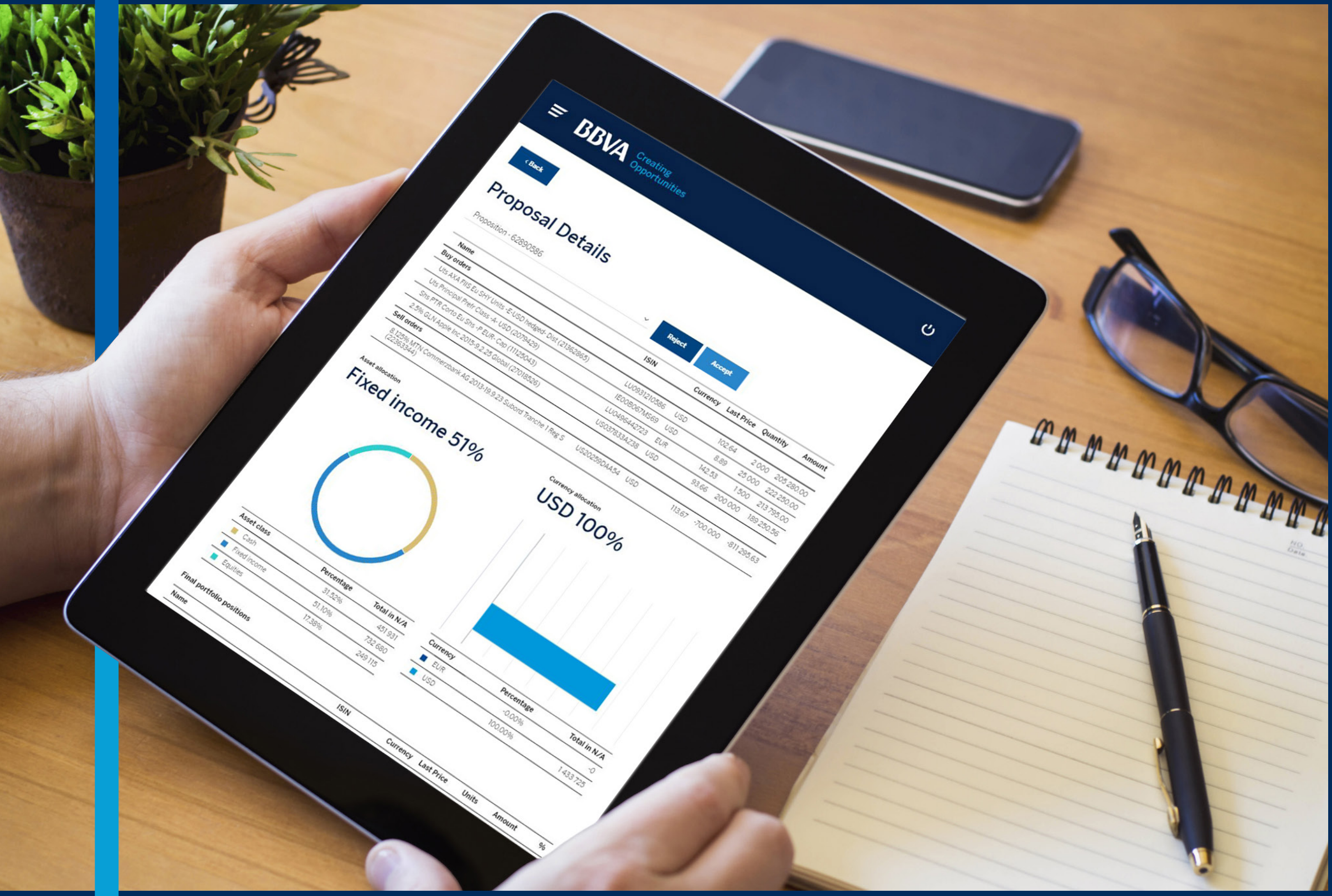
BBVA

Annual Report 2018



BBVA in Switzerland

Creating Opportunities

Annual Report 2018
BBVA in Switzerland

Message from the Chairman and the Chief Executive Officer

2018 has been a positive year for BBVA in Switzerland since we were able to attract new customers and forge ahead with our digital transformation strategy .

We continue to make progress in our digital transformation strategy, registering a record year in terms of digital metrics and customers using our digital banking offering, which now stands at 87%. During the second half of 2018 we recorded our first digital sales thanks to a new digital development that enables our investment advisors to provide investment advice through digital channels.

We believe our strategy to transform the front of our business by making all products and services available is headed in the right direction and we are keen to continue investing in this. Our innovation and development teams are working on new features that will deliver a spectacular customer experience with excellent products and services.

Turning point in assets

Once again, our private banking and wealth management business saw record long-term customer inflows while registering lower cross-border outflows. In contrast to the previous year, the volatility of the financial market, especially strong during the second half of 2018, affected the performance of most asset classes, resulting in a negative impact of 5.9% in the assets under management. Assets under management reached CHF 4.68[1] billion at the end of 2018, representing a decrease of 1.86% compared to the end of 2017.

Financial performance

Despite positive net inflows from customer assets, prudent asset allocation guidelines, positive lending penetration, and the cost control measures taken during the year, the overall performance of the business was affected by challenging financial markets conditions and the erosion of margins that we have seen in the industry due to increased competition among financial intermediaries, especially relevant in UHNW customer segments.

In addition, lower customer activity in a high-volatility environment and the preference for safer assets like monetary instruments, which tend to be less profitable, generated lower returns. As a result, transaction-based income was lower than in the previous year and recurrent fee income also fell.

In 2018 our financial performance was somewhat weaker. BBVA (Suiza) SA gross margin reached CHF 44.37 million, down 9.8%, and net profit was CHF 4.57 million, a fall of 43.17% in comparison to 2017.

To mitigate this financial deterioration in margins, we continue to focus on attracting new customers in strategic markets while implementing strict cost control initiatives across the Bank to ensure sustainable growth.

Our capital position remains strong, CET1 ratio stood at 44.79%.

Looking ahead

We would like to highlight the strong performance of our business in Latin America and Turkey, where we were able to capture new customers with strong inflows and the activity remains supportive for the future.

Our digital strategy remains a priority for us, with the aim of achieving both an improvement in operating efficiency and the creation of new solutions, allowing us to provide a differentiated customer experience.

At the same time, we plan to strengthen our advisory mandate services and dedicated resources to leverage our investment advisory capabilities in response to a record mandate penetration of 65.7%, which will ultimately result in more revenues for the business. Improving sources of income and margins will be an important challenge to be managed going forward.

