BBVA

Annual Report 2017

BBVA in Switzerland

Creating Opportunities

Annual Report 2017
BBVA in Switzerland

Message from the Chairman and the Chief Executive Officer

2017 demonstrated that we have the right strategy, risk profile, and capabilities to drive BBVA's future success in Switzerland through different market circumstances.

Over the past year, we embarked on an important digital transformation in view of enriching the client experience. We focused on creating digital channels and products that in some cases are already a reference in the market. Among the projects we executed, we were able to deliver the following in record time: new mobile apps, completely renewed e-Banking, new electronic documents and the digital signature.

Furthermore, we have created a new communication strategy to position BBVA in Switzerland as a reference for global private banking in all the countries we serve. All of these are new features, which will enable our clients to be better informed when it comes to managing their wealth, facilitate their interaction with us and create awareness in the market.

In general, 2017 has been a challenging year, marked by geopolitical tensions; the UK invoked Article 50 of the Treaty of Lisbon to leave the European Union. There was also macroeconomic uncertainty, especially on a few emerging markets where growth rates came below forecast, and the global stocks approaching maximums caused lower client activity. The financial industry continued the path of implementing further financial regulations like Mifid II in Europe.

Despite all of this, the year turned out better than almost everyone expected. Real growth finally reached 3% in the United States with core inflation below 2% and the unemployment rate dropped to 4.1%. In the Eurozone, growth rates outperformed expectations with a growth rate of 2.6%, inflation at 1.4%, and unemployment dropped to 8.7%. The ECB announced in October a gradual reduction of asset purchases, which is justified by an improving economic outlook. China continued to grow at a strong rate of 6.8% and Japan achieved a good rate of growth, 2.5%.

Our financial performance in 2017 improved over the previous year. For the year, BBVA (Suiza) SA net profit was CHF 8.04 Mn and revenues reached CHF 51.60 Mn. We focused on cost discipline, increasing our cost savings by CHF 2.16 Mn, while continuing to invest for the future, and seeking new business opportunities.

In respect to assets under management, our Business unit was able to attract net new money to partially offset substantial cross-border outflows; total assets under management reached CHF 4.77[1] bn at the end of 2017. Our capital position remains very solid, with a fully applied Common Equity Tier 1 (CET1) capital ratio of 33.69%.

Looking ahead

For 2018, the macroeconomic growth outlooks are positive in most economies; however, we should take into consideration the fact that the world economy is approaching the end of an economic cycle, characterized by its long duration and the boost it has received from the central banks of the USA, Europe and Japan since 2008. In such a complex environment as this, we are committed to offering the best service in Investments and Financial Advice.

Across the Bank, we are fully committed to delivering excellence on private banking services. Our employees live our company culture and values with ambition, working as a team with full dedication to our clients. We are convinced that we have the right business model in place and the leadership team to guide the Bank forward.

We wish to thank you once again for the continued confidence in BBVA and take this opportunity to reiterate our commitment to you based on our sound service vocation guided by a culture of excellence in everything we do.

Mr. Michael Huber
Chairman of the Board

Mr. Alfonso Gómez
Chief Executive Officer

1 Excluding double counting

Corporate Governance

At BBVA in Switzerland, we aim to uphold the highest degree of excellence developing Wealth Management activities.

BBVA Group and its subsidiaries have solid corporate governance, based on seeking out return adjusted to principles, strict legal compliance, best practices and the creation of long-term value for all stakeholders.

At BBVA in Switzerland, we aim to uphold the highest degree of excellence developing Wealth Management activities, by implementing the right measures to ensure we meet all regulatory requirements while we conduct our business activity with integrity.

Board of Directors

Corporate Governance Structure: Board of Directors (as of December 31st 2017)

Full name	Post on Board of Directors	Type of directorship	Date first appointed	Date last appointed
Dr. Michael Huber (1)	Chairman	Independent Member, Partner with the law firm Wenger & Vieli AG, Zurich	March 15th, 2000	April 28th, 2016
Ms. Carmen Pérez	Member	BBVA	April 28th, 2016	
Mr. Roberto Hayer (1)	Member	Independent Member, Partner with the law firm Reber, Zurich	April 28th, 2016	
Mr. Humberto García	Member	BBVA	April 28th, 2016	
Mr. Eduardo de Fuentes	Member	BBVA	April 28th, 2016	
Mr. Martin Menzi (2)	Secretary	BBVA	December 4th, 2006	

(1) Independent Member of the Board of Directors according to FINMA Circular 2017/1, mn 17.
(2) Non-member.

The Board of Directors currently comprises five members. Two of them are independent members. The secretary is not a member of the Board of Directors. This corporate body has the structure, size and composition adjusted to corporate needs.

The functions and activities of Board Members are ruled by the principles of responsibility, transparency and independency.

Board Members shall participate in the deliberations, discussions and debates on matters submitted for their consideration.

number of Board Meetings:

4

Changes in the Composition of the Board

During 2017, there have been no changes in the composition of the Board of Directors.

Education and Experience of the members of the Board of Directors

The background of the Board Members is very diverse and combines members with experience and knowledge of the Group, its businesses and the financial sector in general, with others having relevant training, skills, knowledge and experience in sectors such as legal, audit, IT and the banking sector in Switzerland.

Dr. Michael Huber, PhD in Law, University of Zurich. Admitted to the Zurich Bar/Swiss Bar. 34 years of professional experience as Associate and Partner with various law firms in Switzerland and Spain and as Board Member of various Swiss companies (bank, investment, real estate), among other positions.

Ms. Carmen Pérez, Master's degree in Economics, University of Bilbao. European Financial Analyst. 35 years of professional experience as Global Chief Risk Officer at BBVA AM & Global Wealth and Chief Investment Officer at BBVA Mandatory Pension Funds Business in the Americas, among other positions.

Mr. Roberto Hayer, Master's degree in Law, University of Basel. Admitted to the Basel Bar/Swiss Bar. 22 years of professional experience as Associate and Partner with various law firms in Switzerland and Spain, among other positions.

Mr. Humberto García, MSc Financial Engineering. BSc in Economics. 26 years of professional experience as Director Global Wealth at BBVA Spain and Chief Investment Officer at BBVA Mexico, among other positions.

Mr. Eduardo de Fuentes, MBA P.A.D.E and P.D.G. Graduate in Law. 38 years of professional experience as Executive Chairman of Occidental Hotels, Chairman of the Corporate Social Responsibility Division of Ambar Capital y Expansión and various positions at BBVA (deputy CEO BBVA, deputy CEO BBVA Pensions and Insurance Manager in the Americas), among other positions.

Mr. Martin Menzi, Master's degree in Law, University of Zurich. Admitted to the Zurich Bar/Swiss Bar. 31 years of professional experience as Associate and Partner with various law firms in Switzerland and General Counsel at BBVA Switzerland, among other positions.

Members of Senior Management

Senior Management shall deal with those matters, which the Board of Directors has delegated in compliance with current legislation, the Company's Bylaws and its Business and Organization Regulations.

Senior Management has created a structure of internal committees, which help to ensure that the oversight and control functions and the day-to-day management of the Bank are performed with excellence. These committees consist of employees with responsibility on relevant areas.

Members of Senior Management (as of December 31st, 2017)

Full name	Post on company organization
Mr. Alfonso Gómez	Chief Executive Officer/General Manager
Mr. Daniel Cubero	Finance
Mr. Sergio Pedrosa	Business
Mr. Francisco Javier Arranz	Operations
Ms. Janet Pitan	Talent and Culture
Mr. Juan Carlos Muñoz	Risk Management
Mr. Martin Menzi	General Counsel
Mr. Iñigo Berasaluce	Compliance
Mr. Alberto Villasán	Investment and Markets
Mr. Rafael Párrizas (1)	Internal Audit
Mr. Javier Rubio (2)	Business Development

(1) Director and reports directly to the Board of Directors; does not belong to the Management Committee.

(2) Vice President and reports directly to the General Manager; does not belong to the Management Committee.

Education and Experience of the members of Senior Management

Mr. Alfonso Gómez, Leadership degree, IESE University of Navarra, Madrid-Spain. Economics degree Specialized in "Public Sector", Universidad Autónoma de Madrid. 24 years of professional experience within the BBVA Group in Madrid, New York, London and Zurich, of which 4 years in BBVA Switzerland.

Mr. Daniel Cubero, Economics and Business Administration degree with Specialization in Economics, University of Zaragoza. 20 years of professional experience within the BBVA Group in Madrid and Zurich, of which 5 years in BBVA Switzerland.

Mr. Sergio Pedrosa, University degree in Law, University of Barcelona. European Financial Planner (EFPA). 19 years of professional experience within the BBVA Group, in Madrid, Barcelona and Zurich, of which 16 years in BBVA Switzerland.

Mr. Francisco Javier Arranz, MBA in Foreign Trade. Faculty of Economics and Business - Elcano (Biscay). Business Administration degree from the Faculty of Economics and Business (Sarriko, Biscay). 21 years of professional experience within the BBVA Group in Bilbao, Madrid, Jersey and Zurich, of which 15 years in BBVA Switzerland.

Ms. Janet Pitan, Economics and Business Administration degree with Specialization in Finance, Universidad Complutense in Madrid. Certified International Coach. 20 years of professional experience within the BBVA Group in Madrid and Zurich, of which 4 years in BBVA Switzerland.

Mr. Juan Carlos Muñoz, Master's degree in Finance, Universidad del Pacifico in Lima. Economics degree, Universidad Ricardo Palma in Lima. 17 years of professional experience within the BBVA Group in Lima and Zurich, of which 9 years in BBVA Switzerland.

Mr. Iñigo Berasaluce, University degree in Law, University of Deusto. Certified Anti-Money Laundering Specialist (ACAMS). 27 years of professional experience within the BBVA Group in Valencia, Bilbao, Madrid, Zurich and Hong Kong, of which 12 years in BBVA Switzerland.

Mr. Alberto Villasán, Higher Diploma in Aerospace Engineering, Polytechnic University of Madrid. Master's degree in Financial Markets, BBVA Financial School. Chartered Financial Analyst (CFA). MBA Instituto Empresa. 20 years of professional experience within the BBVA Group in Madrid and Zurich, of which 6 years in BBVA Switzerland.

Mr. Rafael Párrizas, Economics and Business Administration degree, C.U. San Pablo CEU in Madrid and Hochschule für Bankwirtschaft in Frankfurt am Main. Certified EFFAS Financial & Investment Analyst. 19 years of professional experience in audit and assurance services and banking. Thereof, 9 years' experience within the BBVA Group in Madrid, Panama and Zurich, of which 6 years in BBVA Switzerland.

Mr. Javier Rubio, Master's degree in Finance, University Instituto de Estudios Bursátiles (I.E.B.) in Madrid. degree in Law and Jurisprudence, University Complutense in Madrid. 12 years of professional experience within the BBVA Group in New York and Zurich, of which 8 years in BBVA Switzerland.

New External Auditor

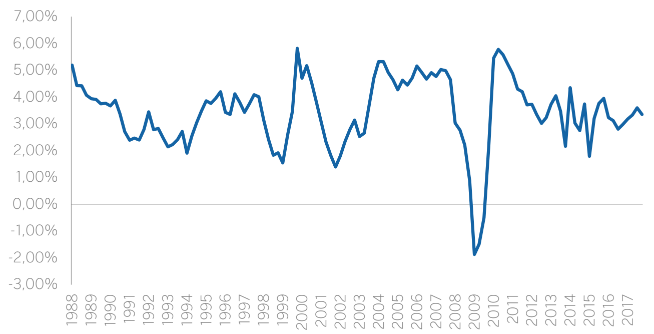
In line with the BBVA Group's corporate governance system regarding rotation of the external auditor, the general shareholders' meeting on April 27, 2017 appointed KPMG AG (KPMG) as the Bank's statutory auditors and its external auditors according to the Federal Law on Banks and Savings Banks.

