# Caixa Terrassa Societat de Participacions Preferents, S.A.U.

Annual Accounts
31 December 2017

Directors' Report
2017

(With Auditor's Report Thereon)

Translation of a report originally issued in Spanish based on our work performed in accordance with prevailing legislation regulating the audit of annual accounts in Spain on the financial statements originally issued in Spanish and prepared in accordance with the provisions of the financial reporting framework applicable in Spain (see notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Translation of a report originally issued in Spanish based on our work performed in accordance with prevailing legislation regulating the audit of annual accounts in Spain on the financial statements originally issued in Spanish and prepared in accordance with the provisions of the financial reporting framework applicable in Spain (see notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

# Independent Auditor's Report on the Annual Accounts

To the Sole Shareholder of Caixa Terrassa Societat de Participacions Preferents, S.A.U.

## Opinion

We have audited the annual accounts of Caixa Terrassa Societat de Participacions Preferents, S.A.U. (the "Company"), which comprise the balance sheet at 31 December 2017, and the income statement, statement of changes in equity, statement of cash flows and the notes thereto for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company at 31 December 2017, and the results of its operations and its cash flows for the year then ended in accordance with the provisions of the financial reporting framework applicable (as identified in note 2 to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

## Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Related party balances and transactions (see note 13 to the annual accounts)

Virtually all the Company's assets at 31 December 2017 related to balances with other BBVA Group companies. Also, all the income earned by the Company comes from transactions with these companies.

The nature of related party relationships and transactions can, in some circumstances, give rise to a greater risk of material misstatement in the annual accounts than in the case of transactions with unrelated parties, insofar as the determination of prices applied to such transactions requires a high level of judgement by the Company's Directors.

Our audit procedures included the identification and valuation of related party transactions and the request of confirmation of balances with these related parties. We also verified that the documentation of transactions with related parties is not mandatory for tax purposes since they are carried out with companies that belong to the same tax group.

We also assessed whether the disclosures in the Company's annual accounts meet the requirements of the financial reporting framework applicable to the Company.

## Other Information: Directors' Report

Other information solely comprises the 2017 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.

## Directors' Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the provisions of the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Directors of the entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated to the Directors of Caixa Terrassa Societat de Participacions Preferents, S.A.U., we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the most significant risks.

We describe these risks in our auditor’s report unless laws or regulations preclude public disclosure about the matter.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors (“ROAC”) with No. S0702

*(Signed on the original in Spanish)*

Luis Martin Riaño
On the Spanish Official Register of Auditors (“ROAC”) with No. 18,537

17 April 2018

Translation of a report originally issued in Spanish based on our work performed in accordance with prevailing legislation regulating the audit of annual accounts in Spain on the financial statements originally issued in Spanish and prepared in accordance with the provisions of the financial reporting framework applicable in Spain (see notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

# CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A. (Unipersonal)

Financial Statements for the year ended December 31, 2017, together with the Management Report.

*Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.*

# Caixa Terrassa Societat de Participacions Preferents, S.A.U. (Sole-Shareholder Company).

## BALANCE SHEETS AS OF DECEMBER 31, 2017 AND 2016 (Notes 1 to 4)

(Thousand Euros)

| ASSETS | 12/31/2017 | 12/31/2016 (*) | SHAREHOLDER'S EQUITY AND LIABILITIES | 12/31/2017 | 12/31/2016 (*) |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | **EQUITY** | | |
| **Long-term investments in Group companies and associates** | **75,000** | **75,000** | **SHAREHOLDER'S EQUITY (Note 8)** | **1,510** | **1,543** |
| Loans to companies (Note 6) | 75,000 | 75,000 | **Capital Stock** | **100** | **100** |
| **Deferred tax assets (Note 10)** | **54** | **40** | **Reserves** | **1,443** | **1,473** |
| **Total non-current assets** | **75,054** | **75,040** | Legal and bylaw reserves | 20 | 20 |
| | | | Other reserves | 1,423 | 1,453 |
| | | | **Profit/(Loss) of the year** | **(33)** | **(30)** |
| | | | **Total shareholder's equity** | **1,510** | **1,543** |
| | | | **NON-CURRENT LIABILITIES** | **73,888** | **73,850** |
| | | | **Long-term payables** | 73,888 | 73,850 |
| | | | Debentures and other marketable securities (Note 9) | **73,888** | **73,850** |
| | | | **Total non-current liabilities** | | |
| | | | **CURRENT LIABILITIES** | | |
| **CURRENT ASSETS** | | | **Short-term payables** | **288** | **122** |
| **Short-term investments in Group companies and associates** | **286** | **121** | Debentures and other marketable securities (Note 9) | 286 | 121 |
| Loans to companies (Note 6) | 286 | 121 | Other financial Liabilities | 2 | 1 |
| **Cash and cash equivalents** | **347** | **354** | **Short-term payables to Group companies and associates** | **1** | - |
| Cash (Note 7) | 347 | 354 | Other payables | 1 | - |
| **Total current assets** | **633** | **475** | **Total current liabilities** | **289** | **122** |
| **TOTAL ASSETS** | **75,687** | **75,515** | **TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES** | **75,687** | **75,515** |

(*) Presented for comparison purposes only

The accompanying Notes 1 to 16 are an integral part of the balance sheet as of December 31, 2017.