We remain cautious about the performance of financial markets. As we highlighted last year, the global economic cycle is coming to an end after a long expansion period, the balance of global risks has deteriorated year on year and we would expect volatility to be present when changes in the main central bank policies or trade disputes arise.

Across the Bank, we are convinced that our strategy and business model are resilient and well founded. We would like to thank our customers for their trust and our employees for the commitment they bring to their daily responsibilities. The general outlook remains supportive for our activity.

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 2018)

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 2018, 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. 35 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. 36 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. 23 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. 27 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. 39 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. 32 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, 2018)

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. 25 years of professional experience within the BBVA Group in Madrid, New York, London and Zurich, of which 5 years in BBVA Switzerland.

Mr. Daniel Cubero, Economics and Business Administration degree with Specialization in Economics, University of Zaragoza. 21 years of professional experience within the BBVA Group in Madrid and Zurich, of which 6 years in BBVA Switzerland.

Mr. Sergio Pedrosa, University degree in Law, University of Barcelona. European Financial Planner (EFPA). 20 years of professional experience within the BBVA Group, in Madrid, Barcelona and Zurich, of which 17 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). 22 years of professional experience within the BBVA Group in Bilbao, Madrid, Jersey and Zurich, of which 16 years in BBVA Switzerland.

Ms. Janet Pitan, Economics and Business Administration degree with Specialization in Finance, Universidad Complutense in Madrid. Certified International Coach. 21 years of professional experience within the BBVA Group in Madrid and Zurich, of which 5 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. 18 years of professional experience within the BBVA Group in Lima and Zurich, of which 10 years in BBVA Switzerland.

Mr. Iñigo Berasaluce, University degree in Law, University of Deusto. Certified Anti-Money Laundering Specialist (ACAMS). 28 years of professional experience within the BBVA Group in Valencia, Bilbao, Madrid, Zurich and Hong Kong, of which 13 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. 21 years of professional experience within the BBVA Group in Madrid and Zurich, of which 7 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. 20 years of professional experience in audit and assurance services and banking. Thereof, 10 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. 13 years of professional experience within the BBVA Group in New York and Zurich, of which 9 years in BBVA Switzerland.

Economic Enviroment

Performance of financial markets in 2018

From an economic viewpoint, 2018 confirmed the slowdown in the major world economies outside the US, particularly through the fall in the leading indicators of economic activity in Europe and Asia.

The US remained the strongest economy, both in terms of growth - above 3% - and increase in company profits - over 20%.

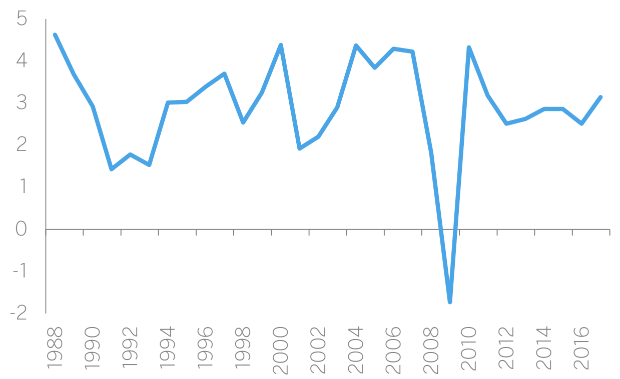
Most important of all perhaps were the increase in the Fed's reference rates and the withdrawal of monetary stimuli. Official rates eventually reached levels of 2.5%, an increase of 1% on 2017.

These rate rises, along with a weaker set of global economic indicators, had a negative effect on financial markets, triggering heavy falls in both stock market indices and fixed-income markets. Global exchanges experienced losses of around 10%, with emerging countries and Europe at the forefront, while 3% was wiped off bond market values for investors in USD.

Major corrections were also seen in commodity markets and in oil in particular, where the price of a barrel of crude fell by more than 20%.

Nearly all financial assets returned negative yields for investors, who were unable to find many safe assets where they could capitalise on their investments.

World GDP Growth (%)



Source: Bloomberg

GDP (y-o-y,%)

	2016	2017	2018	2019*
Spain	3.2	3.0	2.5	2.4
Euro zone	1.9	2.5	1.8	1.4
Mexico	2.6	2.3	2.1	2.0
USA	1.6	2.2	2.9	2.5
Brazil	-3.5	1.1	1.2	2.2
Turkey	2.9	7.4	2.6	1.0
Japan	1.0	1.7	0.9	1.0
China	6.7	6.9	6.6	6.0
India	7.9	6.25	7.3	7.5

Source: BBVA Research
* Estimated

Outlook for 2019

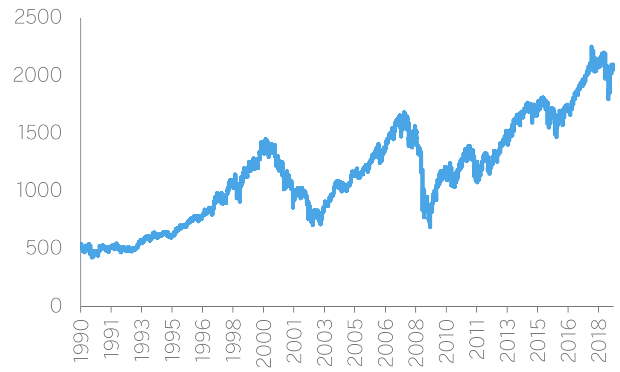
We expect the deterioration in world economic activity to continue in 2019, extending to the US which could be hit by both the global downturn and the end of its expansionary fiscal policies.

The high levels of both corporate and government debt, along with the decline in economic activity, could see an end to the interest rate rises by central banks around the world and a considerable generalised fall in inflation.

Against such a backdrop of low growth and inflation, government bonds may perform better than in 2017, with corporate debt markets being the most penalised.

We believe that financial markets will continue to experience periods of high volatility, particularly in equities since their performance seems to be more tied to central bank monetary policies than their own valuation.

MSCI World Equity Index



Source: Bloomberg

Management Report

The main objective of the members of the BBVA in Switzerland team is to provide an excellent service, delivered through a customer-focused business model.

Talent & Culture

In the current context of the transformation of the financial industry, we are aware that the people who are part of the company are critical when it comes to embracing change.

In this context of adaptation, T&C has evolved towards a much more strategic role, to the extent where today it is a key area for promoting cultural transformation and alignment with the business.