Economic Enviroments

2017

World economic growth consolidated in late 2017 at reasonably solid rates of around 1% QoQ (see Figure 1), reflecting improved results in all major areas and showing signs of continuing over coming quarters. Support from economic policy has fostered growth of the real economy, particularly in developed economies. Investment spending has gained traction with support from increased global demand and an upturn in international trade, allowing a recovery of the industrial sector. Private consumption continues to perform well in advanced economies and is gaining momentum in emerging economies. At the same time, an improved growth outlook and enhanced market confidence in many such economies have also been favored by higher commodity prices and foreign capital inflows.

World GDP growth



Source: Bloomberg

GDP Forecast

	2016	2017	2018	2019
United States	1.5%	2.2%	2.6%	2.5%
Eurozone	1.8%	2.4%	2.2%	1.8%
Spain	3.3%	3.1%	2.5%	2.3%
Latam	-1.0%	1.1%	1.7%	2.5%
Argentina	-2.2%	2.8%	3.3%	3.3%
Brazil	-3.4%	1.0%	2.1%	3.0%
Chile	1.6%	1.5%	2.7%	2.9%
Colombia	2.0%	1.5%	2.0%	3.0%
Mexico	2.9%	1.9%	2.0%	2.2%
Peru	4.0%	2.3%	3.5%	3.8%
Turkey	3.2%	7.0%	4.5%	4.3%
China	6.7%	6.9%	6.3%	6.0%
World	**3.3%**	**3.7%**	**3.8%**	**3.8%**

Source: BBVA Research

In China, the measures approved by the government have managed to stabilize the economy, while some structural reforms have been introduced and an economic strategy more focused on reducing economic imbalances -and less on meeting growth targets- has been adopted. Finally, the Eurozone posted higher growth than expected on the back of an improved global outlook and stronger internal demand that is benefiting from lesser political uncertainty.

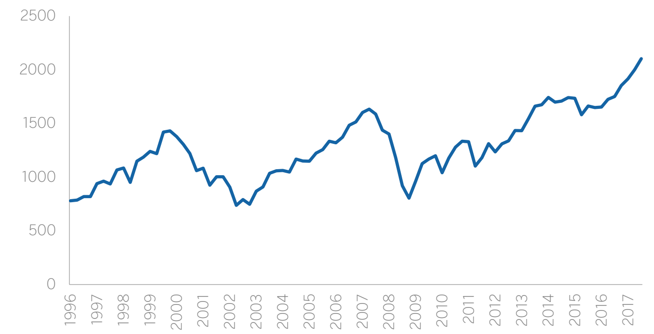
This scenario of increased growth and higher demand has been accompanied so far by subdued inflation, despite the expansionary measures adopted by major central banks and the gradual reduction in idle capacity in developed economies.

2018

The monetary policy of central banks should be the main economic driver this year and probably one of the risky factors.

The low unemployment rate in the United States together with a higher global synchronized growth could push worldwide inflation up placing the Federal Reserve behind the curve. A hawkish monetary policy could influence the economic activity, considering the huge level of debt and the stage of the economic cycle.

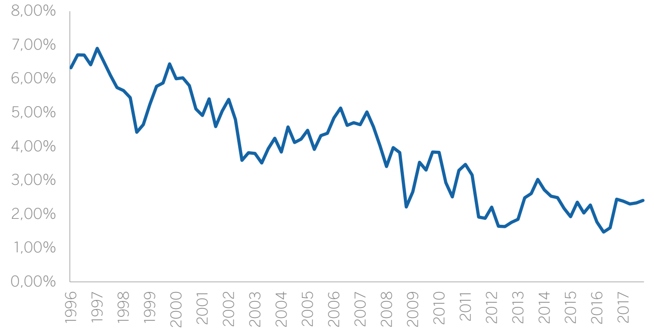
MSCI World Equity Index



Source: Bloomberg

On the other hand, the current leading indicators and positive momentum of the economy should imply strong and healthy levels of global economic growth during the first semester of 2018.

US 10 year interest rate



Source: Bloomberg

The situation of financial markets could be heavily dependent on the central banks' monetary policy too. We could see a more modest stock market coinciding with higher company profits and a strong economic environment, simply because global investors realize that the short-term tranches of the U.S. Dollar curve begin to be interesting compared with the current valuations of risky assets.

Management Report

The main objective of the members of the BBVA in Switzerland team is to provide excellent service, with a client-focused business model.

Talent & Culture

Employees represent the main asset of BBVA in Switzerland: they are our competitive advantage. We firmly believe that diversity is a competitive advantage as it allows all people's capabilities to be used, and helps us empathize with our international clients.

The main objective of each and every one of the members of BBVA in Switzerland is to provide excellent service, with a client-focused business model. Their proven everyday commitment, effort and professionalism is remarkable.

At Talent & Culture, we constantly support the Bank to achieve its strategic objectives and to create a competitive advantage through a first level team, always inspired by our purpose "to bring the age of opportunity to everyone".

Our recruitment activity is focused on attracting, selecting and retaining the necessary talent for the organization to achieve its objectives. Our goal is that employees are the protagonists of their professional development and that the most relevant positions are covered by the best professionals. We do this by advertising vacancies internally through the Bank's intranet so that any employee interested in a job may apply.

We invest in continuous training to for our employees to develop their career and the skills required of them. BBVA in Switzerland offers on-site courses to provide on-going knowledge and skills updates, enabling the continuous adaptation to the global context in which we live.

With regard to training and in relation to the legal requirements established by the MiFID II directive, for employees that distribute information or advise on financial products and services in Europe, we are promoting training for our professionals to obtain European Financial Planning Association (EFPA) certifications (EIP, EFA and EFP).

Additionally, we support other international certifications in various areas of knowledge recognized by the most prestigious institutions worldwide such as CFA, FRM, CAIA.

Moreover, we have training programs available on our digital training platform, BBVA Campus, in a boost for self-development. This is an innovative tool, of attractive design, aimed at providing a unique learning experience. It is permanently updated and accessible on different devices for all group employees.

In 2017, we actively promoted the culture of feedback across all employee levels of the organization, as a tool to help us communicate better, grow personally and evolve as professionals.

On broader terms, we work in an exceptional and very close knit environment, where there is a great spirit of collaboration and transparent communication and teamwork are part of our daily lives. We also organize events for employees that encourage commitment and team spirit.

BBVA in Switzerland is committed to guaranteeing healthy environments and improving people's quality of life through training activities, such as the first aid course taught during the year.

Throughout the year, we have incorporated the Group values: "Customer comes first", "We think big" and "We are one team", into our individual behaviors and BBVA in Switzerland publicly recognizes the exceptional achievements of employees when they live these values.

We are deeply engaged with our employees and for this reason we like to collect feedback every year, inviting them to participate in an annual satisfaction and commitment survey, with the purpose of fomenting continued improvement and making them feel prouder of working at BBVA in Switzerland.

Overview	
Number of employees	122
Percentage of women	40%
Percentage of men	60%
Average age	38 years
Number of nationalities according to birth country	18

BBVA (Suiza) SA overview: business performance and future outlook

Our business

BBVA in Switzerland is fully devoted to providing best-in-class Private Banking services. Our business model relies on three cornerstones: relationship model, value offering and technology.

We serve clients located in more than ten countries with an international perspective and global reach. Each client is unique with its own personality, preferences and expectations. For this reason, our financial advisors fully understand their culture and speak the same language of the clients. They are trained, skilled and qualified to deliver customized financial advice to reach the client's financial objectives through a wide variety of investment mandates.

Our technology is being continuously developed to provide an enhanced client experience with new digital tools such as the ones we launched during 2017: digital signature, new transactional e-banking or the new mobile apps.

The three cornerstones will help to build a relationship of trust and confidence with our clients for today and tomorrow.

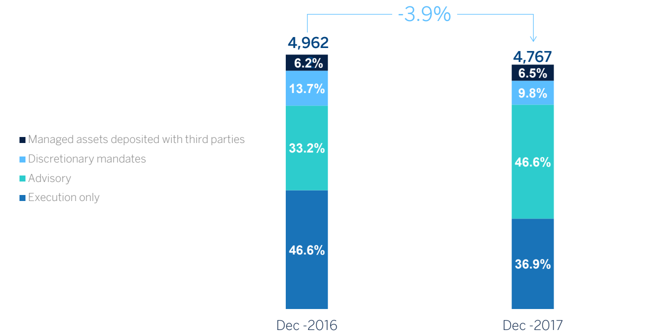
Client Assets Under Management

Assets Under Management comprise assets that are managed by at BBVA in Switzerland for investment purposes and include execution only, advisory and discretionary mandates as well as managed assets deposited with third parties.

As of December 31, 2017, Assets Under Management stood at CHF 4.77 Bn, excluding double counting, down 3.9% against 2016 mainly caused by:

- Crossborder outflows partially offset by new money attracted in the Business unit.
- Negative currency effect driven by the dollar depreciation.

Assets Under Management by type of mandate (CHF Mn)



(1) AuMs excludes double counting.

As we can see from the chart above, in 2017, the volume of advisory services increased by 34.77%, pursuing the upward path initiated in 2015.

Balance Sheet and Activity

As of December 31, 2017, the balance sheet closed at CHF 1.00 Bn, a decrease of CHF 0.4 bn from 2016.

The main drivers of this performance were:

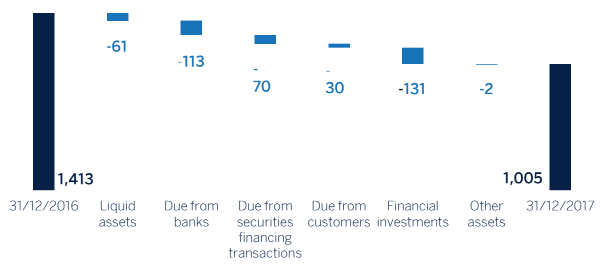
- Customer deposits decreased over the year as a consequence of rising USD interest rates and crossborder outflows.
- During the year, the Bank distributed a dividend of 64.65 Mn resulting in a decline in liquid assets.

As a consequence,

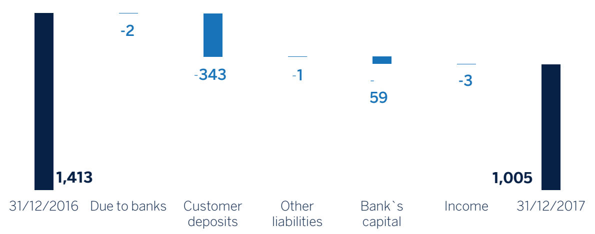
1. Maturities in the Financial Portfolio were not reinvested

2. There was a decrease in the 'Due from banks' activity.

Balance sheet movements-assets (CHF Mn)



Balance sheet movements-liabilities and equity (CHF Mn)



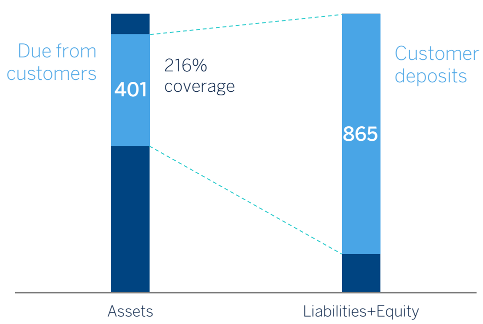
* Dividend distribution

Liquidity

Our purpose is to maintain a sound liquidity position to address all liabilities when they fall due, whether under normal or stressed conditions. The implementation and execution of the liquidity and funding strategy is managed by the ALM manager following BBVA Group investment guidelines for different business units.

In 2017, the Bank held a sound liquidity position throughout the year to finance its business in a reliable and cost-efficient manner.

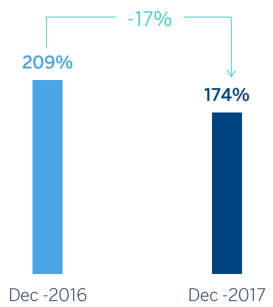
Customer gap (CHF Mn)



LCR

LCR remains well above the minimum of 80% required for 2017.

