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**Caixa Terrassa Societat de  
Participacions Preferents, S.A.  
Unipersonal**

Interim Financial Report  
corresponding to 1 January – 30 June 2018

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

### BALANCE SHEETS AS OF JUNE 30, 2018 AND JUNE 30, 2017 (In Thousands of Euros)

	30/06/2018	30/06/2017 (*)		30/06/2018	30/06/2017 (*)
<b>ASSETS</b>			<b>LIABILITIES AND EQUITY</b>		
<b>NON-CURRENT ASSETS:</b>			<b>TOTAL NET EQUITY:</b>		
Non-current investments in group companies and associates	75,000	75,000	EQUITY (Note 5)	1,487	1,520
Loans to companies (Note 3)	75,000	75,000	Share capital	100	100
Deferred tax assets	54	40	Reserves	1,410	1,443
<b>Total non-current assets</b>	<b>75,054</b>	<b>75,040</b>	Legal and statutory reserves	20	20
			Other reserves	1,390	1,423
			Profit/(loss) for the period	(23)	(23)
			<b>Total Net Equity</b>	<b>1,487</b>	<b>1,520</b>
<b>CURRENT ASSETS:</b>			<b>NON-CURRENT LIABILITIES:</b>		
Current investments in group companies and associates	648	275	Long-term debt	73,908	73,869
Loans to companies (Note 3)	648	349	Debtentures and other negotiable securities (Note 6)	73,908	73,869
Cash and cash equivalents	342	349	<b>Total non-current liabilities</b>	<b>73,908</b>	<b>73,869</b>
Cash and bank balances (Note 4)	342	349			
<b>Total current assets</b>	<b>990</b>	<b>624</b>	<b>CURRENT LIABILITIES:</b>		
<b>TOTAL ASSETS</b>	<b>76,044</b>	<b>75,664</b>	Short-term debt	649	275
			Debtentures and other negotiable securities (Note 6)	648	275
			Other financial liabilities	1	-
			<b>Total current liabilities</b>	<b>649</b>	<b>275</b>
			<b>TOTAL EQUITY AND TOTAL LIABILITIES</b>	<b>76,044</b>	<b>75,664</b>

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

**INCOME STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2016**

(In Thousands of Euros)

	30/06/2018	30/06/2017 (*)
<b>CONTINUING OPERATIONS</b>		
<b>Revenue</b>	362	154
Revenues from negotiable securities and other financial instruments	362	154
- In Group companies and associates (Note 3)	362	154
<b>Expenses from negotiable securities and other financial instruments</b>	<b>(382)</b>	<b>(173)</b>
- With third parties (Note 6)	(382)	(173)
<b>Other operating expenses (Note 7)</b>	<b>(3)</b>	<b>(4)</b>
External services	(1)	(1)
Taxes	(2)	(3)
<b>OPERATING INCOME</b>	<b>(23)</b>	<b>(23)</b>
<b>FINANCIAL INCOME</b>	-	-
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>(23)</b>	<b>(23)</b>
Income tax expense	-	-
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>	<b>(23)</b>	<b>(23)</b>
<b>DISCONTINUED OPERATIONS</b>		
End-of-period income from discontinued operations net of tax	-	-
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(23)</b>	<b>(23)</b>

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

### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2018 AND JUNE 30, 2017

#### A) STATEMENTS OF RECOGNIZED INCOME AND EXPENSES FOR THE SIX MONTHS ENDED JUNE, 30 2018 AND 2017

(In Thousands of Euros)

	30/06/2018	30/06/2017 (*)
<b>RESULT OF THE INCOME STATEMENT</b>	<b>(23)</b>	<b>(23)</b>
<b>Revenues and expenses recorded directly to total net equity</b>		
- From valuation of financial instruments	-	-
- From hedging of cash flows	-	-
- Subsidies, donations and legacies received	-	-
- From actuarial gains and losses and other adjustments	-	-
- Tax impact	-	-
<b>TOTAL REVENUES AND EXPENSES RECORDED DIRECTLY TO TOTAL NET EQUITY</b>	<b>-</b>	<b>-</b>
<b>Transfers to income statement</b>		
- From valuation of financial instruments	-	-
- From hedging of cash flows	-	-
- Subsidies, donations and legacies received	-	-
- Tax impact	-	-
<b>TOTAL TRANSFERS TO INCOME STATEMENT</b>	<b>-</b>	<b>-</b>
<b>TOTAL REVENUES AND EXPENSES RECOGNISED</b>	<b>(23)</b>	<b>(23)</b>

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

### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2018 AND JUNE 30, 2017

#### B) STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2018 AND JUNE 30, 2017

(In Thousands of Euros)