Aligned with this objective, we are promoting a new corporate culture with new ways of working and more dynamic structures.

As part of this transformation in our way of working and internal organisation, we are introducing agile and design thinking into our projects as methodologies to enhance the quality and speed of execution of developments for our customers as well as providing a faster response to the needs of the organisation.

Our ultimate aim at BBVA is to accelerate our transformation and become a better bank for our customers.

The most important asset of BBVA is the team, and for this reason one of our six strategic priorities is "A first-class workforce". It is crucial to have the best professionals and be able to retain them.

Our mission in terms of selection is to identify, attract and select the best candidates for the different roles, always focused on providing the best response to the needs of the business and the professional interests of employees. In line with corporate policy, we prioritise the coverage of positions with internal talent and we encourage international mobility within the BBVA Group.

In accordance with our people management model, employees are the real protagonists of their careers, while development is an opportunity to become a better professional through continuous learning and a culture based on feedback.

We promote a model in which professionals are the protagonists of their training, with the autonomy to design their training experience and develop new skills. In 2018 we introduced highly innovative learning methodologies in line with strategic projects, where employees are encouraged to share their knowledge and skills internally.

At BBVA, we believe that diversity represents a competitive advantage because it allows us to harness the capabilities of different people. Moreover, by employing a greater variety of potential profiles we can address the needs of the Bank more easily. We firmly believe that teams made up of people with different ways of thinking, approaching problems and making decisions yield the best results. The fact that our workforce is highly global is a testament to this belief.

At BBVA Switzerland we promote the same corporate culture as in the BBVA Group and have internalised a set of values, beliefs, practices and behaviours that underpin the way we work and the decisions we make. The values that define our identity are as follows:

- The customer comes first. We adopt a holistic rather than purely financial view of customers. This means working with empathy, agility and integrity to offer the best possible experiences to customers.
- We think big. We are ambitious, questioning everything we do and seeking excellence as a benchmark.
- We are one team. We are passionate and enthusiastic about our job.

These values are reflected in the daily life of all BBVA Switzerland employees, underpinning our behaviour and influencing all our decisions.

We invest continuous effort into improving the experience of our employees, increasing their commitment and motivation. We are close to them and we listen to their feedback in order to improve. For example, last year we held workshops, attended by nearly every member of staff, to share ideas and discuss new measures for implementation.

Accordingly, the changes that have been implemented are based on a general consensus. This fact is not only increasing the sense of pride and belonging among staff, but is helping to provide BBVA Switzerland with a first-class workforce.

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

Our business

BBVA in Switzerland provides private banking services to high-net-worth individuals and their families around the world. Our professional advice helps them to manage, preserve and grow their wealth according to their life objectives and preferences.

We understand that each customer is unique and deserves flexible and comprehensive investment solutions. Our investment advisory teams are prepared to follow their journey with our range of investment products, investment mandates, customised portfolios, lending alternatives, among others.

As part of the BBVA Group, we are proud to be a leading bank in terms of digital transformation. We are continuously developing new digital applications and solutions for customers. Today, we are one of the few private banks in the world that offers its customers the possibility of receiving investment advice through digital channels, easily and securely.

This is just the beginning of what we will be able to achieve by combining our talent, technology and value offering.

Client Assets Under Management

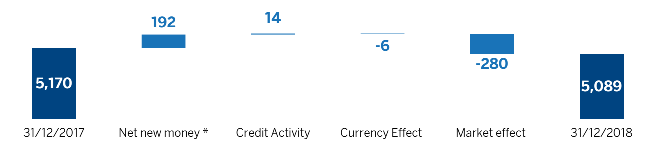
Assets Under Management include all bankable assets that are managed by at BBVA in Switzerland for investment purposes and include administrated, advisory and discretionary mandates as well as other managed assets.

Net new money consists of new client acquisitions, client departures and inflows or outflows attributable to existing clients.

After two years of steady growth in asset prices, 2018 proved more of a challenge for investors, particularly in the last three months of the year. Global stocks have fallen 11.18% in 2018, according to the MSCI World Index as of December. Treasury yields rise after Fed hikes rates for the fourth time in 2018. Therefore, clients have gone through a drop of the value of their assets leading to a decline of the assets under management by CHF 280.37 million. In addition, the appreciation of CHF against EUR reflected CHF 6.35 million lower Assets.

These above-mentioned negative effects were partially offset by a big commercial effort in terms of Net New Money positively impacting by CHF 192.19 million. On one hand, we have experienced considerably lower Cross-border related outflows compared with 2017 and on the other hand, inflows have been largely higher than the previous year.

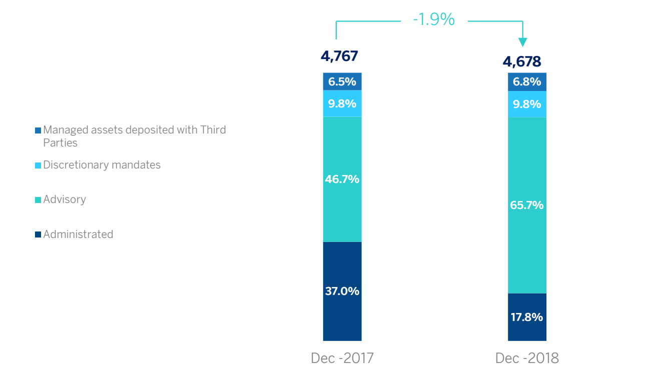
CALs evolution (CHF million)



* Excluding double accountung.

In conclusion, as of December 31, 2018, Assets Under Management stood at CHF 4.68 billion, excluding double counting, down 1.9%.

Assets Under Management by type of mandate (CHF million)



(1) AuMs excludes double counting.

As the chart above shows, in 2018 we saw a further increase in our advisory mandate penetration helping our customers to more effectively achieve their goals.

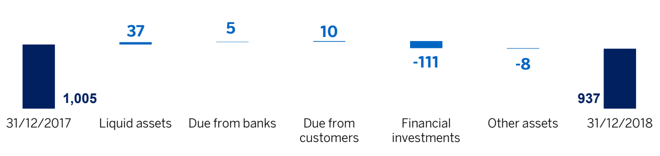
Additionally, Net New Lending was CHF 14.19 million, positively contributing our Client Assets and Liabilities figure to close at CHF 5.09 billion, excluding double counting.