LCR (Liquidity Coverage Ratio)

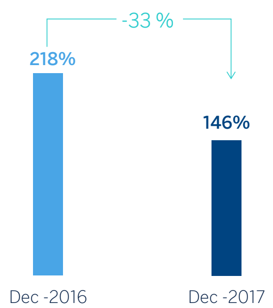


LCR drops to 174% as a consequence of the previously mentioned balance sheet reduction implying a lower HQLAs

NSFR

NSFR will become a minimum standard by January 1, 2018 with a limit of 100%. At year end 2017, the NSFR figure meets this requirement.

NSFR (Net Stable Funding Ratio)



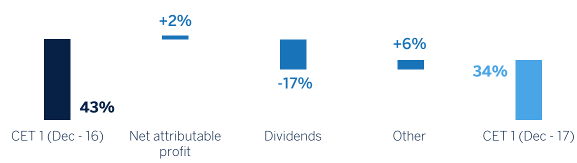
The decrease in the NSFR in comparison with 2016 is related to the dividend payment

Solvency

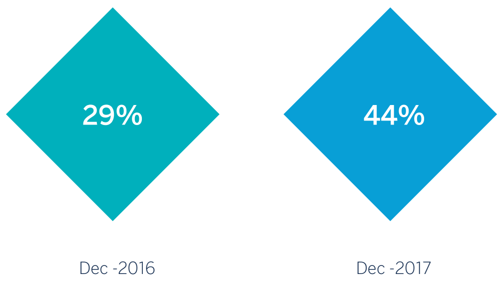
The Bank's solvency position remains one of the best in the entire Swiss national banking system. Capital strength provides key support for its strategy and competitive position.

As of the end of 2017, the BIS CET1 ratio was 33.69%, 22.49 bp above regulatory requirements.

CET 1 ratio



RWAs/Total Assets

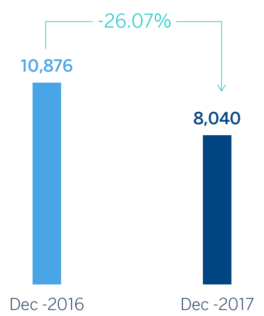


Due to the above-mentioned reduction of the balance sheet size, RWAs compared to Total Assets increases significantly

Results

In 2017, BBVA in Switzerland recorded a net profit of CHF 8.04 Mn, a decrease of 26.07 % compared to the end of 2016. For purposes of comparison, it is important to highlight that in 2016 extraordinary income of CHF 2.28 Mn was recorded.

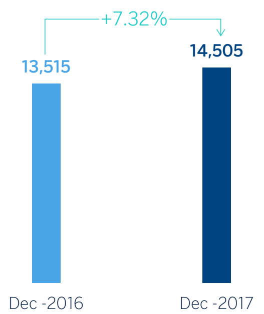
Net Profit (CHF K)



Highlights

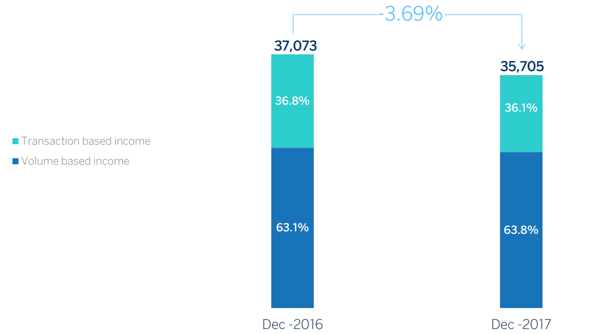
Net Interest Income increased by CHF 1.00 Mn compared to 2016, driven by the positive performance of USD interest rates.

Net Interest Income (CHF K)

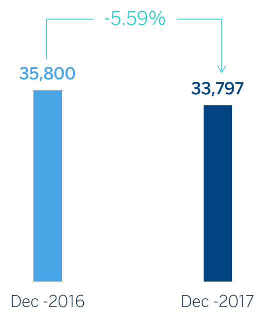


Net Commission decreased CHF 2.00 Mn to CHF 33.80 Mn from CHF 35.80 Mn in 2016. Volume-based commissions fell by 2.68%, primarily reflecting lower asset levels. Transaction-based commissions were also slightly lower, fundamentally impacted by reduced client activity. RoCAL stood at 84 basis points, 3 bp down from 2016.

Transaction volume (CHF K)



Total commission evolution (CHF K)



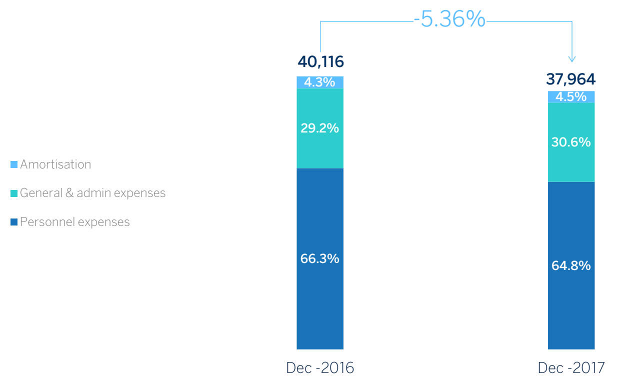
Results from trading activities and the fair value option

Down by 65.40% YoY to CHF 0.85 Mn, mainly due to lower foreign exchange transactions.

Total operating expenses

Compared to 2016, total operating expenses decreased to CHF 37.96 Mn from CHF 40.12 Mn reflecting cost discipline in personnel expenses and general and administrative expenses and therefore keeping the cost-to-income ratio stable following the decline in gross income.

Total operating expenses (CHF K)



Cost/income ratio

C/I ratio includes amortization

Key figures

Key figures (As of per the year ended, CHF)

Full name	31.12.2017	31.12.2016
Balance Sheet Statistics		
Total assets	1,004,815,350	1,412,994,214
Total credit activity	401,422,889	431,483,866
Deposits from customers	864,741,109	1,207,295,310
Total shareholders' equity	115,137,889	174,360,995
Core results		
Operating income	49,214,996	51,954,162
Operating expenses	37,963,722	40,115,951
Net profit/(loss) attributable to shareholders	8,040,280	10,876,448
Key Performance Indicators		
RoE (%)	6.06%	6.24%
RoA (%)	0.67%	0.83%
C/I ratio (%)	77.14%	77.21%
RoRWA (%)	1.81%	2.69%
CET 1 ratio (%)	33.69%	43.33%
Leverage ratio (%)	10.63%	11.20%
Liquidity coverage ratio (%)	173.86%	208.73%
Net New Money growth (%)	-7.15%	0.91%
RoCAL*	0.84%	0.87%

* Does not include the interests received from the own portfolio.

Extraordinary events

Some events had an impact on the activity and results of the Bank. However, no extraordinary events warrant special mention in 2017.

Bank Risk Assessment

The Bank's Board of Directors is kept informed through regular meetings of the Bank's exposure to the following risks: credit risk, market risk, operational risks, legal risks, compliance, reputational and fiduciary risks.

Risk analysis is carried out systematically and assesses bank-specific risk categories according to potential impact. The Board monitored the risk assessment during the 2017 financial year in its quarterly meetings.

Future Outlook

We enter 2018 with some optimism, as we have seen the strength of our business model through the different market circumstances. As for the macroeconomy, we expect a similar year of growth for the global economy and the continued gradual reduction of the central banks' accommodative policies in the advanced economies. The economic growth of emerging markets should keep being supported by the growth of developed economies.

Our teams are highly committed to delivering organic growth opportunities by providing financial advice to accomplish our clients' financial objectives. We have confidence in the underlying growth opportunities in certain Latin American markets, which will increase our customer base and the assets under management.

We consider it crucial to continue developing our technology platform, which will allow us to provide a superior digital experience for our clients while optimizing the operational model. We are developing some exciting new products and services, including end-to-end mobile banking.

The regulatory environment is still complex; nevertheless, our teams are putting all their energy into complying with the new regulations.

Our focus on growth opportunities and the optimization of the business to meet new challenges will continue to result in dynamic changes to our business model as we position BBVA in Switzerland for the future.

Culture of Service and excellent criteria will be the drivers to make sure we accomplish all our goals in 2018: Clients always come first!

Financial Statements

BBVA (Suiza) SA is a corporation under Swiss law and is headquartered in Zurich

Balance Sheet

Assets (In CHF)

	31.12.2017	31.12.2016
Liquid assets	12,858,339	73,455,223
Amounts due from banks	60,321,988	174,987,562
Amounts due from securities financing transactions	-	69,744,669
Amounts due from customers	401,422,889	433,754,866
Positive replacement values of derivative financial instruments	4,620,710	3,058,462
Financial investments	498,451,035	630,503,893
Accrued income and prepaid expenses	16,976,772	20,356,886
Participations	3,002	3,002
Tangible fixed assets	8,095,014	8,640,986
Other assets	2,065,601	1,749,665
Value adjustments for default risks (transitional regulation)	-	-3,261,000
TOTAL ASSETS	**1,004,815,350**	**1,412,994,214**
TOTAL SUBORDINATED CLAIMS	**-**	**-**

Liabilities and shareholders' equity (In CHF)

	31.12.2017	31.12.2016
Amounts due to banks	1,685,270	3,513,652
Trading portfolio liabilities	-	459,772
Amounts due in respect of customer deposits	864,741,109	1,207,295,310
Negative replacement values of derivative financial instruments	916,400	1,770,567
Accrued expenses and deferred income	9,889,656	10,117,290
Other liabilities	3,438,532	3,629,923
Provisions	966,927	970,927
Bank's capital	72,500,000	72,500,000
Statutory retained earnings reserve	37,200,000	37,200,000
Voluntary retained earnings reserve	5,437,889	64,660,995
Profit (result of the period)	8,039,567	10,875,778
TOTAL LIABILITIES	**1,004,815,350**	**1,412,994,214**
TOTAL SUBORDINATED LIABILITIES	**-**	**-**

Off-balance sheet transactions (In CHF)

	31.12.2017	31.12.2016
Contingent liabilities	62,364,862	92,883,326
Irrevocable commitments	2,932,000	2,886,000

Income Statement

(In CHF)

	31.12.2017	31.12.2016
Results from interest operations		
Interest and discount income	8,184,347	6,120,410
Interest and dividend income on trading portfolios	-6,961	7,193
Interest and dividend income on financial investments	6,256,943	7,331,900
Interest expense	-234,588	-127,643
Gross result from interest operations	14,199,741	13,331,860
Changes in value adjustments for default risks and losses from interest operations	305,278	183,000
SUBTOTAL NET RESULT FROM INTEREST OPERATIONS	**14,505,019**	**13,514,860**
Result from commission business and services		
Commission income from securities trading and investment activities	33,445,845	34,907,722
Commission income from lending activities	693,535	791,380
Commission income from other services	1,812,854	1,860,820
Commission expenses	-2,155,313	-1,759,887
Subtotal result from commission business and services	**33,796,921**	**35,800,035**
Result from trading activities and the fair value option	**850,211**	**2,477,594**
Other result from ordinary activities	-	-
Result from the disposal of financial investments	211,211	895,711
Income from participations	635	718
Other ordinary income	1,244	3,537
Other ordinary expenses	-151,067	-738,630
SUBTOTAL OTHER RESULT FROM ORDINARY ACTIVITIES	**62,023**	**161,336**

Operating expenses (In CHF)

	31.12.2017	31.12.2016
Personnel expenses	-24,629,695	-26,628,216
General and administrative expenses	-11,626,874	-11,746,806
SUBTOTAL OPERATING EXPENSES	-36,256,569	-38,375,022
Gross Profit	**12,957,605**	**13,578,803**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1,707,153	-1,740,929
Changes to provisions and other value adjustments, and losses	-68,919	2,279,904
Operating result	**11,181,532**	**14,117,778**
Extraordinary income	-	-
Extraordinary expenses	-	-
Taxes	-3,141,966	-3,242,000
Profit (result of the period)	**8,039,566**	**10,875,778**

Proposed appropriation/ coverage of losses/ other distributions (In CHF)

	31.12.2017	31.12.2016
Profit	**8,039,566**	**10,875,778**
+/- profit / loss carried forward	-	-
=Distributable profit	8,039,566	10,875,778
Appropriation of profit/ coverage of losses	-	-
Appropriation of profit	-	-
Allocation to statutory retained earnings reserve*	-	-
Allocation to voluntary retained earnings reserve	4,039,566	5,437,889
Distributions from distributable profit	4,000,000	5,437,889
New amount carried forward	-	-
Other distributions		
Voluntary retained earnings reserve	5,437,889	64,660,995
Appropiation of voluntary retained earnings reserve	-	-
Distribution from voluntary retained earnings reserve	-	64,660,995
Allocation from distributable profit (as per above registration)	4,039,566	5,437,889
New amount voluntary retained earninsg reserve carried forward	9,477,455	5,437,889

* As the statutory retained earnings reserve already exceeds 50% of the share capital, no furhter allocations are proposed.