	Capital	Legal and statutory reserves	Other reserves	Profit/(loss) for the period	TOTAL
<b>END OF YEAR BALANCE 2017 (*)</b>	100	20	1,423	(33)	1,510
Adjustments for changes in accounting standards 2017	-	-	-	-	-
Adjustments for errors 2017	-	-	-	-	-
<b>ADJUSTED BALANCE AT BEGINNING OF 2018 (*)</b>	100	20	1,423	(33)	1,510
<b>Total revenues and expenses recognised</b>	-	-	-	(23)	(23)
<b>Transactions with Shareholders</b>	-	-	-	-	-
- Capital increases	-	-	-	-	-
- Capital reductions	-	-	-	-	-
- Distribution of dividends	-	-	-	-	-
- Transactions with treasury shares (net)	-	-	-	-	-
- Other transactions	-	-	-	-	-
<b>Other changes in net equity</b>	-	-	(33)	33	-
<b>FINAL BALANCE AT 30/JUN/2018</b>	100	20	1,390	(23)	1,487

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

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2018 AND JUNE 30, 2017

(In Thousands of Euros)

	30/06/2018	30/06/2017 (*)
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>	<b>(5)</b>	<b>(5)</b>
End-of-period profit before tax	(23)	(23)
Adjustment to earnings:	20	19
- Depreciation of fixed assets	-	-
- Impairment valuation corrections	-	-
- Change in provisions	-	-
- Allocation of subsidies	-	-
- Earnings from divestments and disposals of fixed assets	-	-
- Earnings from divestments and disposals of financial instruments	-	-
- Financial revenues	(362)	(154)
- Financial expenses	382	173
- Exchange-rate differences	-	-
- Change in fair value of financial instruments	-	-
- Other revenues and expenses	-	-
<b>Changes in current capital</b>	<b>(2)</b>	<b>(1)</b>
- Stock	-	-
- Debtors and other accounts receivable	-	-
- Other current assets	-	-
- Creditors and other accounts payable	-	-
- Other current liabilities	(2)	(1)
- Other non-current assets and liabilities	-	-
<b>Other cash flows from operating activities</b>	<b>-</b>	<b>-</b>
- Interest payments	-	-
- Dividend collections	-	-
- Interest collections	-	-
- Collections (payments) for tax on profits	-	-
- Other collections (payments)	-	-
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES (II)</b>	<b>-</b>	<b>-</b>
<b>Payments from investments</b>	<b>-</b>	<b>-</b>
- Group companies and associates	-	-
- Intangible fixed assets	-	-
- Material fixed assets	-	-
- Real-estate investments	-	-
- Other financial assets	-	-
- Non-current assets held for sale	-	-
- Other assets	-	-
<b>Collections from divestments</b>	<b>-</b>	<b>-</b>
- Group companies and associates	-	-
- Intangible fixed assets	-	-
- Material fixed assets	-	-
- Real-estate investments	-	-
- Other financial assets	-	-
- Non-current assets held for sale	-	-
- Other assets	-	-
<b>CASH FLOWS FROM FUNDING ACTIVITIES (III)</b>	<b>-</b>	<b>-</b>
<b>Collections and payments from equity instruments</b>	<b>-</b>	<b>-</b>
- Issuance of equity instruments	-	-
- Redemption of equity instruments	-	-
- Acquisition of own equity instruments	-	-
- Disposal of own equity instruments	-	-
- Subsidies, donations and legacies received	-	-
<b>Collections and payments from financial liability instruments</b>	<b>-</b>	<b>-</b>
- Issuance of debentures and other negotiable securities	-	-
- Issuance of debt with credit institutions	-	-
- Issuance of debts with Group companies and associates	-	-
- Issuance of other debts	-	-
- Return and redemption of debentures and other negotiable securities	-	-
- Return and redemption of debt with credit institutions	-	-
- Return and redemption of debts with Group companies and associates	-	-
- Return and redemption of other debts	-	-
<b>Payments from dividends and yields of other equity instruments</b>	<b>-</b>	<b>-</b>
- Dividends	-	-
- Yield on other equity instruments	-	-
<b>EFFECT OF EXCHANGE-RATE CHANGES (IV)</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/DECREASE OF CASH OR EQUIVALENT (I+II+III+IV)</b>	<b>(5)</b>	<b>(5)</b>
Cash or equivalent at beginning of period	347	354
Cash or equivalent at end of period	342	349

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## CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A.U.