Balance Sheet and Activity

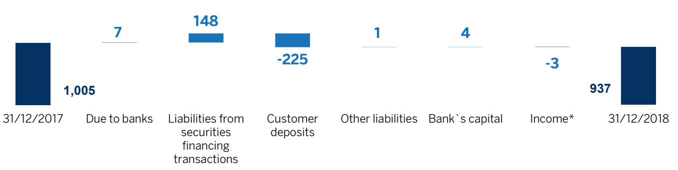
The year-on-year comparison of our balance sheet and business activity exhibits a reduction on its size. The most significant aspects during this period are summarized below:

- Customer deposits experienced a decrease in 2018 over the year as a consequence of rising USD interest rates and cross-border outflows.
- Maturities in the Financial Portfolio were not reinvested.

Balance sheet movements-assets (CHF million)



Balance sheet movements-liabilities and equity (CHF million)



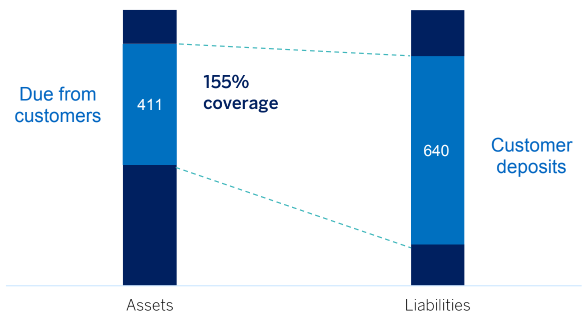
* Dividend distribution

Liquidity

Our purpose is to maintain a healthy liquidity position which enables us 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 2018, the Bank held a sound liquidity position throughout the year to finance its business in a reliable and cost-efficient manner.

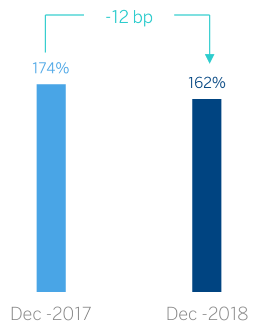
Customer gap (CHF million)



LCR

LCR remains well above the minimum of 90% required for 2018. Therefore, we showed a strong short-term resilience to monitor our liquidity risk by ensuring that we have sufficient HQLA to survive a significant stress scenario lasting 30 calendar days.

LCR (Liquidity Coverage Ratio)

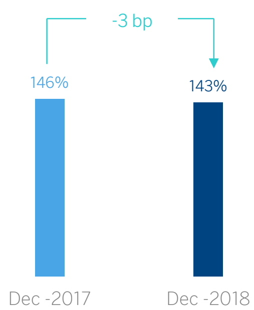


NSFR

The NSFR requires to maintain a stable funding profile in relation to the composition of our assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to our Bank's regular sources of funding erode our liquidity position in a way that would increase the risk of failure.

We report the NSFR for information purposes only since it is not compulsory yet.

NSFR (Net Stable Funding Ratio)

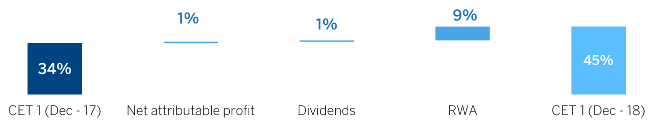


Solvency

The Bank's solvency position still remains one of the best in the entire Swiss national banking system. Capital strength go on providing key support for our strategy and competitive position.

As of the end of 2018, the BIS CET1 ratio was 44.79%, 11.10 bp above the last year figure.

CET 1 ratio



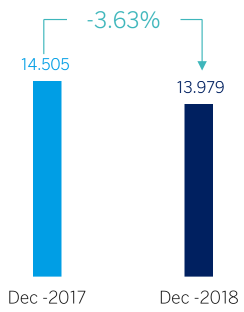
Results

BBVA Switzerland generated a **net attributable profit** of CHF 4.57 million during 2018, which represents a year-on-year decrease of 43.17%.

Highlights

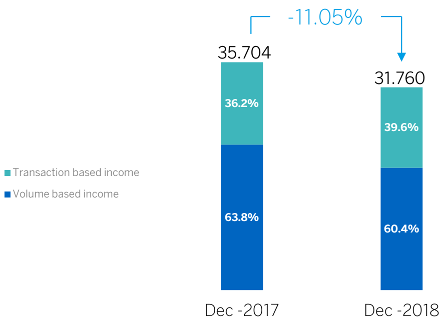
The **net interest income** reflected lower income from portfolio as a consequence of not reinvesting the maturities of our portfolio. However, this negative effect was partially offset by a good management spreads in credit activity.

Net Interest Income (CHF million)



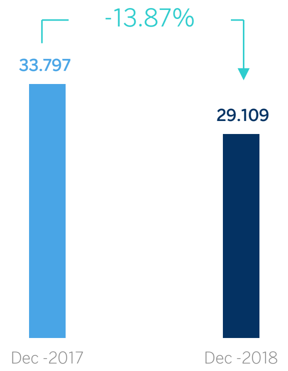
On the other hand, **net fees and commissions** also registered a decrease of 13.87% to CHF 29.11 million highly driven by a drop of 3 bp of our Return on Assets Under Management. Over time, inflows from lower-margin segments and markets have been replacing outflows from higher-margin segments and markets, in particular cross-border clients. This dynamic, combined with changes in client product preferences, has put downward pressure on our Wealth Management's margins.

Transaction versus volume based income (CHF million)



Volume-based commission were CHF 19.18 million compared to CHF 22.79 million in 2017, while transaction-based commissions showed CHF 12.57 million, 2.63% lower in year-on-year terms.

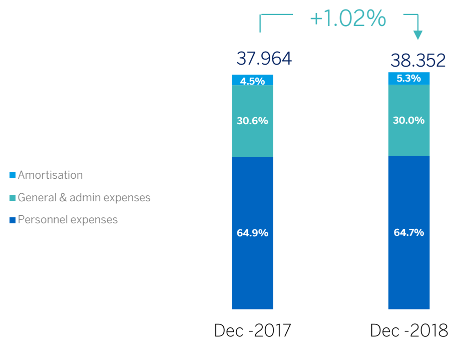
Total commission evolution (CHF million)



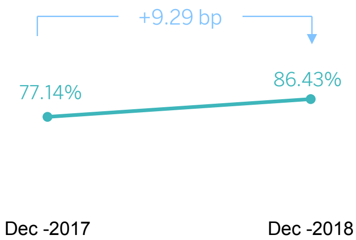
Personnel & general expenses stood at CHF 36.31 million, in line with the previous year reflecting, once year more, a cost discipline.