Cash Flow Statement

(In 000 CHF)

	2017		2016	
	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from operating activities (internal financing)				
Result of the period	8,040	-	10,876	-
Change in reserves for general banking risks	-	-	-	-
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	1,707	-	1,741	-
Provisions and other value adjustments	-	-	-	2,000
Change in value adjustments for default risks and losses	-	326	-	528
Accrued income and prepaid expenses	3,380	-	-	4,036
Accrued expenses and deferred income	-	227	-	317
Other items	-	507	-	3,150
Previous year's dividend	-	70,099	-	4,322
SUBTOTAL	13,127	71,159	12,617	14,353
Cash flow from shareholder's equity transactions				
SUBTOTAL	-	-	-	-
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Other tangible fixed assets	-	1,161	-	993
SUBTOTAL	-	1,161	-	993

(In 000 CHF)

	2017		2016	
	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from banking operations				
Medium and long-term business (> 1 year)	-	-	-	-
Amounts due to banks	-	-	-	-
Amounts due in respect of customer deposits	-	-	-	-
Liabilities from other financial instruments at fair value	-	-	-	-
Cash bonds	-	-	-	-
Bonds	-	-	-	-
Central mortgage institution loans	-	-	-	-
Loans of central issuing institutions	-	-	-	-
Other liabilities	-	-	-	-
Amounts due from banks	-	-	-	-
Amounts due from customers	-	17,159	-	8,854
Mortgage loans	-	-	-	-
Other financial instruments at fair value	-	-	-	-
Financial investments	-	132,822	167,598	-
Other accounts receivable	-	-	-	-
Short-term business	-	-	-	-
Amounts due to banks	-	1,829	-	29,786
Liabilities from securities financing transactions	-	-	-	-
Amounts due in respect of customer deposits	-	342,554	310,151	-
Other liabilities	-	-	-	-
Trading portfolio liabilities	-	460	460	-
Negative replacement values of derivative financial instruments	-	855	-	1,564
Liabilities from other financial instruments at fair value	-	-	-	-
Amounts due from banks	114,666	-	-	73,589
Amounts due from securities financing transactions	69,745	-	-	69,745
Amounts due from customers	47,250	-	-	63,377
Trading portfolio assets	-	-	2	-
Positive replacement values of derivative financial instruments	-	1,563	734	-
Other financial instruments at fair value	-	-	-	-
Financial investments	264,177	-	-	261,065
Other assets	-	-	-	-
Liquidity	-	-	-	-
Liquid assets	60,597	-	31,764	-
SUBTOTAL	**556,435**	**497,242**	**510,709**	**507,980**
TOTAL	**569,562**	**569,562**	**523,326**	**523,326**

Statement of Changes in Equity

(In 000 CHF)

	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves	Voluntary retained earnings reserves and profit/loss carried forward	Own shares (negative item)	Minority interests	Result of the period	Total
Equity at start of 2017	72,500	-	37,200	-	-	64,661	-	-	10,876	185,237
Dividends and other distributions	-	-	-	-	-	-64,661	-	-	-5,438	-70,099
Other allocations to (transfers from) the other reserves	-	-	-	-	-	5,438	-	-	-5,438	-
Profit / loss (result of the period)	-	-	-	-	-	-	-	-	8,040	8,040
Equity at end of 2017	72,500	-	37,200	-	-	5,438	-	-	8,039	123,177

Notes to the Annual Financial Statements

1. Name of the Bank, legal form and domicile

BBVA (Suiza) SA is a corporation under Swiss law and is headquartered in Zurich. In 2017, BBVA LuxInvest S.A., Luxembourg, a fully-owned subsidiary of Banco Bilbao Vizcaya Argentaria S.A., sold its participation to Banco Bilbao Vizcaya Argentaria S.A. Therefore, the Bank is currently a fully-owned direct subsidiary of Banco Bilbao Vizcaya Argentaria S.A., headquartered in Bilbao, Spain.

The Bank appointed a representative in Colombia that was approved by the Superintendencia Financiera de Colombia in September 2015. Since then, it has developed certain financial services through the branch network of BBVA Colombia S.A.

2. Accounting and valuation policies

2.1. Basis

The Bank's statutory financial statements are presented in accordance with the requirements of the Swiss Financial Market Supervisory Authority, FINMA, Circular 15/1 concerning the preparation of financial statements for banks, the Swiss Banking Act and the Swiss Code of Obligations.

2.1.1. Valuation policies

The valuations conform to the basic principles of materiality, prudence, consistency and the continuance of business activity as a going concern.

Items are entered in the balance sheet as assets if due to past events they may be disposed of, a cash inflow is probable and their value can be reliably estimated. If no reliable estimate of the value of an asset can be made, they are considered to be contingent assets and disclosed in the notes.

Liabilities are entered on the balance sheet as borrowed capital if they have been caused by past events, a cash outflow is probable and their value can be reliably estimated. If no reliable estimation can be made, they are considered to be contingent liabilities and disclosed in the notes.

Balance sheet positions are evaluated individually.

Offsetting and netting of Assets and Liabilities and Income and Expenses are in principle not performed. The netting of Assets and Liabilities is only applied in the following cases:

- Offsetting of positive and negative changes in book value with no income effect in the current period in the compensation account.
- Offsetting of deferred tax liabilities and assets in respect of the same tax authority, provided they relate to the same tax subject.
- Netting of positive and negative replacement values of derivative financial instruments including the associated cash holdings deposited as collateral (e.g. margin accounts), provided a bilateral agreement to this effect has been arranged with the counterparty concerned and that the agreement can be shown to be recognized by and enforceable under the legal systems set out below.
- The deduction of value adjustments from the corresponding asset item.

2.1.2. Financial Instruments

Liquid Assets

These items are stated at their nominal value.

Amounts due from Banks and Amounts due from Customers

These items are stated at their nominal value less any necessary value adjustments.

Amounts due in respect of precious metal account deposits are valued at fair value if they are traded on a price-efficient, liquid market.

Claims are tested for the need of impairment on an on- going basis. Loans and advances to clients are regarded as being impaired when the contractually-agreed capital and/or interest payments have been due for more than 90 days and the estimated realization value of the collateral is insufficient to cover the impairment. Individual value adjustments are recorded for non-performing loans and calculated as the difference between the gross debt amount and the estimated realization value of the collateral.

Value adjustments for default risks which are no longer economically necessary and are not simultaneously used for other requirements of the same type will in principle be released to income via the income statement item “Changes in value adjustments for default risks and losses from interest operations”.

Non-performing loans are reclassified as fully performing if the outstanding capital and interest payments are received on time in accordance with contractual obligations.

Amounts due to Banks and Amounts due in respect of Customers Deposits

These items are stated at their nominal value.

Amounts due in respect of precious metal account deposits are measured at fair value if they are traded on a price-efficient, liquid market.

Trading portfolio assets

Trading portfolio assets are mainly measured and accounted for at fair value. Fair value is regarded as the price available on a price-efficient and liquid market or the price determined by a valuation model. If, in exceptional cases, no fair price is available, the valuation and accounting item will be based on the lower of cost or market value principle.

Results from trading activities are reported in the income statement item “Result from trading activities and the fair value option”. Interest and dividend income from trading portfolios are recognized in the income statement item "Interest and dividend income from trading portfolios". No refinancing costs are credited to "Interest and discount income".

Positive and negative replacement values of derivative financial instruments

These items comprise the replacement values for all derivative financial instruments. Gains/losses on derivatives contracts are presented under "Result from trading activities and the fair value option", unless derivatives are used for hedging outside of trading. Gains/losses on derivatives entered into as part of a hedging relationship are recorded in the "Compensation account".

Positive and negative replacement values against the same counterparty are not netted, as currently no netting-agreements are in place.

Financial Investments

Financial investments which do not belong to the trading portfolio, are valued at the lower of cost or market value, as long as there is no intention to hold such securities until maturity. The valuation is recognized in the items “Other ordinary expenses” and “Other ordinary income” in the income statement.

Debt securities intended to be held to maturity are valued according to the accrual method. In this case, the premium and discount in the balance sheet item is deferred over the term up to maturity. Interest-related realized profits or losses from premature sale or redemption are deferred over the remaining term, i.e. up to the original maturity and recognized in “Other assets” and “Other liabilities” respectively. Changes in value due to creditworthiness will be recognized immediately in the income statement under “Changes in value adjustments for default risks and losses from interest operations”.

Equity securities are valued according to the lower of cost or market value. Value adjustments will be recorded net under “Other ordinary expenses” or “Other ordinary income”.

Value adjustments in form of individual or latent risk value adjustments are deducted from the established values.

Participations

The term participations refers to equity securities owned by the Bank in undertakings, where those securities are held with the intention of a permanent investment, irrespective of the percentage of voting shares held.

Participations are valued at acquisition cost less economically necessary value adjustments.

The Bank does not currently hold any material participations.

Tangible Fixed Assets

Investments in new fixed assets are capitalized and valued according to the historical cost principle if they are used for more than one accounting period and if they exceed the minimum capitalization threshold, which amounts to CHF 1,000. Investments in existing fixed assets are capitalized if this results in the market or utility value being increased substantially or if the useful life is increased by a considerable amount.

In subsequent years, fixed assets are accounted for according to the historical cost principle minus accumulated depreciation. Depreciation recorded is based on the estimated useful life of the investment. The estimated useful lives of individual fixed asset categories are as follows:

Reconstruction	5-15 years
Furnishings	5 years
Hardware	3 years
Software*	3 and 10 years
Office machines	3 years
Miscellaneous	3 years

*including one-off purchases of software licenses and first instalment investments.

Tangible fixed assets are tested for impairment at each balance sheet date. The review is based on substantial indications that lead to the assumption that such an impairment exists. In this case, the recoverable amount will be determined. A fixed asset is impaired when its book value exceeds the recoverable amount. Any necessary additional depreciation is recorded in the ordinary depreciation account.

Gains or losses realized from the disposal of tangible fixed assets are recorded under “Extraordinary income” and “Extraordinary expenses” respectively.

Provisions

Legal and factual obligations are valued on a regular basis. Where a cash outflow is probable and can be reliably estimated, a provision in the corresponding amount will be created. Existing provisions are reassessed on each balance sheet date and are increased, maintained or released accordingly. Provisions are recorded under the following income statement items:

- Provisions for latent taxes under “Taxes”.
- Provisions for pension benefit obligations under “Personnel expenses”.
- Other provisions under “Changes to provisions and other value adjustments, and losses”, with the exception of restructuring provisions that were created via “Personnel expenses”.

Provisions that are no longer economically necessary and are not simultaneously used for other requirements of the same type will be released to income.

Taxes

Current taxes on the result at the reporting period are calculated in accordance with tax-relevant profit ascertainment provisions and recorded as an expense in the accounting period in which the respective profits arise.

Liabilities from current income taxes and capital taxes are disclosed in the item “Accrued expenses and deferred income”. Current income tax and capital tax expenses are reported in the income statement under “Taxes”.

Off-balance sheet transactions

These are stated at nominal value. For foreseeable risks, provisions will be made under liabilities on the balance sheet.