*Translation of financial statements originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain (see Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.*

# Caixa Terrassa Societat de Participacions Preferents, S.A.U. (Sole-Shareholder Company)

## INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (Notes 1 to 4)

(Thousand Euros)

| | 2017 | 2016 (*) |
|---|---|---|
| **CONTINUING OPERATIONS** | | |
| **Net Revenue** | **474** | **658** |
| Revenue from marketable securities and other financial assets | 474 | 658 |
| - Group companies and associates (Note 6) | 474 | 658 |
| **Expenses from marketable securities** | **(513)** | **(696)** |
| - On debts to third parties (Note 9) | (513) | (696) |
| **Other operating expenses (Note 11)** | **(8)** | **(5)** |
| External services | (5) | (4) |
| Taxes | (3) | (1) |
| **PROFIT/LOSS FROM OPERATIONS** | **(47)** | **(43)** |
| **FINANCIAL PROFIT/LOSS** | - | - |
| **PROFIT/LOSS BEFORE TAX** | **(47)** | **(43)** |
| Income tax (Note 10) | 14 | 13 |
| **PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS** | **(33)** | **(30)** |
| **DISCONTINUED OPERATIONS** | | |
| Profit/Loss for the year from discontinued operations net of tax | - | - |
| **PROFIT/LOSS FOR THE YEAR** | **(33)** | **(30)** |

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 16 are an integral part of the income statement for the year ended December 31, 2017.

*Translation of financial statements originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain (see Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.*

# Caixa Terrassa Societat de Participacions Preferents, S.A.U. (Sole-Shareholder Company)

## STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (Notes 1 to 4)

### A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE
(Thousand Euros)

| | 2017 | 2016 (*) |
|---|---|---|
| **PROFIT/LOSS PER INCOME STATEMENT (I)** | (33) | (30) |
| **Income and expenses recognised directly in equity** | | |
| Arising from revaluation of financial instruments | - | - |
| Arising from cash flow hedges | - | - |
| Grants, donations or gifts and legacies received | - | - |
| Arising from actuarial gains and losses and other adjustments | - | - |
| Tax effect | - | - |
| **TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (II)** | - | - |
| **Transfers to profit or loss** | | |
| Arising from revaluation of financial instruments | - | - |
| Arising from cash flow hedges | - | - |
| Grants, donations or gifts and legacies received | - | - |
| Tax effect | - | - |
| **TOTAL TRANSFERS TO PROFIT OR LOSS (III)** | - | - |
| **TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)** | (33) | (30) |

(*) Presented for comparison purposes only

The accompanying Notes 1 to 16 are an integral part of the statement of changes in total equity for the year ended December 31, 2017.

*Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 2 and 16). In the event of a discrepancy, the Spanish-language prevails.*

# Caixa Terrassa Societat de Participacions Preferents, S.A.U. (Sole-Shareholder Company)

## STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (Notes 1 to 4)

### B) STATEMENTS OF CHANGES IN TOTAL EQUITY

(Thousand Euros)

| | Capital Stock (Note 8) | Legal Reserves | Other Reserves | Profit/Loss for the year | TOTAL |
|---|---|---|---|---|---|
| **BALANCE AT DECEMBER 31, 2015 (*)** | 100 | 20 | 1,484 | (31) | 1,573 |
| Adjustments due to changes in accounting policies 2015 | - | - | - | - | - |
| Adjustments due to errors 2015 | - | - | - | - | - |
| **ADJUSTED BALANCE AT THE BEGINNING OF 2016 (*)** | 100 | 20 | 1,484 | (31) | 1,573 |
| **Total recognised income and expenses** | - | - | - | (30) | (30) |
| **Other changes in equity** | - | - | - | - | - |
| - Capital increases | - | - | - | - | - |
| - Capital reductions | - | - | - | - | - |
| - Dividends paid | - | - | - | - | - |
| - Treasury share transactions (net) | - | - | - | - | - |
| - Other transactions | - | - | - | - | - |
| **Other changes in equity** | - | - | (31) | 31 | |
| **BALANCE AT DECEMBER 31, 2016 (*)** | 100 | 20 | 1,453 | (30) | 1,543 |
| Adjustments due to changes in accounting policies 2016 | - | - | - | - | - |
| Adjustments due to errors 2016 | - | - | - | - | - |
| **ADJUSTED BALANCE AT THE BEGINNING OF 2017** | 100 | 20 | 1,453 | (30) | 1,543 |
| **Total recognised income and expenses** | - | - | - | (33) | (33) |
| **Other changes in equity** | - | - | - | - | - |
| - Capital increases | - | - | - | - | - |
| - Capital reductions | - | - | - | - | - |
| - Dividends paid | - | - | - | - | - |
| - Treasury share transactions (net) | - | - | - | - | - |
| - Other transactions | - | - | - | - | - |
| **Other changes in equity** | - | - | (30) | 30 | - |
| **BALANCE AT DECEMBER 31, 2017** | 100 | 20 | 1,423 | (33) | 1,510 |

(*) Presented for comparison purposes only

The accompanying Notes 1 to 16 are an integral part of the statement of changes in total equity for the year ended December 31, 2017.

*Translation of financial statements originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain (see Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.*

## Caixa Terrassa Societat de Participacions Preferents, S.A. (Sole-Shareholder Company)

### CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (Notes 1 to 4)

(Thousand Euros)