By contrast, **Amortizations** increased to CHF 2.05 million, 19.84% higher against 2017 reflecting the investments developed among 2018 to provide an enhanced client experience with new digital tools.

Total operating expenses (CHF million)



Cost/income ratio



C/I ratio includes amortization

Key figures

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

Full name	31.12.2018	31.12.2017
Balance Sheet Statistics		
Total assets	937,016,607	1,004,815,350
Total credit activity	411,342,407	401,422,889
Deposits from customers	639,584,837	864,741,109
Total shareholders' equity	119,177,456	115,137,889
Core results		
Operating income	44,373,665	49,214,996
Operating expenses	38,351,930	37,963,722
Net profit/(loss) attributable to shareholders	4,569,191	8,040,280
Key Performance Indicators		
RoE (%)	3.81%	6.06%
RoA (%)	0.47%	0.67%
C/I ratio (%)	86.43%	77.14%
RoRWA (%)	1.68%	1.81%
CET 1 ratio (%)	44.79%	33.69%
Leverage ratio (%)	11.89%	10.63%
Liquidity coverage ratio (%)	161.96%	173.86%
Net New Money growth (%)	4.03%	-7.15%
RoCAL*	0.80%	0.84%
Number of employees	122	122

* Does not include the interests received from the own portfolio. Operating expenses include depreciation and amortization of assets

Bank Risk Assessment

Regular meetings are held to ensure that the Bank's Board of Directors is constantly informed 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 their potential impact. The Board monitored risk assessment during the 2018 financial year at its quarterly meetings.

Future Outlook

As we enter 2019, customer focus remains our top priority to succeed. The ability to attract new customers in selected markets and the opportunity to increase existing customer assets is essential to deliver value creation for the future. Excluding the market impact on the assets we manage, we increased net new assets in 2018. This healthy performance reflects the positive response of customers to our value offering. Going forward, profit growth will be dependent on three main factors: customer net inflows, the ability to generate revenues with less supportive financial markets, and the capacity to generate additional business margin with more products and services. With regard to costs, we continue optimising our business to reduce transactional processes through automation and the creation of new self-service digital offerings. At the same time, we are carefully monitoring and controlling our expenditure.

After a volatile end to 2018, characterised by geopolitical uncertainties, global trade renegotiations and a general slowdown in the global growth momentum, we expect a similar year in terms of growth but are anticipating more supportive policies from the central banks in the US and China. Nevertheless, our experience working under different economic and geopolitical cycles will help us to navigate the future while we continue to gain the trust of our customers by enabling them to make optimum financial decisions based on our advice.

In our view, Switzerland is a top location for diversifying global private wealth. The country's long-standing stability, healthy and well-developed financial system and its solid legal framework will continue to make it a very attractive financial centre. We believe that these strengths, combined with the modern value proposition of BBVA in Switzerland, are attractive for customers of the BBVA Group worldwide.

Financial Statements

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

Balance Sheet

Assets (In CHF)

	31.12.2018	31.12.2017
Liquid assets	49,495,201	12,858,339
Amounts due from banks	65,583,416	60,321,988
Amounts due from securities financing transactions	-	-
Amounts due from customers	411,342,407	401,422,889
Trading portfolio assets	-	-
Positive replacement values of derivative financial instruments	1,006,325	4,620,710
Financial investments	387,044,387	498,451,035
Accrued income and prepaid expenses	13,907,309	16,976,772
Participations	-	3,002
Tangible fixed assets	7,148,111	8,095,014
Other assets	1,489,452	2,065,601
Value adjustments for default risks (transitional regulation)	-	-
TOTAL ASSETS	**937,016,608**	**1,004,815,350**
TOTAL SUBORDINATED CLAIMS	**-**	**-**

Liabilities and shareholder's equity (In CHF)

	31.12.2018	31.12.2017
Amounts due to banks	7,806,794	1,685,270
Liabilities from securities financing transactions	148,369,624	-
Amounts due in respect of customer deposits	639,584,837	864,741,109
Negative replacement values of derivative financial instruments	783,416	916,400
Accrued expenses and deferred income	10,717,914	9,889,656
Other liabilities	2,841,217	3,438,532
Provisions	545,927	966,927
Reserves for general banking risks	2,620,232	-
Bank's capital	72,500,000	72,500,000
Statutory retained earnings reserve	37,200,000	37,200,000
Voluntary retained earnings reserve	9,477,456	5,437,889
Profit carried forward/loss carried forward	-	-
Profit (result of the period)	4,569,191	8,039,567
TOTAL LIABILITIES	**937,016,608**	**1,004,815,350**
TOTAL SUBORDINATED LIABILITIES	**-**	**-**

Off-balance sheet transitions (In CHF)

	31.12.2018	31.12.2017
Contingent liabilities	69,109,154	62,364,862
Irrevocable commitments	2,082,000	2,932,000

Income Statement

(In CHF)

	31.12.2018	31.12.2017
Results from interest operations		
Interest and discount income	8,199,677	8,184,347
Interest and dividend income on trading portfolios	-	-6,961
Interest and dividend income on financial investments	6,173,204	6,256,943
Interest expense	-373,644	-234,588
Gross result from interest operations	13,999,237	14,199,741
Changes in value adjustments for default risks and losses from interest operations	-20,000	305,278
SUBTOTAL NET RESULT FROM INTEREST OPERATIONS	**13,979,237**	**14,505,019**
Result from commission business and services		
Commission income from securities trading and investment activities	30,306,682	33,445,845
Commission income from lending activities	596,024	693,535
Commission income from other services	1,234,879	1,812,854
Commission expenses	-3,028,556	-2,155,313
Subtotal result from commission business and services	**29,109,029**	**33,796,921**
Result from trading activities and the fair value option	**1,033,993**	**850,211**
Other result from ordinary activities		
Result from the disposal of financial investments	224,762	211,211
Income from participations	-	635
Other ordinary income	26,832	1,244
Other ordinary expenses	-188	-151,067
SUBTOTAL OTHER RESULT FROM ORDINARY ACTIVITIES	**251,406**	**62,023**

Operating expenses (In CHF)