Pension Fund

The Bank has transferred all of its pension fund commitments to a collective foundation (a joint scheme formed by several employers). This is a legally-independent and fully-reinsured pension scheme. All of the company’s Swiss-domiciled staff, except for expatriates that are insured by the parent company abroad, are members of this pension scheme:

- As per January 1, upon reaching the age of 17 they are insured against invalidity and death.
- As per January 1, upon reaching the age of 24 they are also insured for retirement benefits and old age credits come due.

The company pays fixed contributions and is not obliged to pay additional contributions. The contributions to the pension fund are included under “Personnel expenses”. Expatriates, for whom the pension fund is paid abroad by the parent company, are not included.

A potential benefit or liability is disclosed according to the accounting principles of Swiss GAAP FER 16.

Employee participation schemes

BBVA (Suiza) SA has implemented remuneration and employee participation schemes in accordance with the BBVA Group policies. The identified staff members receive equity securities of the parent company. The shared-based compensation is valuated at the fair value of the shares on allocation. The fair value is determined by the parent company and the valuation recorded in the items "Personnel expenses" and "Accrued expenses and deferred income" over the vesting period. No subsequent valuation is in principle carried out unless there are changes in the exercise or subscription conditions. Any differences on settlement are booked through the item "Personnel expenses". The following sections refer to the BBVA Group policies as such.

System of Variable Remuneration in Shares

At BBVA, the annual variable remuneration applying generally to all employees consists of one incentive, to be paid in cash, awarded once a year and linked to the achievement of predetermined objectives and to sound risk management based on incentives that are aligned with the company's long-term interests, taking into account current and future risks (hereinafter, the "Annual Variable Remuneration").

Notwithstanding the foregoing, the remuneration policy for BBVA Group, in force until 2016, had a specific settlement and payment system for the Annual Variable Remuneration applicable to those employees and senior managers, including the executive directors and members of BBVA Senior Management, whose professional activities may have a significant impact on the Group's risk profile or who perform control functions (hereinafter, the "Identified Staff"), which included, among others, the payment in shares of part of their Annual Variable Remuneration. This remuneration policy was approved, with respect to BBVA directors, at the Annual General Shareholders' Meeting held on March 13, 2015.

The Annual Variable Remuneration of Identified Staff members would be paid in equal parts in cash and in BBVA shares.

The payment of 40% of the Annual Variable Remuneration, both in cash and in shares, would be deferred in its entirety for a three–year period. Its accrual and payment would be subject to compliance with certain multi-year performance indicators related to the share performance and the Group's fundamental control and risk management metrics regarding solvency, liquidity and profitability, which would be calculated over the deferral period (hereinafter "Multi-year Performance Indicators"). These Multi-year Performance Indicators could lead to a reduction in the amounts deferred, and even bring it down to zero, but they would not be used under any circumstances to increase the aforementioned deferred remuneration.

All the shares delivered pursuant to the rules indicated above would be withheld for a period of one year from the date of delivery. This withholding would be applied over the net amount of the shares, after discounting the necessary part to pay any tax accruing on the shares received.

A prohibition was also established against hedging, both regarding vested shares that were withheld and shares whose delivery was pending.

Moreover, circumstances were established under which the payment of the deferred Annual Variable Remuneration could be limited or impeded ("malus" clauses), as well as the adjustment to update these deferred parts.

Finally, the variable component of the remuneration corresponding to a financial year for the Identified Staff would be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the General Meeting resolved to increase such limit which, in any event, could not exceed 200% of the fixed component of total remuneration.

In this regard, the Annual General Meetings held on 2014 and 2015 resolved, in line with applicable legislation, to apply of the maximum level of variable remuneration up to 200% of the fixed remuneration for a specific group of employees whose professional activities have a material impact on the Group's risk profile or are engaged in control functions, and additionally, whose variable remuneration was subject to the maximum threshold of 200% of the fixed component of their total remuneration, respectively. This is entirely consistent with the Recommendations Report issued by the BBVA's Board of Directors on February 3, 2015.

Additionally, the remuneration policy prevailing until 2014 provided for a specific settlement and payment scheme for the variable remuneration of the Identified Staff that established a three-year deferral period for Annual Variable Remuneration, and the deferred amount was paid in three parts over this period.

Remuneration policy applicable from 2017 onwards

The BBVA Group has modified its remuneration policy applicable to Identified Staff and to BBVA Directors for the years 2017, 2018 and 2019, aimed at improving alignment with new regulatory requirements, best market practices and BBVA's organization and internal strategy. This policy was approved, with respect to Identified Staff, by the Board of Directors at its meeting of February 9, 2017, and, with respect to BBVA directors, at the General Shareholders' Meeting held on March 17, 2017.

The new remuneration policy includes a specific settlement and payment system for Annual Variable Remuneration applicable to Identified Staff, including directors and senior management, under the following rules, among others:

A significant percentage of variable remuneration – 60% in the case of executive directors, Senior Management and those Identified Staff members with particularly high variable remuneration, and 40% for the rest of the Identified Staff– shall be deferred over a five- year period, in the case of executive directors and Senior Management, and over a three-year period, for the remaining Identified Staff.

50% of the variable remuneration for each year (including both the upfront and deferred portions), shall be paid in BBVA shares, albeit a larger proportion (60%) in shares shall be deferred in the case of executive directors and Senior Management.

Variable remuneration shall be subject to ex ante adjustments, so that it will not be accrued, or will be accrued in a reduced amount, should a certain level of profit or capital ratios not be obtained. Likewise, the Annual Variable Remuneration will be reduced in accordance with the performance assessment in the event of a negative performance of the Bank's results or other parameters such as the level of achievement of budgeted targets.

The deferred component of the variable remuneration (in shares and in cash) may be reduced in its entirety, but not increased, based on the result of multi-year performance indicators aligned with the Bank's fundamental risk management and control metrics, related to the solvency, capital, liquidity, funding and profitability, or to the share performance and recurring results of the Group.

During the entire deferral period (5 or 3 years, as applicable) and retention period, variable remuneration shall be subject to malus and clawback arrangements, both linked to a downturn in the financial performance of the Bank, specific unit or area, or individual, under certain circumstances.

All shares shall be withheld for a period of one year after delivery, except for those shares required to comply with tax payments.

No personal hedging strategies or insurance may be used in connection with remuneration and responsibility that may undermine the alignment with sound risk management.

The deferred amounts in cash subject to multi-year performance indicators that are finally paid shall be updated, pursuant to the terms determined by the Bank's Board of Directors, at the proposal of the Remuneration Committee, whereas deferred amounts in shares shall not be updated.

Finally, the variable component of the remuneration of the Identified Staff members shall be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the General Meeting resolves to increase this percentage to 200%.

In this regard, at the General Meeting held on March 17, 2017 it was resolved to increase the maximum level of variable remuneration to 200% of the fixed component for a number of risk takers (replacing the previous ones), in the terms indicated in Recommendations Report issued for this purpose by the Board of Directors dated February 9, 2017.

In accordance with the new remuneration policy applicable to Identified Staff, malus and clawback arrangements will be applicable to the Annual Variable Remuneration awarded as of 2016, inclusive, for each member of the Identified Staff.

The first disbursement in shares under this new policy will be the upfront payment of the 2017 Annual Variable Remuneration to be paid in shares, which will take place in the first half of 2018.

2.2. Disclosure on how the previous years' figures were determined

The Bank adopted FINMA Circular 15/1 Accounting - Banks effective as of January 1, 2015. The previous years' figures have been determined according to the provisions of FINMA Circular 15/1 Accounting - Banks.

2.3. Consistency in Accounting Policies and Valuation Principles

In 2017 the Bank introduced the use of derivatives as part of a hedging relationship with the consequent application of the provisions on Hedge Accounting defined by FINMA Circular 15/1 Accounting - Banks. This change does not require a re-statement of the previous year's figures. Recognition and measurement are described under section 2.1.2 Financial Investments, Positive and negative replacement values of derivative financial instruments as well as under section 6. *Explanations of the Bank's business policy regarding the use of derivative financial instruments*. Apart from the above, accounting and valuation principles have not changed compared to the previous year.

2.4. Recognition of business transactions

As a general rule, transactions are recorded on the transaction day (trade date accounting) except for the following transaction types, for which value date accounting is applied:

- Money Market
- Customer loans and Deposits
- Stock Exchange transactions
- Corporate Actions
- Financial Investments and Trading Security Transactions
- Forex Spot transactions
- Closing of the Forex Forwards

All transactions are valued for the purposes of earnings according to the above from this point in time onward.

2.5. Treatment of past due interest and related commissions

Interest and commissions which have been outstanding for more than 90 days are regarded as overdue. Overdue interest and commissions, which are unlikely to be recovered, are provisioned immediately. Loans are considered non-interest bearing when the recovery of the interest due is so doubtful that the deferral can no longer be regarded as reasonable.

2.6. Translation of Foreign Currencies

Assets and liabilities in foreign currencies are translated into Swiss francs at the valid exchange rates on the balance sheet date. The main exchange rates at the balance sheet dates were as follows:

	31.12.2017	31.12.2016
USD 1	0.9746	1.0179
EUR 1	1.1691	1.0723
GBP 1	1.3166	1.2566
JPY 100	0.8646	0.8702

2.7. Disclosure of the treatment of refinancing trading positions

Refinancing costs from trading positions are not charged to the item "Result on trading activities".

3. Risk Management

Risk management is an integral part of every process within the Bank to ensure that risk taking is in line with the previously defined risk appetite.

The risk management framework, which is assessed for suitability each year by the Bank's governing bodies, forms the basis of risk management. Clear limits and controls are set for individual risks which are continuously monitored.

The Board of Directors is fully committed to establishing an appropriate risk control environment. To this end, a periodical analysis of the Bank's risks are performed in a systematic and standardized manner. By using a global risk overview approach, relevant risks are reviewed and if any deficiencies are identified the necessary controls are implemented in order to mitigate these risks.

3.1. Risk Appetite

The risk appetite framework is reviewed and approved every year and sets, for every type of risk, the limits that are consistent with the Bank's risk profile.

In order to ensure this consistency, two types of risk are distinguished in the risk appetite framework:

- Core limits: to ensure anticipated risk management within the defined tolerance levels for each type of risk
- Management limits: used to continuously monitor risks and ensure that the core metrics fall within the set target range

Risk controls have been set in order to comply the risk appetite framework. Results are periodically reviewed by the corresponding committees and presented quarterly to the Board of Directors.

3.2. Types of Risks

Credit Risk

Credit Risk is the possibility that a counterparty will not fulfil its contractual obligations concerning a particular operation.

The Bank's credit risk is concentrated in the Lombard credit operations -lending products, credit guarantees, letters of credit- and in its own investment portfolio issuer risk.

In the Lombard credit operations the risk exposure of the transaction granted is calculated according to potential risk factors with different eligibility and liquidity criteria. Additional haircuts may be taken into account to obtain the final lending value.

The Lombard credit monitoring and recovery processes include daily monitoring of the value of all the risks compared with the value of the collateral, and may require the replacement of the collateral, if necessary. An escalation process of three control points has been set in order to keep a track of the risk in relation to the available collateral.

In addition, a limits and investment policy for the Bank's own portfolio has been defined. This policy includes credit risk appetite, set as rating limits by issuer and an overall minimum rating for the portfolio.

Operational Risk

Operational risks are defined as the danger of direct or indirect losses due to the inappropriateness or the failure of internal procedures, human resources or systems or due to external events.

The Bank's definition of Operational Risk includes the following risk types:

- Processes.
- Internal and external fraud.
- Technological.
- Human Resources.
- Commercial practices.
- Disasters.
- Suppliers.

The operational risk management model has been established to predict potential operational risks to which the Bank could be exposed as a result of changes in new products, activities, processes or systems and outsourcing decisions.

Methodologies and procedures have been set up to regularly reassess the relevant operational risks to which the Bank could be exposed, in order to implement the most appropriate mitigation measures in each case.

In addition, as a part of the operational risk model, specialists have been assigned for every relevant process of the Bank. Their main function is to identify and assess the most significant operational risks in their specialty to which each Business Area is exposed. They also define and document critical risks, and the controls required to prevent possible economic losses. These specialists establish and design the mitigation/control measures needed to maintain these risks at the desired level and support the Business Areas in their implementation, within the scope of their responsibility.