| | 2017 | 2016 (*) |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES (I)** | (7) | (7) |
| **Profit/Loss for the year before tax** | (47) | (43) |
| **Adjustments for:** | 39 | 38 |
| - Depreciation and amortisation charge | - | - |
| - Impairment losses | - | - |
| - Changes in provisions | - | - |
| - Recognition of grants in profit or loss | - | - |
| - Gains/Losses on derecognition and disposal of non-current assets | - | - |
| - Gains/Losses on derecognition and disposal of financial instruments | - | - |
| - Finance income | (474) | (658) |
| - Finance costs | 513 | 696 |
| - Exchange differences | - | - |
| - Changes in fair value of financial instruments | - | - |
| - Other income and expenses | - | - |
| **Changes in working capital** | 2 | (2) |
| - Inventories | - | - |
| - Trade and other receivables | - | - |
| - Other current assets | - | - |
| - Trade and other payables | 2 | (2) |
| - Other current liabilities | - | - |
| - Other non-current assets and liabilities | - | - |
| **Other cash flows from operating activities** | (1) | (882) |
| - Interest paid | (310) | - |
| - Dividends received | - | - |
| - Interest received | 309 | 882 |
| - Income tax recovered (paid) | - | - |
| - Other amounts received (paid) | - | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES (II)** | - | - |
| **Payments due to investment** | - | - |
| - Group companies and associates | - | - |
| - Intangible assets | - | - |
| - Property, plant and equipment | - | - |
| - Investment property | - | - |
| - Other financial assets | - | - |
| - Non-current assets classified as held for sale | - | - |
| - Other assets | - | - |
| **Proceeds from disposal** | - | - |
| - Group companies and associates | - | - |
| - Intangible assets | - | - |
| - Property, plant and equipment | - | - |
| - Investment property | - | - |
| - Other financial assets | - | - |
| - Non-current assets classified as held for sale | - | - |
| - Other assets | - | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES (III)** | - | (6) |
| **Proceeds and payments relating to equity instruments** | - | - |
| - Proceeds from issue of equity instruments | - | - |
| - Redemption of equity instruments | - | - |
| - Purchase of treasury shares | - | - |
| - Disposal of treasury shares | - | - |
| - Grants, donations or gifts and legacies received | - | - |
| **Proceeds and payments relating to financial liability instruments** | - | (6) |
| - Proceeds from issue of debt instruments and other marketable securities | - | - |
| - Proceeds from issue of bank borrowings | - | - |
| - Proceeds from issue of borrowings from Group companies and associates | - | - |
| - Proceeds from issue of other borrowings | - | - |
| - Redemption of debt instruments and other marketable securities | - | - |
| - Repayment of bank borrowings | - | - |
| - Repayment of borrowings from Group companies and associates | - | (6) |
| - Repayment of other borrowings | - | - |
| **Dividends and returns on other equity instruments paid** | - | - |
| - Dividends | - | - |
| - Returns on other equity instruments | - | - |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)** | - | - |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)** | (7) | (13) |
| Cash and cash equivalents at the beginning of the year | 354 | 367 |
| Cash and cash equivalents at the end of the year | 347 | 354 |

(*) Presented for comparison purposes only

The accompanying Notes 1 to 16 are an integral part of the cash flow statement for the year ended December 31, 2017.

*Translation of financial statements originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain (see Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.*

# CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A.U. (Sole-Shareholder Company)

## Notes to the financial statements as of December 31, 2017

### 1. Company description

Caixa Terrassa Societat de Participacions Preferents, S.A.U. (Sole-Shareholder Company) (hereinafter, the "Company") was constituted on November 20, 2000 under the name of Caixa Terrassa Preference Limited with registered offices in the Cayman Islands. On December 30, 2004 it changed its company name to the current one and its registered offices to La Rambla d'Ègara, 350, of Terrassa (Barcelona). It currently has its registered offices in Gran Vía Don Diego Lopez de Haro, No. 12, Bilbao due to its relocation under the decision of Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA" or the "Sole Shareholder") in the year 2014.

The Company's exclusive corporate purpose is to issue preferred securities for placement in the Spanish and international markets. The cash obtained from the issues of financial instruments is deposited by the Company at its sole-shareholder.

In July 2010, Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa became the Company's Sole-Shareholder with a participation amounting to 100% of the Company's capital.

On September 26, 2011, a public deed for segregation was granted, which entailed the transmission of all assets and liabilities of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa to Unnim Banc, S.A.U. (hereinafter, "Unnim"), replacing the latter in all rights and obligations of the former. The public deed for segregation was registered in the Mercantile Registry in Barcelona on September 30, 2011. Therefore, the Company's shares belonging to Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa were transferred to Unnim.

On September 30, 2011, the Bank of Spain agreed the restructuration process of Unnim, with the intervention of the Fund for the Orderly Restructuring of the Banking Sector (FROB). In October 2011 a capital increase and the conversion of preferred securities by the FROB were announced, which made the FROB Unnim's sole-shareholder. During this process, the FROB was named Provisional Administrator of Unnim in the aim of stabilizing, capitalizing and restructuring the Unnim Group.

On March 7, 2012, the FROB's Steering Committee formulated Unnim's restructuration plan, which contemplated its integration in the Banco Bilbao Vizcaya Argentaria Group (hereinafter, the "BBVA Group"). Such plan was approved by the Bank of Spain's Executive Body. Once all the approvals from the competent authorities were obtained, on July 27, 2012, BBVA completed the acquisition of 100% of Unnim's capital.

On January 31, 2013, the Boards of Directors of Unnim and BBVA approved the plan for the merger by absorption of Unnim into BBVA and the consequent transfer of all Unnim's assets and liabilities to BBVA, which would acquire all rights and obligations. In March 15, 2013, BBVA's Shareholders Meeting approved the merger. Therefore, as the date of that merger, BBVA is the Company's Sole-Shareholder (see Note 8).

For an appropriate interpretation of these financial statements it must be taken into account that the Company develops its activity as a member company of the Banco Bilbao Vizcaya Argentaria Group (see Note 8) whose parent company is Banco Bilbao Vizcaya Argentaria, S.A. (which has its registered office in Plaza San Nicolás 4, Bilbao), that obtains permanently from it the guarantees necessary for its activity and is managed by personnel from the Group. Consequently, these financial statements must be interpreted in the context of the Group in the Company performs its operations and not as an independent company.

The BBVA Group's consolidated financial statements for 2017 were prepared by Banco Bilbao Vizcaya Argentaria, S.A.'s Directors at the Board Meeting held on February 12, 2018, and were approved by their shareholders at the Annual General Meeting held on March 16, 2018, and were subsequently filed at the Mercantile Registry of Bizcaya.