	31.12.2018	31.12.2017
Personnel expenses	-24,819,920	-24,629,695
General and administrative expenses	-11,486,667	-11,626,874
SUBTOTAL OPERATING EXPENSES	-36,306,587	-36,256,569
Gross Profit	**8,067,078**	**12,957,605**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-2,045,343	-1,707,153
Changes to provisions and other value adjustments, and losses	-29,107	-68,919
Operating result	**5,992,628**	**11,181,532**
Extraordinary income	17,531	-
Extraordinary expenses	-	-
Changes in reserves for general banking risks	711,768	-
Taxes	-2,152,736	-3,141,966
Profit (result of the period)	**4,569,191**	**8,039,566**

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

	31.12.2018	31.12.2017
Profit	**4,569,191**	**8,039,566**
+/- profit / loss carried forward	-	-
=Distributable profit	4,569,191	8,039,566
Appropriation of profit/ coverage of losses	**-**	**-**
Appropriation of profit	-	-
Allocation to statutory retained earnings reserve	-	-
Allocation to voluntary retained earnings reserve	2,284,596	4,039,566
Distributions from distributable profit	2,284,595	4,000,000
Other distributions	**-**	**-**
Voluntary retained earnings reserve	9,477,456	5,437,889
Allocation from distributable profit (as per above registration)	2,284,596	4,039,566
New amount carried forward	11,762,052	9,477,456

Cash Flow Statement

(In 000 CHF)

	2018		2017	
	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from operating activities (internal financing)				
Result of the period	4,569	-	8,040	-
Change in reserves for general banking risks	2,620	-	-	-
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	2,045	-	1,707	-
Provisions and other value adjustments	-	-	-	-
Change in value adjustments for default risks and losses	-	3,312	-	326
Accrued income and prepaid expenses	3,070	-	3,380	-
Accrued expenses and deferred income	828	-	-	227
Other items	-	21	-	507
Previous year's dividend	-	4,000	-	70,099
SUBTOTAL	13,132	7,333	13,127	71,159
Cash flow from shareholder's equity transactions				
Share capital / participation capital / cantonal banks' endowment capital / etc.	-	-	-	-
Recognised in reserves	-	-	-	-
Change in own equity securities	-	-	-	-
SUBTOTAL	-	-	-	-
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	3	-	-	-
Real estate	-	-	-	-
Other tangible fixed assets	-	1,098	-	1,161
Intangible assets	-	-	-	-
Mortgages on own real estate	-	-	-	-
SUBTOTAL	3	1,098	-	1,161

(In 000 CHF)

	2018		2017	
	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	19,260	-	-	17,159
Mortgage loans	-	-	-	-
Other financial instruments at fair value	-	-	-	-
Financial investments	51,693	-	-	132,822
Other accounts receivable	-	-	-	-
Short-term business	-	-	-	-
Amounts due to banks	6,122	-	-	1,829
Liabilities from securities financing transactions	148,370	-	-	-
Amounts due in respect of customer deposits	-	225,156	-	342,554
Other liabilities	-	-	-	-
Trading portfolio liabilities	-	-	-	460
Negative replacement values of derivative financial instruments	-	133	-	855
Liabilities from other financial instruments at fair value	-	-	-	-
Amounts due from banks	-	5,251	114,666	-
Amounts due from securities financing transactions	-	-	69,745	-
Amounts due from customers	-	26,939	47,250	-
Trading portfolio assets	-	-	-	-
Positive replacement values of derivative financial instruments	3,615	-	-	1,563
Other financial instruments at fair value	-	-	-	-
Financial investments	60,364	-	264,177	-
Other assets	-	-	-	-
Liquidity	-	-	-	-
Liquid assets	-	36,649	60,597	-
SUBTOTAL	**289,424**	**294,128**	**556,435**	**497,242**
TOTAL	**302,559**	**302,559**	**569,562**	**569,562**

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 2018	72,500		37,200	-	-	5,438	-	-	8,039	123,177
Dividends and other distributions	-	-	-	-	-	-	-	-	-4,000	-4,000
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	2,620	-	-	-	-	-	2,620
Other allocations to (transfers from) the other reserves	-	-	-	-	-	4,039	-	-	-4,039	-
Profit / loss (result of the period)	-	-	-	-	-	-	-	-	4,569	4,569
Equity at end of 2018	72,500	-	37,200	2,620	-	9,477	-	-	4,569	126,366

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. The Bank is 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 continuity of business activity as a going concern.

Items are entered on 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 estimate can be made, they are considered to be contingent liabilities and disclosed in the notes.

Balance sheet positions are evaluated individually.

The 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 recognised 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 measured 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 customers 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 realisation 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 realisation 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 whichever is 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 recognised 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 value 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 whichever is the lower of cost or market value, provided that there is no intention to hold these securities until maturity. The valuation is recognised 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 are deferred over the term up to maturity. Interest related to realised profits or losses from premature sale or redemption is deferred over the remaining term, i.e. up to the original maturity and recognised in "Other assets" and "Other liabilities", respectively. Changes in value due to creditworthiness will be recognised immediately in the income statement under "Changes in value adjustments for default risks and losses from interest operations".

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

Value adjustments in the 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 hold any participations at the end of the year.

Tangible Fixed Assets

Investments in new fixed assets are capitalised and valued according to the historical cost principle if they are used for more than one accounting period and if they exceed the minimum capitalisation threshold, which amounts to CHF 1,000. Investments in existing fixed assets are capitalised 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

*Includes one-off purchases of software licences 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 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 realised 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 realised to income.

Value adjustments for default risks on financial investments and loan commitments

Default risks from the Bank's financial investments are valued by applying the group's expected loss model. The model calculates the allowance for impairment losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. The model uses a dual measurement approach. If the credit risk of a financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit losses. If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses, thereby increasing the amount of impairment recognized.

Default risk from impaired loans are not included in the expected loss model since no defaults, losses or impairments have occurred in the last decade. As a consequence, the Bank is calculating the amount of allowances in a different process by applying a backward-looking perspective which resulted in a generic loan allowance of zero. However, the individual credit default risk is assessed on a daily basis.

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".

The new reserves for general banking risks have been treated as taxable capital and the reclassification from “Value adjustments for default” to “Reserves for general banking risks” has been treated as taxable income for corporate tax as of 31 December 2018.

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 who are insured by the parent company abroad, are members of this pension scheme:

- As of 1 January, upon reaching the age of 17 they are insured against invalidity and death.
- As of 1 January, upon reaching the age of 24 they are also insured for retirement benefits and age-related credits that have matured. The company pays fixed contributions and is not obliged to pay any 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 valued at the fair value of the shares on allocation. The fair value is determined by the parent company and the valuation is recorded under the items "Personnel expenses" and "Accrued expenses and deferred income" over the vesting period. In principle, no subsequent valuations are carried out unless there are changes in the exercise or subscription conditions. Any differences on settlement are accounted under the item "Personnel expenses". The following sections refer to the relevant BBVA Group policies.

