrid rule will (a) be expanded to non-EU hybrid mismatches and (b) more sophisticated hybrid mismatches once the EU Council Directive 2017/952 of 29 May 2017 amending the ATAD as regards hybrid mismatches with third countries has been transposed into Luxembourg legislation (for which no draft bill is available at the moment).

Withholding Tax

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individuals of the amended Luxembourg law of 23 December 2005 which provides for a 20% withholding tax (which is final when Luxembourg resident individuals are acting in the context of the management of their private wealth) on savings income (i.e. with certain exemptions, savings income within the meaning of the amended Luxembourg law of 23 December 2005).

In addition, pursuant to the law of 23 December 2005 as amended, Luxembourg resident individuals who are the beneficial owners of savings income paid by a paying agent established outside Luxembourg, in a Member State of either the European Union or the European Economic Area, can opt to self-declare and pay a 20% tax on this savings income. This 20% tax is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Taxes on Income and Capital Gains

Holders of Notes who derive income from such Notes or who realize a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on such income or capital gains, subject to the application of the amended laws of law 23 December 2005 referred to above, and unless:

- (a) such holders of Notes are, or are deemed to be, resident in Luxembourg for Luxembourg tax purposes (or for the purposes of the relevant provisions), or

- (b) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on a corporate holder of Notes unless:

- (a) such Holder of ECP Notes is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions to the exception of the following entities that are net wealth tax exempt, being (i) undertakings for collective investment (UCI) within the meaning of the law of 17 December 2010 as amended, (ii) investment company in risk capital (SICAR) within the meaning of the law dated 15 June 2004, as amended, (iii) securitisation entities within the meaning of the law dated 22 March 2004, as amended, (iv) specialised investment funds (SIF) within the meaning of the law of 13 February 2007, as amended, (v) family estate management companies (SPF) within the meaning of the law dated 11 May 2007, as amended and (vi) reserved alternative investment funds within the meaning of the law of 14 July 2016; or
- (b) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg.

As regards to individuals, the Luxembourg law of 23 December 2005 as amended has abrogated the net wealth tax starting with the year 2006.

However, please note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or SICARs governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof remain subject to minimum net wealth tax.

Inheritance and Gift Tax

Where the Notes are transferred for no consideration:

- (a) no Luxembourg inheritance tax is levied on the transfer of the Notes upon death of a holder of Notes in cases where the deceased holder was not a resident of Luxembourg for inheritance tax purposes; or
- (b) Luxembourg gift tax will be levied in the event that the gift is made pursuant to a notarial deed signed before a Luxembourg notary or is registered in Luxembourg.

Value Added Tax

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of a Note. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from value added tax does not apply with respect to such services.

Other Taxes and Duties

It is not compulsory that the Notes be filed, recorded or enrolled with any court or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty (other than court fees and contributions for the registration with the Chamber of Commerce) be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Notes. In case of voluntary registration of the Notes, only a fixed duty would be payable.

Residence

A holder of a Note will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of such Note or the execution, performance, delivery and/or enforcement of that or any other Note.

Common Reporting Standard

The Organisation for Economic Co-operation and Development has developed a new global standard for the annual automatic exchange of financial information between tax authorities (the "**CRS**"). The CRS has been implemented into Luxembourg domestic law via the law dated 18 December 2015 concerning the automatic exchange of information on financial accounts and tax matters and implementing the EU Directive 2014/107/EU. The regulation may impose obligations on the Issuer and its shareholder / holders of Notes, if the Issuer is actually regarded as a reporting Financial Institution under the CRS law, so that the latter could be required to conduct due diligence and obtain (among other things) confirmation of the tax residency (through the issuance of self-certifications forms by the holders of Notes), tax identification number and CRS classification of the holders of Notes in order to fulfil its own legal obligations pursuant to the CRS law.

Investors should contact their own tax advisers regarding the application of CRS to their particular circumstances.

Taxation in the Kingdom of Spain

Withholding Tax

On the basis that the Issuer is not resident in Spain for tax purposes nor has a permanent establishment in Spain from which the payments under the Notes derived, such payments would not constitute Spanish source income and, accordingly, they would be made free of withholding or deduction of any Spanish taxes.

In the case where a Spanish resident entity acted as a depository, custodian or paying agent under the Notes, a withholding obligation may exist for the depository, custodian or paying agent under certain conditions.

The Proposed Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

DISTRIBUTION AND SALE

The Arranger and Lead Manager has, pursuant to a placement agreement to be dated on or about the date of this Offering Circular between the Issuer and the Arranger and Lead Manager (the "**Placement Agreement**"), agreed with the Issuer (subject to certain conditions) to use its reasonable efforts to procure subscriptions and payments on the Issue Date for the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes, the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes, the Class J Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class J Notes and the Class Z Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class Z Notes.

Except with the express written consent of the Retention Holder in the form of a U.S. Risk Retention Consent and where such sale falls within the exemption provided by Section 20 of the U.S. Risk Retention Rules, the Notes may not be purchased by any person except for persons that are not Risk Retention U.S. Persons.

This Offering Circular does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United States

The Notes have not been and will not be registered under the Securities Act or the state securities laws or "blue sky" laws of any state or any other relevant jurisdiction of the United States and therefore may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or a transaction not subject to, registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

The Arranger and Lead Manager has agreed that it will not offer, sell or deliver the Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (the "**Distribution Compliance Period**") within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

In addition to the foregoing, each purchaser of the Notes during the initial syndication has certified or is hereby deemed to have represented and agreed as follows: it (1) is not a Risk Retention US Person, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Notes and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the US Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules described herein).