Given the business activity to which the Company devotes herself, it does not have any responsibilities, expenses, assets, provisions or contingencies of environmental nature that could be significant in relation with the shareholders' equity, the financial position and the income of the Company. Therefore, no specific disclosures relating to environmental issues are included in these notes to financial statements.

**Regulation of Sole-Shareholder companies**

As discussed in Notes 1 and 8, as of December 31, 2017, all the Company's share capital was held by BBVA and, accordingly, the Company was a Sole-Shareholder company as of such date. Pursuant to current legislation on Sole-Shareholder companies (article 12 et seq. of the Consolidated Text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010 of July 2 ("the Spanish Companies Act")) it is hereby stated that at the date of preparation of these financial statements, the Company had formalized the appropriate register book of contracts with its Sole-Shareholder.

The nature and main characteristics of the most significant contracts entered into with the Sole-Shareholder Company are detailed in Note 6 for deposit contracts and Note 7 for cash and cash equivalents, in what refers to the non-remunerated current account that the Company keeps with BBVA.

## 2. Basis of presentation of the financial statements

### a) Regulatory financial reporting framework applicable to the Company

The financial statements have been prepared by the Company's Directors one established in:

- The Spanish Trade Code and the other commercial regulation,

- The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its adjustments for the different economic sectors, with their subsequent amendments,

- The mandatory rules approved by the Spanish Accounting and Audit Institute (ICAC) in accordance to the Spanish National Chart of Accounts and its complementary regulation, and

- The other Spanish accounting regulation that applies to the Company.

### b) True and fair view

The Company's financial statements for 2017 have been obtained from the Company's accounting records, and are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein, so that they provide a true and fair view of the Company's net worth and financial position as of December 31, 2017 and the results of operations as well as the cash flows generated during the year then ended. These financial statements will be submitted for approval to the Company's Sole-Shareholder, and it is expected that they will be approved without any changes. The financial statements for 2016 were approved by the Sole-Shareholder held on April 25, 2017.

### c) Accounting principles

The financial statements have been prepared by applying the generally accepted accounting principles described in Note 3. All mandatory accounting principles and/or valuation standards with a material effect on the financial statements were applied in preparing them.

Article 537 of the Spanish Companies Act provides that companies that have issued securities listed on a regulated market of any Member State of the European Union and that, pursuant to current legislation, only publish individual financial statements, must disclose in the notes to the financial statements the main changes that would have arisen in the equity and in the income statement of the Company had International Financial Reporting Standards as adopted under the regulations of the European Union ("EU-IFRSs") been applied, indicating the measurement bases criteria applied. In this regard, the Company's equity at December 31, 2017 and its income statement for this year would not include any changes had EU-IFRS been applied.

Given the characteristics and the symmetry of the financial assets and financial liabilities measured at amortized cost (see Notes 6 and 9), the fair value of the issues launched does not differ significantly from the amount of the deposits made as their features (amount, term and interest rate) are the same (See Note 9).

**d) Key issues in relation with the measurement and estimation of the uncertainty**

In preparing the accompanying financial statements, estimates were made by the Company's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported therein. These estimates relate basically to assessment of eventual impairment losses on certain assets (see Note 3.a).

Although these estimates were made on the basis of the best information available at 2017 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, in accordance with the current legislation.

**e) Grouping of items**

Certain items in the accompanying Balance Sheet, Income Statement, Statement of Changes in Total Equity and Cash Flow Statement are grouped together in order to enhance their understanding. However whenever the information is material, it is presented broken down in the related notes to these financial statements.

**f) Comparative information**

For comparison purposes the Company's Directors present, in addition to the figures for 2017 for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements, the figures for 2016.

Consequently, the figures for 2016 included in these notes to the financial statements are presented for comparison purposes only and do not constitute the Company's statutory financial statements for 2016.

**g) Changes in accounting policies**

In 2017 there have been no significant changes in accounting policies with respect to those applied in 2016.

**h) Correction of errors**

During the preparation of these financial statements there has not been detected any significant error that would require the re-expression of the amounts included in the financial statements for 2016.

## 3. Accounting policies and measurement bases

The principal accounting principles and valuation methods used by the Company in preparing its financial statements, in accordance with the Spanish National Chart of Accounts, have been as follows:

**a) Financial instruments**

***Financial assets***

*Classification –*

The financial assets held by the Company are classified in "Loans and receivables" category, that includes financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial origin, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

*Initial recognition –*

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

When the deposits arising from preferred securities issued by the Company were made at BBVA (see Note 6), the balance of "Long-term investments in Group and associated companies - Loans to companies" reflected the nominal amount of the deposits, net of premiums received when the deposits were made at BBVA, which was equal to the placement costs of the issue plus, for issues below par, the difference between the issue price and the nominal value or the repayment value of the issue (see Note 9).

*Subsequent measurement -*

Loans and receivables are measured at amortised cost.

The balance of "Long-term investments in Group and associated companies – Loans to companies" in the accompanying balance sheets reflects the nominal amount of the deposits with maturity exceeding 12 months from the date of such balance sheets held by the Company at BBVA arising from the aforementioned issues (see Note 9).

"Short-term investments in group and associated companies – Loans to companies" in the accompanying balance sheets includes mainly the accrued uncollected interest arising from the aforementioned deposits at the date of the accompanying balance sheets, and the amount of the deposits relating to the issues that mature at less than one year, if any (see Note 6).