System of Variable Remuneration in Shares

At BBVA the annual variable remuneration that applies generally to all employees consists of a cash incentive awarded once a year and linked to the achievement of predefined objectives and to sound risk management (hereinafter, the "Annual Variable Remuneration").

In accordance with the BBVA Group remuneration policy in force since 2017, the specific settlement and payment system for the Annual Variable Remuneration is applicable to employees and senior managers whose professional activities have a significant impact on the Group's risk profile, including the executive directors and members of BBVA senior management (hereinafter, the "Identified Staff"). Among other components, it includes the payment in shares of part of their Annual Variable Remuneration.

With respect to BBVA directors, this remuneration policy was approved by the Board of Directors on 9 February 2017 and by the Annual General Shareholders' Meeting held on 17 March 2017.

The policy includes a specific settlement and payment system of the Annual Variable Remuneration applicable to the 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 Identified Staff members with particularly high variable remuneration, and 40% for all other 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.

Each year 50% of the variable remuneration (including both upfront and deferred portions) shall be settled in BBVA shares, although a larger proportion (60%) in shares shall be deferred in the case of executive directors and senior management.

The variable remuneration will be subject to ex ante adjustments and it will therefore not be accrued, or it will be accrued in a reduced amount, if a certain level of profit or capital ratio is not obtained. In addition, the Annual Variable Remuneration will be reduced following a negative performance assessment as regards the Bank's results or other parameters such as the level of achievement of budget 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 basic risk management and control metrics related to solvency, capital, liquidity, funding or profitability, or to the share performance and recurring results of the Group.

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

All shares shall be withheld for a period of one year after delivery, except for those shares required to honour the payment of taxes.

No personal hedging strategies or insurance may be used in connection with remuneration and responsibility if they are likely to undermine the effects of alignment with sound risk management.

The deferred amounts in cash subject to multi-year performance indicators that are finally paid shall be subject to updating, in accordance with the terms determined by the Bank's Board of Directors and at the recommendation of the Remunerations 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, the General Meeting held on 16 March 2018 resolved to increase the maximum level of variable remuneration to 200% of the fixed component for a number of the Identified Staff, in accordance with the terms indicated in the Report of Recommendations issued for this purpose by the Board of Directors, dated 12 February 2018.

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

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

The Bank adopted FINMA Circular 15/1 Accounting - Banks effective as of 1 January 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

Since the financial year 2018, the Bank has replaced the old backward-looking "incurred loss model" by a new future-oriented "expected loss model".

Explanation of the model can be found on page 21 in section 2.1.2 Financial instruments subsection Provisions. The changeover to the new model led to a decrease in provision of 3.3 CHF million which was transferred without income effect to the reserves for general banking risks (reclassification).

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

From now on, all transactions will be valued for the purposes of earnings according to the above.

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 that 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:

	31.12.2018	31.12.2017
USD 1	0.9824	0.9746
EUR 1	1.1255	1.1691
GBP 1	1.2530	1.3166
JPY 100	0.8980	0.8646

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 is performed in a systematic and standardised 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 each 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 implemented to ensure compliance with 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 may 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 where necessary. An escalation process of three control points has been implemented to keep 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 introduced 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 as well as the controls required to prevent possible economic losses. These specialists establish and design the mitigation/control measures required to maintain these risks at the desired level, and they support the Business Areas in their implementation, within the scope of their responsibility.

Fiduciary Risk

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

A key aspect of efficient fiduciary risk management is the suitability of the product for the customer's risk profile.

Procedures have therefore been established to clearly identify the risk profile of each customer and 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 analyse 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.
- Analyse risk factors that require mitigation decisions.

Definition of customer risk profiles

Defining the customer's risk profile is key to providing customers with the correct advisory and investment decision-making.

When customers 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. The questionnaire elicits information about three main points:

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

Liquidity Risk

Limits and alert structures have been implemented to ensure compliance with the Liquidity and Financing Risk Appetite levels. The limits are reviewed and approved annually based on three essential aspects:

- **Self-funding**. In order to ensure that self-funding levels are 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, the composition of structural financing must include a maximum limit on the amount of short-term financing.
- **Capacity to buffer liquidity shocks.** The aim of this limit is 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 are 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 the Bank's usual management measures are insufficient to guarantee the liquidity profile established in the Risk Appetite statement. The plan contains explicit procedures to enable decision-making, the implementation of contingency measures and effective communication. It also specifies the functions and responsibilities in these situations, as well as the authority responsible for activating the plan.

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, but it also an opportunity for creating economic value.

Interest rate risk must therefore be managed to ensure that it does not become excessive in relation to the entity's capital and that 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. Accordingly, the effects are analysed from a dual perspective:

- **Their effect on income (net interest income):** Fluctuations in interest rates affect Banks' income and threaten their financial stability since 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 includes an operating limit structure aimed at maintaining exposure within levels that are consistent with the risk profile and business strategy defined. This limit structure is stipulated both for economic value and net interest income and is usually set 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 escalation processes have been implemented to provide adequate monitoring and therefore 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 alerts, has been established to ensure that there is an appropriate margin to react to possible market 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)

	31.12.2018	31.12.2017
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	-	-
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	148,370	-
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	151,075	-
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	-	-
of which, repledged securities	-	-
of which, resold securities	-	-

* Before netting agreements

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	-	408,158	3,184	411,342
TOTAL LOANS (BEFORE NETTING WITH VALUE ADJUSTMENTS)	-	-	-	-
2018	-	408,158	3,184	411,342
2017	-	401,519	2,145	403,664
TOTAL LOANS (AFTER NETTING WITH VALUE ADJUSTMENTS)	-	-	-	-
2018	-	408,158	3,184	411,342
2017	-	399,301	2,122	401,423

	TYPE OF COLLATERAL			
	Secured by mortgage	Other collateral	Unsecured	Total
Off-balance-sheet				
Contingent liabilities	-	69,109	-	69,109
Irrevocable commitments	-	-	2,082	2,082
TOTAL OFF-BALANCE SHEET	-	-	-	-
2018	-	69,109	2,082	71,191
2017	-	62,365	2,932	65,297

	Gross debt amount	Estimated liquidation value of collateral*	Net debt amount	Individual value adjustments
Impaired loans / receivables				
2018	-	-	-	-
2017	-	-	-	-

No impaired loans/receivables as at 31.12.2017 and 31.12.2018.