Fiduciary Risk

When managing investments on behalf of third parties, the client assumes the market and credit risk, while the manager or administrator acquires the fiduciary duty of acting in the client's best interests. A breach of its fiduciary duty could have a negative financial impact and affect its reputation and relations with clients in the long term.

A key aspect to properly manage fiduciary risk is the suitability of the product for the client's risk profile. Therefore, procedures have been established to clearly identify the risk profile of each client and as a result manage their assets accordingly.

In addition, in order to ensure that fiduciary risk is managed properly, the Suitability Committee meets on a monthly basis to:

- Ensure proper control of all the risks involved in the Suitability Process.
- Review and analyze the results regarding the control of the asset allocation matrix by profile.
- Ensure the correct implementation and maintenance of necessary control tools.
- Address relevant issues of the Suitability Model.
- Analyze risk factors that need mitigation decisions.

Definition of client risk profiles

Defining the customer's risk profile is key to providing clients with the correct advisory and investment decision-making. When clients open an account, the process includes a questionnaire which awards points and a final score, thereby making it possible to define their level of risk aversion. To do so, information is required on three main points:

- Investment targets.
- Financial situation.
- Knowledge and experience.

Liquidity Risk

To ensure that the Liquidity and Financing Risk Appetite levels are complied with, limits and alerts structures have been established. The limits are reviewed and approved annually based on three essential aspects:

- **Self-funding**. In order to assure self-funding levels in keeping with the liquidity and financing risk tolerance levels, it is necessary to hold a minimum percentage of stable customer deposits with which finance the net loan-book.
- **Financing time terms.** In order to ensure that the activity's financing risk is correctly diversified, in the make-up of structural financing there should be a maximum limit on the amount of short-term financing.
- **Capacity to buffer liquidity shocks.** This limit seeks to ensure liquidity management that guarantees the entity's survival for over 30 days in the event of a shut-down of the wholesale markets and strong liquidity stress. To this end, limits are set on the 30-day "Basic Capacity" indicator.

Alerts: Alerts are preventive liquidity risk indicators. There are two kinds of alerts:

- Alerts set at a level below the corresponding limit, which will usually be 90% of the limit, unless another figure is specifically stated.
- Alerts reflecting other relevant positioning figures. In particular, alerts shall be set to ensure the diversification of short-term wholesale financing by term (precedence being awarded to a lower dependence on the shorter terms) and to guarantee sufficient slack in the Basic Capacity indicator for terms other than 30 days.

Liquidity Contingency Plan

The Liquidity Contingency Plan is an essential tool in managing liquidity and financing risk in times of crisis when, using its usual management measures, the Bank cannot guarantee the liquidity profile established in the Risk Appetite statement. It contains explicit procedures to enable decisions to be taken, contingency measures to be implemented and effective communication, specifying functions and responsibilities in these situations, together with the authority to activate it.

The plan may be activated in response to any exceptional situation related to developments in the business or on the financial markets that could result in a material risk for the liquidity and financing position.

Interest Rate Risk

Structural interest rate risk is defined as the potential alteration that is caused in an entity's net interest income and/or equity value due to a fluctuation in interest rates. A financial entity's exposure to adverse movements in interest rates is a risk inherent to banking activity which, at the same time, becomes an opportunity for creating economic value. Hence, interest rate risk must be managed so that it does not become excessive in relation to the entity's capital and it maintains a reasonable relationship with expected financial income.

Fluctuations in market interest rates affect both financial entities' incomes and economic values. These two effects give rise to separate but complementary analyses of interest rate risk. Hence, the effects are analyzed from a dual perspective:

- **Their effect on income (net interest income):** Fluctuations in interest rates affect banks' income and threaten their financial stability, given that they influence equity and market confidence.
- **Their effect on economic value:** The economic value of an instrument implies calculating the current value of its future cash flows, discounting them at market interest rates.

The Structural Interest Rate Risk control process has an operating limit structure that seeks to maintain exposure within levels consistent with the risk profile and business strategy defined. This limit structure is stipulated both for economic value and net interest income and is set normally according to sensitivity. Sensitivity is measured on a standard variation of 100 basis points in market rates, selecting the upward or downward movement that causes the highest losses.

Market Risk

Market Risk is the possibility that losses will be incurred in portfolio value due to price changes in the financial markets. This risk can be eliminated by hedging or undoing the operation.

There are four major risk factors affecting market prices: interest rates, FX rates, equity and commodities. Furthermore, for certain positions it is necessary to consider non-linear risk, spread risk, base risk, volatility and correlation risk.

At BBVA in Switzerland, methodologies, limits, controls and scaling-up processes have been set up to provide adequate monitoring and hence pre-empt any loss caused by this risk.

3.3. Compliance and Legal Risks

The Compliance department and Legal Services ensure that business activities are in compliance with valid regulatory rules and the due diligence requirements of a financial intermediary. These departments are responsible for monitoring the requirements and developments of the supervisory authorities, the legislator or other organizations. They are also responsible for ensuring that internal directives and regulations are kept up-to-date with regulatory developments and are being adhered to.

4. Explanation of the methods used for identifying default risks and determining the need for value adjustments

A risk analysis of the Lombard accounts is performed on a daily basis, relating the available collateral with the Overall Risk of the portfolio.

The methodology, based on warnings, has been established to ensure there is an appropriate margin to react to possible markets movements that could affect the overall value of the account. This, combined with the Bank's lending value methodology, ensures that the assumed risk is adequate and can be managed appropriately.

The Bank's own portfolio investment policy contains a set of limits which define credit risk acceptance based on a conservative approach, in order to mitigate the risk of default as far as possible.

5. Explanation of the valuation of collateral

The lending value calculation methodology ensures that for each asset that serves as collateral in the Lombard accounts there is a proper identification of the risk assumed.

Risks such as credit, liquidity and market risk are identified and measured according to the established parameters, so that an overall risk penalty can be incorporated for each position. It is important to mention that lending values are reviewed periodically in order to obtain an updated view of market movements.

6. Explanation of the Bank’s business policy regarding the use of derivative financial instruments, including explanations relating to the use of hedge accounting

Derivative financial instruments are used for trading, risk management purposes and hedging. Derivative financial instruments held for trading are arranged at fair value. For all positions traded on a price-efficient and liquid market, fair value is determined by the market value. In the absence of such a market, fair value is established using valuation models. Gains and losses (realized or unrealized) on derivatives used for trading purposes are recognized in the income statement under “Result from trading activities and the fair value option”.

The Bank uses FX swaps to hedge the FX and interest rate risks arising from certain assets or liabilities positions. As part of this hedging strategy involving derivative financial instruments, the Bank documents its long-term risk management strategy and objectives, designates the hedging instrument, hedged item and uses regular effectiveness tests to check the hedging relationship to be effective (economic link between the hedged item and the hedging transaction).

The results from the hedging transactions are recognized in the same income statement item as the corresponding results from the hedged item. For hedges on FX and interest risk the net result is reported in the item "Interest and discount income". Changes in the fair value of hedging instruments are recognized in the "Compensation account" under "Other assets" or "Other liabilities.

7. Explanation of material events occurring after the balance sheet date

No event occurred after the balance sheet date that might have a significant influence on the financial statements.

8. Balance sheet information

Table 1: Breakdown of securities financing transactions (assets and liabilities) (In 000 CHF)

	31.12.2017	31.12.2016
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	-	69,745
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	-	-
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements **	-	-
with unrestricted right to resell or pledge	-	-
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	-	70,684
of which, repledged securities	-	-
of which, resold securities	-	-

* Before netting agreements

**The position informed in the previous year amounting to 29'742 Millions CHF corresponds to securities delivered as collateral in connection with credit facilities provided by custodians and is therefore not intended to be reported under that table. The amount has been deleted.

Table 2: Presentation of collateral for loans / receivables and off-balance-sheet transactions, as well as impaired loans / receivables (In 000 CHF)

	TYPE OF COLLATERAL			
	Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	-	401,519	2,145	403,664
TOTAL LOANS (BEFORE NETTING WITH VALUE ADJUSTMENTS)	-	-	-	-
2017	-	401,519	2,145	403,664
2016	-	431,233	2,522	433,755
TOTAL LOANS (AFTER NETTING WITH VALUE ADJUSTMENTS)	-	-	-	-
2017	-	399,301	2,122	401,423
2016	-	428,986	2,498	431,484

	TYPE OF COLLATERAL			
	Secured by mortgage	Other collateral	Unsecured	Total
Off-balance sheet				
Contingent liabilities	-	62,365	-	62,365
Irrevocable commitments	-	-	2,932	2,932
TOTAL OFF-BALANCE SHEET				
2017	-	62,365	2,932	65,297
2016	-	92,883	2,886	95,769

	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans / receivables				
2017	-	-	-	-
2016	-	-	-	-

No impaired loans/receivables as at 31.12.2016 and 31.12.2017.

Table 3: Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities) (In 000 CHF)

	31.12.2017	31.12.2016
Assets		
Trading portfolio assets	**-**	**-**
Debt securities, money market securities / transactions	-	-
of which, listed	-	-
Equity securities	-	-
Precious metals and commodities	-	-
Other trading portfolio assets	-	-
Other financial instruments at fair value	**-**	**-**
Debt securities	-	-
Structured products	-	-
Other	-	-
TOTAL ASSETS	**-**	**-**
of which, determined using a valuation model	-	-
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	-
Liabilities		
Trading portfolio liabilities	**-**	**460**
Debt securities, money market securities / transactions	-	460
of which, listed	-	460
Equity securities	-	-
Precious metals and commodities	-	-
Other trading portfolio liabilities	-	-
Other financial instruments at fair value	-	-
Debt securities	-	-
Structured products	-	-
Other	-	-
TOTAL LIABILITIES	**-**	**460**
of which, determined using a valuation model	-	-

Table 4: Presentation of derivative financial instruments (assets and liabilities) (In 000 CHF)

	TRADING INSTRUMENTS			HEDGING INSTRUMENTS**		
	Replacement values		Contract volume	Replacement values		Contract volume
	Positive	Negative		Positive	Negative	
Interest rate instruments						
Forward contracts including FRAs	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange / precious metals						
Forward contracts	2,363	916	71,223	2,258	-	30,467
TOTAL	**2,363**	**916**	**71,223**	**2,258**	**-**	**30,467**
Equity securities / indices						
Forward contracts	-	-	-	-	-	-
Options (exchange-traded)	-	-	2,173	-	-	-
TOTAL	**-**	**-**	**2,173**	**-**	**-**	**-**
Credit derivatives						
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**
Other*						
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**

* e.g. commodities
**hedging instruments as defined in margin no. 431 et seqq

	TRADING INSTRUMENTS			HEDGING INSTRUMENTS**		
	Replacement values		Contract volume	Replacement values		Contract volume
	Positive	Negative		Positive	Negative	
TOTAL BEFORE NETTING AGREEMENTS						
2017	2,363	916	73,396	2,258	-	30,467
of which, determined using a valuation model	-	-	-	-	-	-
2016*	3,058	1,771	1,131,394	-	-	-
of which, determined using a valuation model	-	-	-	-	-	-

* including volume in options
**hedging instruments as defined in margin no. 431 et seqq

Total after netting agreements (In 000 CHF)

	Positive replacement values (cumulative)	Negative replacement values (cumulative)
2017	4,621	916
2016	3,058	1,771

Breakdown by counterparty (In 000 CHF)

	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	-	4,111	510

Table 5: Breakdown of financial investments (In 000 CHF)

	BOOK VALUE		FAIR VALUE	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Debt Securities	498,451	630,504	496,755	630,138
of which, intended to be held to maturity	498,451	603,693	496,755	603,146
of which, not intended to be held to maturity (available for sale)	-	26,811	-	26,992
TOTAL	**498,451**	**630,504**	**496,755**	**630,138**
of which, securities eligible for repo transactions in accordance with liquidity requirements	224,873	225,530	223,535	224,937

Breakdown of counterparties by rating S&P and Fitch (In 000 CHF)

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: book values	269,067	122,988	106,396	-	-	-

The value adjustments for default risks of the financial investments, total amount of CHF 698,000 per end of year 2017, has been deducted from the book value and market value.