United Kingdom

The Arranger and Lead Manager has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Spain

The Arranger and Lead Manager has represented and agreed that the Notes have not been offered or sold in Spain other than by institutions authorised under the Spanish Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October (the "**Spanish Securities Market Law**"), and related legislation, to provide investment services in Spain, and as agreed between the Issuer and the Arranger and Lead Manager, offers of the Notes in Spain have only been directed specifically at or made to professional clients (*clientes profesionales*) as defined in Article 205 of the Spanish Securities Market Law and Article 58 of Royal Decree 217/2008, of 15 February, and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law.

Prohibition of sales to EEA retail investors

The Notes may not be and will not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Public offer selling restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Arranger and Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or the Arranger and Lead Manager to publish a prospectus pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" shall also include any relevant implementing measure in the Relevant Member State.

Regulation 2017/1129 of 14 June 2017 ("**Prospectus Regulation**"), which repeals and replaces the Prospectus Directive, has laid down the requirements for the drawing up, approval and distribution of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market situated or operating within a Member State. Although some parts of the Prospectus Regulation are

already in force, the vast majority of its provisions will not come into effect until 21 July 2019. Any offer of Notes after such date should take into account, to the extent applicable, such new Prospectus Regulation.

General

The Arranger and Lead Manager has acknowledged that no further action has been or will be taken in any jurisdiction by the Arranger and Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material in relation to such Notes, in any country or jurisdiction where such further action for that purpose is required. Accordingly, the Arranger and Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 4 July 2019.
2. Application has been made to Euronext Dublin for the approval of this Offering Circular as listing particulars and for the Rated Notes to be admitted to the Official List of Euronext Dublin and to trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin. No application will be made to list the Rated Notes on any other stock exchange. The Class J Notes and the Class Z Notes will not be listed.
3. There are no governmental, legal or arbitration proceedings, including any which are pending or threatened of which the Issuer is aware, which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position of the Issuer.
4. There are no significant conflicting interests of the Parties, without prejudice to each Party having a potential and relative interest in this issuance corresponding to its respective role in relation to the Notes.
5. Since the date of the most recent publicly available financial statements of the Issuer (being 2017), the Issuer has no other outstanding or created but unissued loan capital, term loans, borrowings, indebtedness in the nature of borrowing or contingent liabilities, nor has the Issuer created any mortgages, charges or given any guarantees. There has been no material adverse change, in the financial position or prospects of the Issuer since the date of its audited financial statements for the year ended 2017.
6. The following Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Codes:

	ISIN	Common Code
Class A Notes	XS1843432078	184343207
Class B Notes	XS1843431930	184343193
Class J Notes	XS1843431856	184343158
Class Z Notes	XS1843431773	184343177

7. Copies of the following documents will be available for inspection, on reasonable notice, in physical and/or electronic form at the Specified Office of the Principal Paying Agent and at the registered office of the Issuer and the Trustee. The documents may be consulted during usual business hours on any week day (Saturdays, Sundays and public holidays excepted) after the date of this document and for the life of the Notes:
 - (a) the constitutional documents of the Issuer (including an English translation);
 - (b) the following documents:
 - the Conditions;
 - the Incorporated Terms Memorandum;
 - the Reallocation Agreement;
 - the Servicing Agreements;
 - the Placement Agreement;
 - the Agency Agreement;
 - the Cash Management Agreement;
 - the Accounts Bank Agreement;
 - the Cap Agreement;

- the EMIR Reporting Agreement;
 - the Monitoring Agent Appointment Agreement;
 - the Trust Deed;
 - the Risk Retention Commitment Letter;
 - the English Deed of Charge;
 - the Spanish Security Documents; and
 - the Luxembourg Security Documents.
8. The audited financial statements of the Issuer for the financial years ending 31 December 2016 and 31 December 2017 will be available for inspection at the following website: <https://www.euroabs.com/IH.aspx?d=12561>.
9. Any website (or the contents thereof) referred to in this Offering Circular does not form part of this Offering Circular.
- Arthur Cox Listing Services Limited, Ten Earlsfort Terrace, Dublin 2, Ireland is acting solely in its capacity as listing agent for the Issuer in relation to the Rated Notes and is not itself seeking admission of the Rated Notes to the Official List of Euronext Dublin or to trading on the Global Exchange Market of Euronext Dublin.
10. The Servicer Reports, the Quarterly Transaction Report and the Investor Reports will be provided, as required under articles 7(1)(a) and 7(1)(e) of the Securitisation Regulation, in the form prescribed at such time under the Securitisation Regulation. As required under article 7(2) of the Securitisation Regulation, the Servicer Reports, the Quarterly Transaction Reports and the Investor Reports will be made available by the Issuer (or by the Servicer on its behalf) to the relevant recipients by means of the website (the "**SR Website**") of EuroABS (<https://www.euroabs.com/IH.aspx?d=12561>), being a website that conforms to the requirement set out in article 7(2) of the Securitisation Regulation. The Issuer has been appointed as the designated entity under article 7(2) of the Securitisation Regulation. The Issuer has appointed the Servicer and the Cash Manager to assist the Issuer in complying with its obligations under article 7 of the Securitisation Regulation.

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