At least at each reporting date the Company makes an impairment test to its financial assets that are not registered at a fair value. The impairment will be equal to the difference between the book value and the present value of the cash flows that are expected to generate, discounted the effective interest rate calculated at the moment of its initial recognition. The value adjustment of the impairment, as well as its reversion when the amount of that loss decreases as a result of a subsequent event, will be recognized as a profit or a loss, respectively, in the income statement. The limit of the reversion of impairment will be the book value of the credit recognized at the moment of the reversion if the impairment had not been registered yet. As of December 31, 2017 and 2016, the company have not registered any impairment due to the fact that the balancing entries of all the financial assets is BBVA.

The Company derecognises a financial asset when it expires or when the rights to the cash flows, the risks and rewards of ownership related to the financial asset have been substantially transferred.

***Financial liabilities***

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having a commercial origin cannot be classified as derivative financial instruments. Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

As of December 31, 2017 and 2016 the Company had recognised the amount of the outstanding issues of preferred securities under "Long-Term payables – Debentures and other marketable securities" on the liability side of the accompanying balance sheet, net of:

- The incurred expenses from the emissions of preferred securities, minus the expenses charged to income.
- In those issues below par, the difference between the issue price and the nominal value or the redemption value thereof, net of expenses charged to income.

"Short-term payables - Debentures and other marketable securities" in the accompanying balance sheets includes the interest borne but not paid on the aforementioned issues (and on issues maturing in less than one year, if any) at the reporting date.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist. Additionally, if an exchange of debt obligations is produced between the Company and a third party, provided that they have significant different conditions, the Company will derecognise the original financial liability and will recognize the new financial liability. In the same way, a substantial modification of the current terms of a financial liability will be recognized.

The difference between (i) the book value of the financial liability, or the part thereof that has been derecognized, and (ii) the price paid, including transactional costs and any asset different to cash or liabilities assumed, will be recognized in the Income Statement of the year in which they occur.

**b) Income and expenses**

The financial revenues and expenses related to the issuance of notes and bonds and to the constitution of deposits with the Parent Company are registered using the amortized cost method as part of the "Profit from Operations" under the headings "Net Revenue – Revenue from marketable securities and other financial assets – Group companies and associates" and "Expenses from marketable securities- On debt to third parties" of the income statement of the year, respectively, according to the consultation with the ICAC number 7 (BOICAC number 79). Other income and expenses are recognised on an accrual basis.

**c) Foreign currency transactions**

The Company's functional currency is the Euro. As of December 31, 2017, there were no operations in currencies other than the euro.

**d) Corporate income tax**

The Company files Consolidated Corporate Income Tax returns as part of the consolidated tax group headed by Banco Bilbao Vizcaya Argentaria, S.A. (see Note 8).

The expense for Corporate Income Tax is calculated on the basis of book income before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income, understood as the corporate income tax base.

The tax benefit relating to double taxation credits is treated as a reduction of the amount of corporate income tax for the year in which the tax credits are used. Entitlement to these tax credits is conditional upon compliance with the legally applicable requirements.

The expense or income from deferred tax arises from the recognition and cancellation of assets and deferred tax liabilities. They include temporary differences between the book income and the taxable income, the negative basis of book income that has not been compensated and the tax deduction credits that have not been applied. Those amounts are registered by applying the temporary difference or correspondent credit the tax rate at which the Company expects their recovery or settlement.

**e) Related party transactions**

The Company performs all its transactions with related parties on an arm's length basis (see Note 13). Additionally, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

**f) Current and non-current items**

Different items on the Balance Sheet have been classified as either current or non-current depending on the fact that they will reach maturity within or after one year, from the end of the period onwards.

## 4. Appropriation of income

The Board of Directors will submit for approval by the Sole-Shareholder the application of the net loss for the year ended 2017, amounting to EUR 33 thousands, to "Losses from previous years".

The Board of Directors will submit for approval by the Sole-Shareholder the reduction of the voluntary reserves account during the year of 2018 in order to compensate the losses from previous years.

## 5. Risk exposure

The Company carries out its business activity as an issuer of preferred securities as part of the BBVA Group, obtaining the financing facilities required for its operations from the Group on an on-going basis, and is managed by employees of the Group. The main financial risks affecting the Company are as follows:

- Interest rate risk: Changes in interest rates affect the interest received from deposits and the interest paid on issues. Therefore, the changes in interest rates offset each other, and the margins are maintained.

- Liquidity risk: The Company obtains the liquidity required to meet interest payments, redemptions of issues and the needs for its business activities from its own cash and cash equivalents, the subordinated deposits on the issues arranged with the Sole-Shareholder(see Notes 7 and 6, respectively), and (iii) the credit facility, with a limit of EUR 30 thousands, also held with its Sole-Shareholder. At 31 December 2017, the Company had not drawn down any amount against this credit facility.

- Credit risk: Since in all cases the counterparty of the deposits is its Sole-Shareholder, the Company considers that its exposure to this risk is not relevant.

- Other market risks: The fair value of the issues launched does not differ significantly from the amount of the deposits made as their features (amount, term and interest rate) are the same (See Note 9).

## 6. Loans to Companies of the BBVA Group

The detail of "Long-term investment in Group and associated companies - Loans to companies" in the balance sheet as of December 31, 2017 and 2016 consist of the deposit held by the Company as a result of the issue of preferred securities.

The detail of the deposit as of December 31, 2017 and 2016, is as it follows:

| | Contractual Date | Date of Maturity | Interes rate | Amount (Thousands of Euro) |
|---|---|---|---|---|
| Deposit "Serie B" (Euro) | 08/10/2005 | Perpetual maturity with an early redemption option from the fifth year | Annual assessments: type CMS to 10 more years of a 0.10% (*) | 75,000 |
| | | | **Total** | **75,000** |

*(*) If the Agent Bank is unable to determine the 10-year CMS rate, 6-month Euribor will be used as an alternative interest rate.*

"Short-Term Investments in Group and Associated companies - Loans to companies" in the accompanying statements as of December 31, 2017 and 2016 reflect the amount corresponding to the receivable interests accrued to the long-term deposit which amounts to EUR 286 and EUR 121 thousands as of December 31, 2017 and 2016, respectively.