Notes to the interim accounts corresponding to 1 January – 30 June 2018

### 1. Company description

Caixa Terrassa Societat de Participacions Preferents, S.A.U. (hereinafter, the "Company") was incorporated on 20 November 2000 under the corporate name of Caixa Terrassa Preference Limited, with registered office in the Cayman Islands. On 30 December 2004, its corporate name was changed to the current one and its registered office were changed to La Rambla d' Ègara, 350, in Terrassa (Barcelona). It currently has its registered office in Bilbao, Gran Vía de don Diego López de Haro, No. 12, upon relocation in 2014 by virtue of Banco Bilbao Vizcaya Argentaria, S.A.'s ("BBVA" or the "Soleshareholder") decision.

The Company's exclusive corporate purpose is the issuance of preferred securities for placement in national and international markets. The cash obtained from the issues of preferred securities is deposited by the Company in its Soleshareholder.

### 2. Presentation standards

The accounting standards applied in these interim financial statements, corresponding to the period between 1 June 2018 to 30 June 2018 are those described in the Company's audited annual accounts for 2017. There has been no change in the accounting criteria.

### 3. Intragroup loans

The balance on the account "Non-current investments in group companies and associates" of the balance sheets as of 30 June 2018 and 2017 reflect the deposit that the Company held, as a result of the issuance of preferred securities.

The detail of the deposit held by the Company as of 30 June 2018 and 2017 is as follows:

	Constitution Date	Maturity Date	Interest	Amount (€ thousand)
Deposit "Series B" (Euros)	10/08/2005	Perpetual maturity with an Issuer's early redemption option from the fifth year at any payment date.	Annual payment: 10- year CMS rate plus 0.10% (*).	75,000
			<b>Total</b>	<b>75,000</b>

(\*) 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 balance on the item "Current investments in group companies and associates" of the balance sheets as of 30 June 2018 and 2017 basically reflect the amount corresponding to the interest accrued and unpaid on the long-term deposits, which, as of 30 June 2018 and 2017, amount to €648 and €275 thousand, respectively.

Interest generated for the Company from these deposits during the period 1 January - 30 June 2018 and during the period 1 January - 30 June 2017 were €362 and €154 thousand, respectively, and are recorded under the item "Revenue" of the income statement of said periods.

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#### **4. Cash and bank balances**

The balance of this item of the balance sheet as of 30 June 2018 and 2017 correspond to a non-remunerated current account held at BBVA, for an amount up to €342 and €349 thousand, respectively.

#### **5. Equity**

##### Share capital

As of 30 June 2018, the Company's share capital, which amounts to €100 thousand, is represented by 10,000 ordinary shares of €10 par value each, fully subscribed and paid-up by BBVA.

The Company shares are not listed on the Stock Exchange.

##### Legal reserve

Pursuant to the Corporate Enterprises Act, companies must allocate 10% of the profits they obtain during a financial year as legal reserve until this accounts for at least 20% of the share capital. The legal reserve could only be used to increase the share capital in the part of the balance exceeding 10% of the capital already increased. Except for this purpose, and as long as it does not exceed 20% of the share capital, this reserve shall only be used to offset losses and only in the event that no other existing reserves are available to meet this requirement. As of 30 June 2018, the Company's legal reserve was totally constituted.

#### **6. Debentures and other negotiable securities**

The following is a breakdown of the components comprising the item "Long-term debt - Debentures and other negotiable securities" of the balance sheets as of 30 June 2018 and 2017:

Item (€ thousand)	Thousand Euros	
	30/06/2018	30/06/2017
Issues	75,000	75,000
Depreciable costs	(1,092)	(1,131)
<b>Total</b>	<b>73,908</b>	<b>73,869</b>

The outstanding issuance comprising the item "Long-term debt – Debentures and other negotiable securities" as of 30 June 2018 and 2017 (in € thousand) is as follows:

	Constitution Date	Maturity Date	Interest	Amount (€ thousand)
Preferred Securities "Series B"	10/08/2005	Perpetual maturity with an Issuer's early redemption option from the fifth year at any payment date	Annual payment: 10- year CMS rate plus 0.10% (*)	75,000
			<b>Total</b>	<b>75,000</b>

(\*) 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 issuance is jointly and severally and irrevocably guaranteed by BBVA. The resources obtained from this issue have been deposited at BBVA.

The expenses stemming from this issue, recorded to earnings as of 30 June 2018 and 2017, amounted to €20 and €19 thousand, which the Company recorded under the item "Expenses from negotiable securities and other financial instruments - With third parties" on the attached income statement. As of 30 June 2018 and 2017, there



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were depreciable costs on issues pending to be recorded to the income statement amounting to €1,092 and €1,131 thousand, respectively.

The interest accruing on this issue as of 30 June 2018 and 2017 were €362 and €173 thousand and are recorded to the item "Expenses from negotiable securities and other financial instruments - With third parties" in the attached income statements.