Table 6: Presentation of participations (In 000 CHF)

	Acquisition cost	Accumulated value adjustments and changes in book value (valuation using the equity method)	Book value previous year end	Reclassifications	Additions	Disposals	Value adjustments	Changes in book value in the case of participation valued using the equity method depreciation reversals	Book value as at end of current year	Market value
Participations valued using the equity method	3	-	3	-	-	-	-	-	3	-
with market value	3	-	3	-	-	-	-	-	3	-
without market value	-	-	-	-	-	-	-	-	-	-
TOTAL PARTICIPATIONS	**3**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**3**	**-**

Table 7: Presentation of tangible fixed assets (In 000 CHF)

	Acquisition cost	Accumulated depreciation	Book value previous year end	Current year Reclassifications	Additions	Disposals	Depreciation	Reversals	Book value as at end of current year
Bank buildings	-	-	-	-	-	-	-	-	-
Other real estate	5,873	-2,920	2,953	-	-	-	-489	-	2,464
Proprietary or separately acquired software	8,989	-3,409	5,580	-	1,152	-	-1,170	-	5,562
Other tangible fixed assets	2,553	-2,445	108	-	8	-	-47	-	69
TOTAL TANGIBLE FIXED ASSETS	**17,415**	**-8,774**	**8,641**		**1,160**		**-1,706**		**8,095**

Table 8: Amount of non-recognised lease commitments break down by due date (In 000 CHF)

	Total	of which due within 1 year	of which due >1 – <=2 years	of which due >2 – <=3 years	of which due >3 – <=4 years	of which due >4 – <=5 years	of which due after 5 years
Amount of non-recognised lease commitments	9,806	1,962	1,961	1,961	1,961	1,961	-

Table 9: Breakdown of other assets and other liabilities (In 000 CHF)

	Other assets		Other liabilities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Compensation account	12	17	592	9
Pure clearing accounts	1,386	1,228	2,199	3,211
Indirect taxes	668	505	648	410
TOTAL	**2,066**	**1,750**	**3,439**	**3,630**

Table 10: Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership* (In 000 CHF)

Pledged / assigned assets	Book values	Effective commitments
Cash deposits - margin accounts	4,926	82
Interest bearing securities rights	45,805	47
Assets under reservation of ownership	-	-

* Excluding securities financing transactions (cf. corresponding separate breakdown of securities financing transactions).

Table 11: Disclosures on the economic situation of own pension schemes

a) Employer contribution reserves (ECR) (In 000 CHF)

ECR	Nominal value at 31.12.2017	Waiver of use at 31.12.2017	Net amount at 31.12.2017	Net amount at 31.12.2016	Influence of ECR on personnel expenses	
					31.12.2017	31.12.2016
Employer sponsored funds/ pension schemes	-	-	-	-	-	-
Pension schemes	-	-	-	-	-	-

No employer contribution reserves (ECR) as 31.12.2016 and 31.12.2017

b) Presentation of the economic benefit / obligation and the pension expenses (In 000 CHF)

	Overfunding/ underfunding at 31.12.2017	Economic interest of the bank/financial group		Change in economic interest (economic benefit/ obligation) versus 31.12.2016	Contributions paid for the 31.12.2017	Pension expenses in personnel expenses	
		31.12.2017	31.12.2016			31.12.2017	31.12.2016
Pension plans without overfunding/underfunding	-	-	-	-	1,164	1,164	1,136

Table 12: Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year (In 000 CHF)

	Previous year end	Use in conformity with designated purpose	Reclassif-ications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end	Delta
Provisions for deferred taxes	-	-	-	-	-	-	-	-	-
Provisions for pension benefit obligations	-	-	-	-	-	-	-	-	-
Provisions for default risks	425	-	-	-	-	59	-63	421	4
Provisions for other business risks	546	-	-	-	-	-	-	546	-
Provisions for restructuring	-	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-	-
TOTAL PROVISIONS	**971**	**-**	**-**	**-**	**-**	**59**	**-63**	**967**	**4**
Reserves for general banking risks	-	-	-	-	-	-	-	-	-
Value adjustments for default and country risks	3,261	-	-	-	-	863	-1,185	2,939	322
of which, value adjustments for default risks in respect of impaired loans / receivables	-	-	-	-	-	-	-	-	-
of which, value adjustments for latent risks	3,261	-	-	-	-	863	-1,185	2,939	322
of which, not allocated	-	-	-	-	-	-	-	-	-

Table 13: FINMA Circular 16/1 (In 000 CHF)

	31.12.2017	31.12.2016
CET1 Capital Ratio	33.69%	43.33%
Tier 1 Capital Ratio	33.69%	43.33%
TOTAL CAPITAL RATIO	**34.48%**	**44.12%**
Overall capital adequacy target	11.20%	11.20%
Leverage Ratio	10.60%	11.20%
Liquidity Coverage Ratio LCR	173.86%	208.73%

Table 14: Presentation of the bank's capital (In CHF)

	31.12.2017			31.12.2016		
Bank's capital	**Total par value**	**No. of shares**	**Capital eligible for dividend**	**Total par value**	**No. of shares**	**Capital eligible for dividend**
Share capital / cooperative capital	72,500,000	72,500	72,500,000	72,500,000	72,500	72,500,000
of which, paid up	72,500,000	-	-	72,500,000	-	-
Participation capital	-	-	-	-	-	-
of which, paid up	-	-	-	-	-	-
TOTAL BANK'S CAPITAL	**72,500,000**	**-**	**72,500,000**	**72,500,000**	**-**	**72,500,000**
Authorised capital	-	-	-	-	-	-
of which, capital increases completed	-	-	-	-	-	-
Conditional capital	-	-	-	-	-	-
of which, capital increases completed	-	-	-	-	-	-

Table 15: Disclosure of amounts due from / to related parties (In 000 CHF)

	Amounts due from		Amounts due to	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Holders of qualified participations	47,957	108,785	3,655	683
Group companies	-	-	-	-
Linked companies	2,248	649	-	-
Transactions with members of governing bodies	175	1,982	3,341	3,775
Other related parties	78	504	275	327

Explanations regarding off-balance-sheet transactions	Contingent assets	2,890
	Contingent liabilities	529
	Forward contracts	29,131
Explanations regarding conditions	Balance-sheet and off-balance-sheet transactions were conducted at terms in line with the market	

Table 16: Disclosure of holders of significant participations (In CHF)

Holders of significant participations and groups of holders of participations with pooled voting rights	31.12.2017		31.12.2016	
	Nominal	% of equity	Nominal	% of equity
With voting rights	72,500,000	100.00%	72,500,000	-
BBVA Luxinvest SA, Luxembourg (Company fully owned by Banco Bilbao Vizcaya Argentaria S.A., Spain)	-	-	43,700,100	60.28%
Banco Bilbao Vizcaya Argentaria S.A., Spain	72,500,000	100.00%	28,799,900	39.72%
Without voting rights	-	-	-	-

In November 2017 BBVA Luxinvest SA, Luxemburg sold its shares on BBVA (Suiza) SA to Banco Bilbao Vizcaya Argentaria S.A., Spain.

Table 17: Disclosure of own shares and composition of equity capital (In CHF)

	Number	Booking value	Average transaction price
Own equity securities held (Rz A5-83/84)	-	-	-
Participation certificates (Rz A5-83/84)	-	-	-

	Total end of 2017	Total end of 2016
Contingent liabilities in connection with sold or pruchased own equity securities (Rz A5-85)	-	-
Number and nature of equity instruments of the bank that are held by subsidiaries, joint ventures, linked companies, and foundations related to the bank (Rz A5-86)	-	-

	Number of shares at the beginning of 2017	Change	Number of shares at the end of 2017
Own equity securities reserved for a specific purpose and of equity instruments of the bank held by related parties (Rz A5-87)			
TOTAL SHARES RESERVED	**-**	**-**	**-**
TOTAL PARTICIPATION CERTIFICATES	**-**	**-**	**-**

	31.12.2017		31.12.2016	
	Number of shares	Nominal value	Number of shares	Nominal value
Details to the individual categories of capital (Rz A5-88)				
Share capital / Dotation capital	72,500	72,500,000	72,500	72,500,000
of which paid in	-	72,500,000	-	72,500,000
of which connected to specific risks and restrictions	-	-	-	-
TOTAL	**-**	**72,500,000**	**-**	**72,500,000**

	Total 31.12.2017	Total 31.12.2016
Reserves not distributable (RZ A5-88 - PART 2)		
Amount not distributable from statutory capital reserve	-	-
Amount not distributable from statutory retained ernings reserve [1]	36,250,000	36,250,000
Amount not distributable from voluntary retained ernings reserve	-	-
TOTAL RESERVES NOT DISTRIBUTABLE	**36,250,000**	**36,250,000**

[1] Total statutory earnings reserve in the amount of 37,200,000

	Value of transaction 2017
Description and aount of transactions with holders of participations that were not settled in cash or that were offset against other transactions (Rz A5-90)	
Description	-

Table 18: Presentation of the maturity structure of financial instruments (In 000 CHF)

			DUE					
	At sight	Cancellable	Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	No maturity	Total
Assets / financial instruments								
Liquid assets	12,858	-	-	-	-	-	-	12,858
Amounts due from banks	60,322	-	-	-	-	-	-	60,322
Amounts due from securities financing transactions	-	-	-	-	-	-	-	-
Amounts due from customers	17,625	222,893	33,861	24,505	102,539	-	-	401,423
Mortgage loans	-	-	-	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-	-	-
Positive replacement values of derivative financial instruments	4,621	-	-	-	-	-	-	4,621
Other financial instruments at fair value	-	-	-	-	-	-	-	-
Financial investments	-	-	19,489	111,747	367,215	-	-	498,451
TOTAL 2017	**95,426**	**222,893**	**53,350**	**136,252**	**469,754**	**-**	**-**	**977,675**
TOTAL 2016	**253,804**	**298,193**	**309,901**	**202,845**	**320,762**	**-**	**-**	**1,385,505**
Debt capital / financial instruments								
Amounts due to banks	1,685	-	-	-	-	-	-	1,685
Liabilities from securities financing transactions	-	-	-	-	-	-	-	-
Amounts due in respect of customer deposits	864,741	-	-	-	-	-	-	864,741
Trading portfolio liabilities	-	-	-	-	-	-	-	-
Negative replacement values of derivative financial instruments	916	-	-	-	-	-	-	916
Liabilities from other financial instruments at fair value	-	-	-	-	-	-	-	-
Cash bonds	-	-	-	-	-	-	-	-
Bond issues and central mortgage institution loans	-	-	-	-	-	-	-	-
TOTAL 2017	**867,343**	**-**	**-**	**-**	**-**	**-**	**-**	**867,343**
TOTAL 2016	**1,213,039**	**-**	**-**	**-**	**-**	**-**	**-**	**1,213,039**

Table 19: Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle (In 000 CHF)

	31.12.2017		31.12.2016	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	12,843	15	73,410	45
Amounts due from banks	6,043	54,279	32,648	142,339
Amounts due from securities financing transactions	-	-	69,745	-
Amounts due from customers	6,529	394,893	2,608	431,147
Trading portfolio assets	-	-	-	-
Positive replacement values of derivative financial instruments	18	4,603	190	2,868
Financial investments	-	498,451	19,129	611,375
Accrued income and prepaid expenses	11,541	5,436	14,242	6,115
Participations	3	-	3	-
Tangible fixed assets	8,095	-	8,641	-
Other assets	2,066	-	1,750	-
Value adjustments for default risks (transitional regulation)	-	-	-3,261	-
TOTAL ASSETS	**47,138**	**957,677**	**219,105**	**1,193,889**
Liabilities				
Amounts due to banks	77	1,608	62	3,452
Liabilities from securities financing transactions	-	-	-	-
Amounts due in respect of customer deposits	28,128	836,613	42,314	1,164,981
Trading portfolio liabilities	-	-	-	460
Negative replacement values of derivative financial instruments	37	879	431	1,339
Accrued expenses and deferred income	9,871	18	10,082	35
Other liabilities	2,847	592	3,630	-
Provisions	546	421	971	-
Bank's capital	72,500	-	72,500	-
Statutory retained earnings reserve	37,200	-	37,200	-
Voluntary retained earnings reserves	5,438	-	64,661	-
Profit / loss (result of the period)	8,040	-	10,876	-
TOTAL LIABILITIES	**164,684**	**840,131**	**242,727**	**1,170,267**