The interests of these deposits during the years 2017 and 2016 amounted to EUR 474 and EUR 658 thousands respectively, and figure under "Net revenue – Revenue from marketable securities and other financial assets – Group companies and associates".

## 7. Cash and cash equivalents

The balance of this caption of the balance sheets as of December 31, 2017 and 2016 corresponds to a non-remunerated current account held at BBVA which amount to EUR 347 thousands and EUR 354 thousands, respectively.

## 8. Equity

Share Capital

As of December 31, 2017, the share capital, which amounted to EUR 100,000, is represented by 10,000 ordinary shares of EUR 10 par value each, fully subscribed and paid by BBVA.

The Company's shares are not listed on a stock exchange.

Legal Reserves

Under the revised Spanish Companies Act, the companies who obtain profits in the economic exercise will have to allocate 10% of such profits as legal reserve until this one reaches at least 20% of the share capital. The legal reserve could be used for increasing the share capital in the part of the balance that exceeds 10% of the already increased capital. Apart from this purpose, and while it does not overcome the 20% of the share capital, this reserve will only be able to be used to compensate for losses provinding that there do not exist other reserves to meet this requirement. As of December 31, 2017 and 2016, the legal reserve of the Company had reached the stipulated level.

## 9. Long-term payables

The detail of the aforementioned issues as of December 31, 2017 and 2016 is the following:

| Concept | Thousands of Euro | |
|---|---|---|
| | 2017 | 2016 |
| Issues | 75,000 | 75,000 |
| Deferred charges | (1,112) | (1,150) |
| **Total** | **73,888** | **73,850** |

The outstanding issue under "Long-term payables – Debentures and other marketable securities" as of December 31, 2017 and 2016 are as it follows:

| | Date of placement | Date of maturity | Interest rate | Amount (Thousands of Euro) |
|---|---|---|---|---|
| Issue of "Series B" Preferred Securities | 08/10/2005 | Perpetual maturity, with an early redemption option from the fifth year. | Annual settlements: type CMS to 10 more years of a 0.10%. | 75,000 |
| | | | **Total** | **75,000** |

*(*) If the Agent Bank is unable to determine the 10-year CMS rate, 6-month Euribor will be used as an alternative interest rate.*

The issue is jointly severally and irrevocably guaranteed by BBVA. The resources obtained from these issues have been deposited at BBVA (see Note 6).

Imputed issuance expenses to income for the years 2017 and 2016 amount to EUR 38 thousands in both years, which the Company has registered under the heading "Expenses from marketable securities – On debts to third parties" of the accompanying income statements. As of December 31, 2017 and 2016, redeemable expenses from issues, not yet recognized in the Income Statement, amounted to EUR 1,112 and EUR 1,150 thousands, respectively.

The interests on these issues in 2017 and 2016 amounted to EUR 475 thousands and EUR 658 thousands, respectively, included under "Expenses from marketable securities – On debts to third parties" of the accompanying income statements.

Additionally, the interest remained unpaid as of December 31, 2017 and 2016 recorded in the caption "Short-term payables - Debentures and other marketable securities" of the liability side of the balance sheet amounted to EUR 286 thousands and EUR 121 thousands, respectively.

The outstanding issue on December 31, 2017 and 2016, is listed on the Amsterdam`s Euronext Market. The fair value by Series B ascends quote 87.32% of the nominal value on December 31, 2017 (56.96% on December 31, 2016). Given the symmetrical nature of the associated deposits, the reasonable value thereof is equivalent to emissions that are linked.

## 10. Tax matters

Pursuant to the provisions Law 27/2014 of November 27, on Corporate Income Tax, the Company is subject to corporate income tax. The Company also files consolidated tax returns as part of the 2/82 Group, whose parent company is Banco Bilbao Vizcaya Argentaria, S.A.

At the date in which these financial statements are prepared, the Company has the last four years open for inspection by tax authorities for the main taxes.

The breakdown of the account reconciliation between taxable income and taxable corporate income tax as of December 31, 2017 and 2016 is as follows:

| | Thousands of Euro | |
|---|---|---|
| | 2017 | 2016 |
| **Profit before taxes** | **(47)** | **(43)** |
| Permanent differences | - | - |
| Temporary differences | - | - |
| **Taxable income** | **(47)** | **(43)** |
| Tax rate | 30% | 30% |
| **Gross tax payable** | - | - |
| Tax withholdings and pre-payments | - | - |
| **Net tax payable** | - | - |

Below is the calculation of the Company Tax expense for 2017 and 2016:

| | Thousands of Euro | |
|---|---|---|
| Concept | 2017 | 2016 |
| **Taxable income** | **(47)** | **(43)** |
| Tax payable (30%) | | |
| Temporary differences impact | - | - |
| Deduction for double taxation | - | - |
| **Accrued tax** | | |
| Cancellation of negative taxable income | (14) | (13) |
| Adjustment of Income Tax due to temporary differences | - | - |
| Adjustment of Income Tax of precedent years | - | - |
| **Corporate income tax expense/(income)** | **(14)** | **(13)** |

Tax losses, tax credit carry forwards and other deferred assets registered by the Company are offset by the BBVA Tax Group as they are included in the Company's Corporate Income Tax Return, to the extent that the Group obtains sufficient profits.

BBVA is ultimately responsible for the Tax Group before the Tax Agency, which accepts the registration of the aforementioned tax assets by the Companies belonging to BBVA's Tax Group to the extent that they have been offset or will be offset in the Tax Return for Consolidated Companies.