Likewise, the interest accruing and pending payment on this issue is recorded to the item "Current investments in group companies and associates" and amounted to €648 and €275 thousand as of 30 June 2018 and 2017, respectively.

As of 30 June 2018, the outstanding issuance, corresponding to Preferred Securities "Series B", was trading on the Euronext N.V., the Amsterdam Stock Exchange.

## **7. Other operating expenses**

The following services are included in the balance of the item "Other operating expenses" of the attached income statement as of 30 June 2018:

	€ thousand
Court Services/Registries/Lawyers	1
Taxes	2
<b>Total other operating expenses</b>	<b>3</b>

The Company does not incur salary expenses, since it does not have workforce. The management of the Company is carried out by staff from the BBVA Group.

## **8. Related-party transactions and balances**

The main balances and transactions made by the Company with other companies belonging to the BBVA Group as of 30 June 2018 and 2017 correspond to balances and transactions with its Sole shareholder or to other companies of the BBVA Group, and are as follows:

Item (€ thousand)	Thousand euros	
	30/06/2018	30/06/2017
<b>BALANCE SHEET:</b>		
<b>Assets -</b>		
Non-current investments in group companies and associates (Note 3)	75,000	75,000
Deferred tax assets	54	40
Current investments in group companies and associates (Note 3)	648	275
Cash and bank balances (Note 4)	342	349
<b>INCOME STATEMENT:</b>		
<b>Revenues/(Expenses)-</b>		
Revenues (Note 3)	362	154

## **9. 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

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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**").

	30/06/2018	30/06/2017
	<b>Days</b>	
Average suppliers' payment period	17	9
Paid operations ratio	17	16
Unpaid operations ratio	1	0
	<b>€ thousand</b>	
<b>Total payments made in the year</b>	5	1
<b>Total pending payments</b>	1	0

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 amended.

"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 in 2018 and 2017, 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.

#### **10. Subsequent events**

Since 30 June 2018 until the date of preparation of these financial statements, no additional event that might have a material effect on said statements has taken place.

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## **CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A.U**

Interim management report corresponding to 1 January – 30 June 2018

### **Company description**

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 "Soleshareholder").

During the first half of 2018, the Company has not issued any additional debt securities. The only outstanding issuance corresponds to preferred securities "Series B", which is traded on the Euronext N.V., the Amsterdam Stock Exchange.

All issues are jointly, severally and irrevocably guaranteed by its Soleshareholder.

As of 30 June 2018, BBVA is the Soleshareholder of the Company.

### **Income statement**

The result corresponding to the first half of 2018 was a loss of €23 thousand. The operating income of the Company, corresponding to revenues from negotiable securities and other financial instruments in Group companies and associates amounted to €362 thousand during the first half of year 2018. The operating expenses corresponding to expenses on negotiable securities and other financial instruments with third parties amounted to €382 thousand.

Likewise, the Company has deferred tax assets amounting to €54 thousand.

Given its activity, the Company does not incur environment-related costs.

The Company does not incur salary expenses, since it does not have workforce. The management of the Company is carried out by staff from the BBVA Group.

### **Treasury stock and shares of the holding company**

The Company has not engaged in any purchase of its own shares or those of its holding company.

### **Risk exposure**

The Company conducts its business as an issuer of preferred securities within the BBVA Group, obtaining the financing facilities required for its operation from the Group on an on-going 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 Soleshareholder, and the credit facility, with a limit of €30 thousands, also held with its Soleshareholder. As of 30 June 2018, the Company had not drawn down any amount against this credit facility.

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- **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.

#### **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 30 June 2018, 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.

#### **Subsequent events**

Since 30 June 2018 until the date of preparation of these financial statements, no additional event that might have a material effect on said statements has taken place.

#### **Outlook for the second half of 2018**

As part of the overall strategy of the BBVA Group to which the Company belongs, it has been decided not to continue to use issuing vehicles to issue financial instruments on the domestic and international markets, and therefore, once all of the Company's outstanding issues have expired, it is not expected that it will issue any additional issues in the future.

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

The members of the Board of Directors of CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A. UNIPERSONAL hereby declare that, to the extent of their knowledge, the interim financial statements for the period between 1 January until 30 June 2018, drafted at the meeting held on 20 July 2018, and prepared under the 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 interim management report includes 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, 20 July 2018

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Chairman

ANTONIO BORRAZ PERALTA

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Director

ESTEBAN AZACETA ÁLVAREZ

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Director

IGNACIO ECHEVARRÍA SORIANO

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Director

RAÚL MORENO CARNERO