Table 20: Breakdown of total asset by country or group of countries (domicile principle) (In 000 CHF)

	31.12.2017		31.12.2016	
	Absolute	Share as %	Absolute	Share as %
Europe				
Spain	140,160	13.95%	252,570	17.87%
Netherlands	85,959	8.55%	99,641	7.05%
United Kingdom	74,891	7.45%	99,395	7.03%
Switzerland	47,138	4.69%	219,110	15.51%
Turkey	48,853	4.86%	29,846	2.12%
Norway	44,636	4.44%	45,000	3.18%
Finland	42,997	4.28%	60,151	4.26%
France	19,479	1.94%	42,039	2.98%
Luxembourg	1,509	0.15%	31,982	2.26%
Other European	76,976	7.66%	56,286	3.98%
TOTAL EUROPE	**582,598**	**57.97%**	**936,020**	**66.24%**
North America				
USA	28,770	2.86%	64,878	4.59%
Mexico	114,842	11.44%	134,060	9.49%
Canada	47	0.00%	398	0.03%
TOTAL NORTH AMERICA	**143,659**	**14.30%**	**199,336**	**14.11%**
South and Central America (Incl. Caribbean Zone)				
South America	100,046	9.96%	140,105	9.92%
Central America	1,016	0.10%	4,223	0.30%
Caribbean Zone	93,534	9.31%	88,369	6.25%
TOTAL SOUTH AND CENTRAL AMERICA (INCL. CARIBBEAN ZONE)	**194,596**	**19.37%**	**232,697**	**16.47%**
TOTAL OTHER COUNTRIES	**83,962**	**8.36%**	**44,941**	**3.18%**
TOTAL ASSET	**1,004,815**	**100.00%**	**1,412,994**	**100.00%**

Table 21: Breakdown of total assets by credit rating of country groups (risk domicile view) (In 000 CHF)

	Net foreign exposure / 31.12.2017		Net foreign exposure / 31.12.2016	
Bank's own country rating	in CHF	Share as %	in CHF	Share as %
1	777,206	94.38%	921,258	91.56%
2	-	-	-	-
3	-	-	-	-
4	38,183	4.64%	67,018	6.66%
5	4,451	0.54%	2,525	0.25%
6	3,284	0.40%	9,901	0.98%
7	20	-	17	-
Unrated	292	0.04%	5,501	0.55%
TOTAL	**823,436**	**100.00%**	**1,006,220**	**100.00%**

Explanations of the ratings system used:

The rating system used corresponds to the ratings provided by the SERV (Schweizerische Exportversicherung) on the basis of the OECD's-Rating/OECD country risk category (CCa), which comprises categories Cca 0 to Cca 7 and the category "High Income":

* CCa 0 to Cca 7 categories, where as Cca 0 corresponds to the lowest and Cca 7 to the highest risk level.

* "High income" category, considering high-income OECD countries and high-income euro zone countries.

The ratings are updated on a regular basis through our software/provider for regulatory reporting.

Table 22: Presentation of assets and liabilities broken down by the most significant currencies for the bank (In 000 CHF)

	CHF	EUR	USD	Others	Total
Assets					
Liquid assets	12,475	284	87	12	12,858
Amounts due from banks	5,524	47,784	4,966	2,048	60,322
Amounts due from customers	35,461	117,966	194,865	53,131	401,423
Trading portfolio assets	-	-	-	-	-
Positive replacement values of derivative financial instruments	4,621	-	-	-	4,621
Financial investments	38,710	118,511	341,230	-	498,451
Accrued income and prepaid expenses	12,044	1,927	2,521	485	16,977
Participations	3	-	-	-	3
Tangible fixed assets	8,095	-	-	-	8,095
Other assets	2,062	3	-	-	2,065
TOTAL ASSETS SHOWN IN BALANCE SHEET	**118,995**	**286,475**	**543,669**	**55,676**	**1,004,815**
Delivery entitlements from spot exchange, forward forex and forex options transactions	**36,000**	**19,862**	**18,055**	**33,022**	**106,939**
TOTAL ASSETS	**154,995**	**306,337**	**561,724**	**88,698**	**1,111,754**
Liabilities					
Amounts due to banks	-	31	1,654	-	1,685
Amounts due in respect of customer deposits	10,266	303,942	527,161	23,372	864,741
Negative replacement values of derivative financial instruments	916	-	-	-	916
Accrued expenses and deferred income	9,890	-	-	-	9,890
Other liabilities	3,406	32	-	-	3,438
Provisions	546	4	417	-	967
Bank's capital	72,500	-	-	-	72,500
Statutory retained earnings reserve	37,200	-	-	-	37,200
Voluntary retained earnings reserves	5,438	-	-	-	5,438
Profit / loss (result of the period)	8,040	-	-	-	8,040
TOTAL LIABILITIES SHOWN IN THE BALANCE SHEET	**148,202**	**304,009**	**529,232**	**23,372**	**1,004,815**
Delivery obligations from spot exchange, forward forex and forex options transactions	**532**	**10,064**	**34,818**	**61,525**	**106,939**
TOTAL LIABILITIES	**148,734**	**314,073**	**564,050**	**84,897**	**1,111,754**
NET POSITION PER CURRENCY	**6,261**	**-7,736**	**-2,326**	**3,801**	**-**

9. Information on off-balance sheet transactions

Table 23: Breakdown of contingent liabilities and contingent assets (In 000 CHF)

	31.12.2017	31.12.2016
Guarantees to secure credits and similar	61,213	91,056
Other contingent liabilities	1,152	1,827
TOTAL CONTINGENT LIABILITIES	**62,365**	**92,883**
Other contingent assets	10,492	38,095
TOTAL CONTINGENT ASSETS	**10,492**	**38,095**

Table 24: Breakdown of fiduciary transactions (In 000 CHF)

	31.12.2017	31.12.2016
Fiduciary investments with third-party banks	81,249	57,139
Fiduciary placements with group banks	168,458	127,343
TOTAL	**249,707**	**184,482**

Table 25: Managed assets (In 000 CHF)

	31.12.2017	31.12.2016
a) Breakdown of managed assets		
Type of managed assets		
Assets in collective ischemes managed by the bank	551,192	653,130
Assets under discretionary asset management agreements	468,229	682,144
Other managed assets	3,986,669	3,967,818
TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING)	**5,006,090**	**5,303,092**
of which, double counting	239,612	341,312
b) Presentation of the development of managed assets		
TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING) AT BEGINNING	**5,303,092**	**4,995,325**
+/- net new money inflow or net new money outflow	-443,792	179,275
+/- price gains / losses, interest, dividends and currency gains / losses	146,790	128,492
+/- other effects	-	-
TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING) AT END	**5,006,090**	**5,303,092**

Net new money consists of acquisition of new customers and customers lost as well as the effect of the inflow and outflow of money from existing customers. Changes in the valuation of assets, interest and dividend payments as well as comissions paid do not form part of net new money.

10. Information on the income statement

Table 26: Breakdown of the result from trading activities and the fair value option (In 000 CHF)

	In CHF
a) Breakdown by business area (in accordance with the organisation of the bank / financial group)	
Administrated/Advisory portfolio management services	1,606
Discretionary portfolio management services	140
Assets and Liabilities Management/trading	-896
TOTAL	**850**
b) Breakdown by underlying risk and based on the use of the fair value option	
Result from trading activities from	
Interest rate instruments (including funds)	-1
Equity securities (including funds)	1
Foreign currencies	850
Commodities / precious metals	-
TOTAL RESULT FROM TRADING ACTIVITIES	**850**
of which, from fair value option	-
of which, from fair value option on assets	-
of which, from fair value option on liabilities	-

Table 27: Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest (In 000 CHF)

	31.12.2017	31.12.2016
Disclosure of material refinancing income in the item 'Interest and discount income'	-	-
Negative interest	458	555

Table 28: Breakdown of personnel expenses (In 000 CHF)

	31.12.2017	31.12.2016
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	19,908	21,371
of which, expenses relating to share-based compensation and alternative forms of variable compensation	-	-
Social insurance benefits	2,893	3,065
Changes in book value for economic benefits and obligations arising from pension schemes	-	-
Other personnel expenses	1,829	2,192
TOTAL	**24,630**	**26,628**

Table 29: Breakdown of general and administrative expenses (In 000 CHF)

	31.12.2017	31.12.2016
Office space expenses	1,944	2,037
Expenses for information and communications technology	4,600	4,665
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	34	38
Fees of audit firm(s) (Art. 961a no. 2 CO)	465	372
of which, for financial and regulatory audits	453	372
of which, for other services	12	-
Other operating expenses	4,584	4,635
of which, compensation for any cantonal guarantee	-	-
TOTAL	**11,627**	**11,747**

Table 30: Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required (In 000 CHF)

Changes to provisions: In 2017 we recorded a net variation in provisions of +4 TCHF corrsponding to the default credit risk provision for contingent liabilities.

Losses: Operating losses amounting to -73 TCHF registered as follow:

- Claims operational nature (clients and counterparties): -50 TCHF.
- Breaches on the management activity provided by the bank in collective schemes: -4 TCHF.
- Clearance of several differences on clearing accounts (security operations): -17 TCHF.

Extraordinary income: No extraordinary income were recorded in 2017

Extraordinary expenses: No extraordinary expenses were recorded in 2017

Table 31: Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment (In 000 CHF)

	Switzerland	Foreign
Result from interest operations		
Interest and discount income	8,185	-
Interest and dividend income from trading portfolios	-7	-
Interest and dividend income from financial investments	6,257	-
Interest expense	-235	-
Gross result from interest operations	14,200	-
Changes in value adjustments for default risks and losses from interest operations	305	-
Subtotal net result from interest operations	**14,505**	**-**
Result from commission business and services		
Commission income from securities trading and investment activities	33,446	-
Commission income from lending activities	693	-
Commission income from other services	1,813	-
Commission expense	-2,155	-
Subtotal result from commission business and services	**33,797**	**-**
Result from trading activities and the fair value option	850	-
Other result from ordinary activities	62	-
TOTAL OF OPERATING REVENUES	**49,214**	**-**
Operating expenses		
Personnel expenses	-24,630	-
General and administrative expenses	-11,627	-
Subtotal of operating expenses	**-36,257**	**-**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1,707	-
Changes to provisions and other value adjustments, and losses	-69	-
OPERATING RESULT	**11,181**	**-**

Table 32: Presentation of current taxes, deferred taxes and disclosure of tax rate (In 000 CHF)

	31.12.2017	31.12.2016
Expenses for current taxes	2,362	3,242
Expenses for deferred taxes	780	-
TOTAL OF TAXES	**3,142**	**3,242**
Average tax rate weighted	23.00%	23.00%

Report of the Statutory Auditor

to the General Meeting of Shareholders of BBVA (Suiza) SA, Zurich.

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of BBVA (Suiza) SA (pages 15 to 44), which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes for the year ended 31. December 2017.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsi-bility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those stand-ards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclo-sures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the inter-nal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31. December 2017 comply with Swiss law and the company's articles of incorporation.

Other Matter

The financial statements of BBVA (Suiza) SA for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 13 April 2017.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circum-stances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Zurich, 26 April 2018

Michael Schneebeli
Licensed Audit Expert
Auditor in Charge

Spiros Kavvadias
Licensed Audit Expert

Enclosure:

- Financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes)
- Proposed appropriation of available earnings

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Creating Opportunities