The Company, as seen in the table above, has activated the tax bases generating an asset for EUR 54 thousands under the heading "Assets by deferred tax" of the balance sheet against the expense account under the heading "Corporate Tax Expenses", as of December 31, 2017 (EUR 40 thousand as of December 31,2016).

| Year of origin | (Thousands of Euro) | |
|---|---|---|
| | Negative taxable income | Assets by deferred tax |
| 2014 | 45 | 14 |
| 2015 | 45 | 13 |
| 2016 | 43 | 13 |
| 2017 | 47 | 14 |
| Total | 180 | 54 |

As of December 31, 2017 y 2016, the Company has no unregistered active or passive deferred taxes.

Due to the diversity of interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future might originate contingent tax liabilities which cannot be objectively quantified at the present time. However, the Company's Board of Directors and its tax advisers consider that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Company's financial statements for the year 2017.

## 11. Other operating expenses

The balance of the heading "Other operating expenses – Exterior services" of the accompanying income statements includes the audit fees relative to the auditing services of the Company's financial statements. In 2017, the detail of the fees paid for the auditing of the financial statements and other services conducted by KPMG Auditores, S.L. or any other company related to the auditor by control, is as follows

| | Thousands of Euro |
|---|---|
| Audit services | 3 |
| Other verification services | - |
| **Total Auditing Services and Related** | **3** |
| Tax advisory services | - |
| Other Services | - |
| **Total profesional Services** | **3** |

The services engaged from our auditors meet the independence requirements stipulated by the Consolidated Audit Law 22/2015, of July 20, and accordingly they did not include the performance of any work that is incompatible with the audit function.

The Company does not incur salary expenses, since it has no workforce. The Company's management is carried out by staff from the BBVA Group.

## 12. Remuneration of the Company's Board of Directors

The Company does not accrue or pay any wages, salaries or attendance fees to the members of the Board of Directors. It also did not grant any loans or advances or acquire any commitments derived from Pension Plans with any current or former members of the Board of Directors.

All of the members of the Board of Directors perform their professional activity at Banco Bilbao Vizcaya Argentaria, S.A., the Company's Sole-Shareholder.

As of December 31, 2017, the Board of Directors of the company was formed by four members, all of them were men (four members as of 31 December 2016, all of them male).

In relation to the new disclosure requirements to be included in the notes to the financial statements introduced by Royal Decree 602/2016, in accordance with the legislation in force, at 31 December 2017, the Company did not have any employees with a disability equal to or greater than 33%, had not entered into any contractual relationships with its shareholders or directors in 2017 and had not paid any premiums for its directors' third-party liability insurance.

## 13. Related party balances and transactions

The detail of the main balances and transactions made by the Company with other companies belonging to the BBVA Group as of December 31, 2017 and 2016, respectively, correspond with balances and transactions with its Sole-Shareholder, Banco Bilbao Vizcaya, S.A., or other companies of the BBVA Group and are as follows:

| Concept | Thousands of Euro | |
|---|---|---|
| | 2017 | 2016 |
| **BALANCE SHEET:** | | |
| **Assets-** | | |
| Long-term investments (Note 6) | 75,000 | 75,000 |
| Deferred tax assets (Note 10) | 54 | 40 |
| Short-term investments (Note 6) | 286 | 121 |
| Cash (Note 7) | 347 | 354 |
| **Liabilities-** | | |
| Short-term liabilities | - | - |
| **INCOME STATEMENT:** | | |
| **Income/(Expenses)-** | | |
| Turnover – Income from marketable values and other financial assets (Note 6) | 474 | 658 |

## 14. Other creditors

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions (amended by Final Provision Two of Law 31/2014, of 3 December) that has been prepared in accordance with the ICAC Resolution of January 29, 2016 on the information to be included in the notes of the financial statements in relation to the average payment period to suppliers in commercial operations (hereinafter, "the Resolution").

| | 2017 | 2016 |
|---|---|---|
| | **Days** | |
| Average suppliers' payment period | 13 | 19 |
| Paid operations ratio | 32 | 21 |
| Unpaid operations ratio | 1 | 1 |
| | **Thousands of Euro** | |
| Total payments made in the year | 3 | 7 |
| Total pending payments | 4 | 1 |

Under the Resolution of the ICAC, to calculate the average payment period to suppliers, it's necessary to take into account the relevant commercial operations of goods or services deliveries accrued from the effective day of the implementation of the Law 31/2014, of 3 December, by which the Spanish Companies Act is amened.

"Average suppliers' payment period" means the period of time between the delivery of goods or the provision of services by the supplier and the effective payment of the operation.

The maximum legal payment term applicable to the Company as of December 31, 2017 and 2016, according to Law 11/2013, of July 26, on measures to support the entrepreneur and the stimulation of growth and job creation is 30 days, which is extendable by agreement between the parties with a limit of 60 calendar days. As a result, the Company has taken as reference 60 days in both exercises.

## 15. Subsequent events

Since December 31, 2017 until the date of preparation of these financial statements, no additional events that might have a material effect on the financial statements have taken place.

## 16. Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.*

# CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A. (Sole-Shareholder Company)

## Management Report for the year ended December 31, 2017

**Corporate Purpose**

The sole company object of Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal (the "**Company**") is the issuance of preference shares to be placed on domestic and international markets. The Company creates deposits out of cash obtained through issues of preference shares launched through Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**" or the "**Sole Shareholder**").

No issues were launched by the Company in 2017.

The issues launched by the Company through its sole shareholder are guaranteed.

At 31 December 2017 and 2016, BBVA had the status of sole shareholder of the Company.

**Income Statement**

The net loss for the year 2017 amounted to EUR 33 thousands. The Company's operating income, income from marketable securities and other financial instruments in group companies and associates during the year have amounted to EUR 474 thousands. Besides, operating costs corresponding to marketable securities and other financial instruments on debts to third parties have amounted to EUR 513 thousands.

During 2017, the Company has recognized deferred tax asset of EUR 54 thousands.

Due to its activity, the Company does not incur in any environmental expenses.

The Company has no staff expenses, as it has no workforce. Company's management is carried out by personnel from Banco Bilbao Vizcaya Argentaria Group.

**Profit distribution**

The Company's Board of Directors will submit for approval by the Sole-Shareholder the distribution of the net loss for the year 2017, which amounts to EUR 33 thousands, as it follows:

| | **Thousands of Euro** |
|---|---|
| | |
| Loss for the year | (33) |
| **Distributable amount** | **(33)** |
| **Distribution** | |
| Losses from previous years | (33) |
| **Total distributed** | **(33)** |

During year 2018, the Company's Board of Directors will propose the Sole-Shareholder the reduction of the voluntary reserves to compensate prior year's losses.

**Portfolio Shares**

No purchases of shares of the Company or of its Sole-Shareholder have taken place.

**Risk exposure**

The Company carries out its business activity as an issuer of preferred securities as part of the BBVA Group, obtaining the financing facilities required for its operations from the Group on an on-going basis, and is managed by employees of the Group. The main financial risks affecting the Company are as follows:

- Interest rate risk: Changes in interest rates affect the interest received from deposits and the interest paid on issues. Therefore, the changes in interest rates offset each other, and the margins are maintained.

- Liquidity risk: The Company obtains the liquidity required to meet interest payments, redemptions of issues and the needs for its business activities from its own cash and cash equivalents, the subordinated deposits on the issues arranged with the Sole-Shareholder, and (iii) the credit facility, with a limit of EUR 30 thousands, also held with its Sole-Shareholder. At 31 December 2017, the Company had not drawn down any amount against this credit facility.

- Credit risk: Since in all cases the counterparty of the deposits is its Sole-Shareholder, the Company considers that its exposure to this risk is not relevant.

- Other market risks: The fair value of the issues launched does not differ significantly from the amount of the deposits made as their features (amount, term and interest rate) are the same.

Regarding issues with a financial derivative involved, the Company constitutes a "mirror" deposit with Banco Bilbao Vizcaya Argentaria, S.A., therefore the Company is not exposed to variations in the fair value of those financial instruments. Note 9 of the accompanying financial statements, provides the detail of the fair value of issues as of December 31, 2017.

**Use of financial instruments**

Hybrid financial instruments are those that combine a non-derivative principal contract and a financial derivative (embedded derivative) that cannot be independently transferred.

As of December 31, 2017, the Company has not recognized any hybrid financial instrument on its balance sheet.

**Research and Development**

Due to the Company's activity, it does not incur into any research and development expenses.

**Several Creditors**

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions (amended by Final Provision Two of Law 31/2014, of 3 December) that has been prepared in accordance with the ICAC Resolution of January 29, 2016 on the information to be included in the notes of the financial statements in relation to the average payment period to suppliers in commercial operations (hereinafter, "the Resolution").

| | 2017 | 2016 |
|---|---|---|
| | **Days** | |
| Average suppliers' payment period | 13 | 19 |
| Paid operations ratio | 32 | 21 |
| Unpaid operations ratio | 1 | 1 |
| | **Thousands of Euro** | |
| Total payments made in the year | 3 | 7 |
| Total pending payments | 4 | 1 |

Under the Resolution of the ICAC, to calculate the average payment period to suppliers, it's necessary to take into account the relevant commercial operations of goods or services deliveries accrued from the effective day of the implementation of the Law 31/2014, of 3 December, by which the Spanish Companies Act is amened.

"Average suppliers' payment period" means the period of time between the delivery of goods or the provision of services by the supplier and the effective payment of the operation.

The maximum legal payment term applicable to the Company as of December 31, 2017 and 2016, according to Law 11/2013, of July 26, on measures to support the entrepreneur and the stimulation of growth and job creation is 30 days, which is extendable by agreement between the parties with a limit of 60 calendar days. As a result, the Company has taken as reference 60 days in both exercises.

**Subsequent events**

Since December 31, 2017 until the date of preparation of these financial statements, no additional events that might have a material effect on the financial statements have taken place.

**Outlook for 2018**

The Company, will maintain its corporate purpose and will continue its strategy of managing its current issues, undertaking, if any, new issues under the Banco Bilbao Vizcaya Argentaria Group's strategy and under its outstanding programs.

**Report of corporate governance**

Caixa Terrassa Societat de Participacions Preferents, S.A., Unipersonal, an entity with registered office in Spain whose voting rights are all held directly by BBVA by virtue of Article 9 of Spanish Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March, determining the content and structure of the annual corporate governance report, of the annual report on remuneration and of other reporting instruments of listed public limited liability companies, savings banks and other issuers of securities admitted for trading on official stock markets, does not prepare an annual corporate governance report, since such report was prepared on 12 February 2018, and filed with the Spanish National Securities Market Commission, by its sole shareholder, BBVA, as parent of the BBVA Group, on 14 February 2018.

| DISCLAIMER: | The English version is only a translation of the original in Spanish for information purposes. In case of a discrepancy, the Spanish original prevails. |
| --- | --- |

**DECLARATION OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT**

The members of the CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A. UNIPERSONAL Board of Directors hereby declare that, to the extent of their knowledge, the annual financial statements corresponding to financial year 2017, drafted at the meeting dated 20th March 2018, prepared in accordance with applicable accounting standards, offer a faithful image of the net assets, financial situation and results of CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A. UNIPERSONAL, and that the management report include a faithful analysis of the performance, business earnings and position of CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A. UNIPERSONAL, together with the description of the main risks and uncertainties that the Company faces.

Madrid, 20th March 2018

*SIGNED BY ALL MEMBERS OF THE BOARD*