Table 3: 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	703	566	80,473	303	217	20,220
TOTAL	**703**	**566**	**80,473**	**303**	**217**	**20,220**
Equity securities / indices						
Forward contracts	-	-	-	-	-	-
Options (exchange-traded)	-	-	3,542	-	-	-
TOTAL	**-**	**-**	**3,542**	**-**	**-**	**-**
Credit derivatives						
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**
Other*						
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**

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

Total before netting agreements (In 000 CHF)

	TRADING INSTRUMENTS			HEDGING INSTRUMENTS**		
	Replacement values		Contract volume	Replacement values		Contract volume
	Positive	Negative		Positive	Negative	
2018	703	566	84,015	303	217	20,220
of which, determined using a valuation model	-	-	-	-	-	-
2017	2,363	916	73,396	2,258	-	30,467
of which, determined using a valuation model	-	-	-	-	-	-

**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)
2018	1,006	783
2017	4,621	916

Breakdown by counterparty (In 000 CHF)

	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	-	650	356

Table 4: Breakdown of financial investments (In 000 CHF)

	BOOK VALUE		FAIR VALUE	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Debt Securities	387,044	498,451	383,257	496,755
of which, intended to be held to maturity	363,264	498,451	359,260	496,755
of which, not intended to be held to maturity (available for sale)	23,780	-	23,997	-
TOTAL	**387,044**	**498,451**	**383,257**	**496,755**
of which, securities eligible for repo transactions in accordance with liquidity requirements	145,858	224,873	144,337	223,535

Breakdown of counterparties by rating ** (In 000 CHF)

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: book values	207,397	162,282	17,365	-	-	-

The value adjustments for default risks of the financial investments, total amount of CHF 48'000 per end of year 2018, has been deducted from the book value and market value.

Table 5: 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	Reclassific-ations	Additions	Disposals	Value adjustments	Book value as at end of current year	Market value
Other participations	3	-	3	-	-	-3	-	-	-
with market value	3	-	3	-	-	-3	-	-	-
without market value		-		-	-		-	-	-
TOTAL PARTICIPATIONS	**3**	**-**	**3**	**-**	**-**	**-3**	**-**	**-**	**-**

Table 6: Presentation of tangible fixed assets (In 000 CHF)

	Acquisition cost	Accumulated depreciation	Book value previous year end	Current year Reclassifi-cations	Additions	Disposals	Deprecia-tion	Reversals	Book value as at end of current year
Bank buildings	-	-	-	-	-	-	-	-	-
Other real estate	4,573	-2,109	2,464	-	38	-	-491	-	2,011
Proprietary or separately acquired software	7,826	-2,264	5,562	-	1,059	-	-1,521	-	5,100
Other tangible fixed assets	153	-84	69	-	1	-	-33	-	37
TOTAL TANGIBLE FIXED ASSETS	**12,552**	**-4,457**	**8,095**	**-**	**1,098**	**-**	**-2,045**	**-**	**7,148**

After completion of depreciations, the positions have been offsetted in the amount of CHF 6'023 (in 000 CHF): Other real state CHF 1'300 / Software CHF 2'315 / Other tangible fixed assets CHF 2'408.

Table 7: 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	7,822	1,956	1,955	1,955	1,955	-	-

Table 8: Breakdown of other assets and other liabilities (In 000 CHF)

	Other assets		Other liabilities	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Compensation account	8	12	298	592
Amount recognised as assets in respect of employer contribution reserves	-	-	-	-
Amount recognised as assets relating to other assets from pension schemes	-	-	-	-
Coupons	-	-	-	-
Foreign currencies if they are not included in item 1.1	-	-	-	-
Pure clearing accounts	1,155	1,386	-	-
Balances arising from internal bank business operations	-	-	-	-
Commodities	-	-	-	-
Indirect taxes	327	668	-	-
Badwill	-	-	-	-
Funds set up by the bank and possessing no separate legal personality, e.g. pension and charitable funds	-	-	-	-
Pure clearing accounts			2,003	2,199
Balances arising from internal bank business operations	-	-	-	-
Matured, but unredeemed coupons and debt instruments	-	-	-	-
Indirect taxes	-	-	540	648
Leasing instalments recognised as a liability on the balance sheet and payable for assets leased from non-banks	-	-	-	-
Mortgages in favour of third parties secured by real estate owned by the bank, provided a non-bank is the mortgage holder	-	-	-	-
Other payables from goods and services	-	-	-	-
TOTAL	**1,489**	**2,066**	**2,841**	**3,439**

Table 9: 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	2,191	132
Interest bearing securities rights	36,875	3,084
Assets under reservation of ownership	-	-

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

Table 10: Disclosures on the economic situation of own pension schemes

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

ECR	Nominal value at 31.12.2018	Waiver of use at 31.12.2018	Net amount at 31.12.2018	Net amount at 31.12.2017	Influence of ECR on personnel expenses	
					31.12.2018	31.12.2017
Employer sponsored funds/ pension schemes	-	-	-	-	-	-
Pension schemes	-	-	-	-	-	-

Must be recognised as an asset in true and fair view single-entity financial statements and consolidated financial statements.

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

	Overfunding/ underfunding at 31.12.2018	Economic interest of the bank/financial group		Change in economic interest (economic benefit/ obligation) versus 31.12.2017	Contributions paid for the 31.12.2018	Pension expenses in personnel expenses	
		31.12.2018	31.12.2017			31.12.2018	31.12.2017
Pension plans without overfunding/underfunding	-	-	-	-	1,152	1,152	1,164

Table 11: 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	421	-	-421	-	-	-	-	-	-421
Provisions for other business risks	546	-	-	-	-	-	-	546	-
Provisions for restructuring	-	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-	-
TOTAL PROVISIONS	**967**	**-**	**-421**	**-**	**-**	**-**	**-**	**546**	**-421**
Reserves for general banking risks	-	-	3,332	-	-	-	-712	2,620	2,620
Value adjustments for default and country risks	2,939	-	-2,911	-	-	41	-21	48	-2,891
of which, value adjustments for default risks in respect of impaired loans / receivables	-	-	-	-	-	-	-	-	-
of which, value adjustments for latent risks	2,939	-	-2,911	-	-	41	-21	48	-2,891

At the beginning of the year 2018 a reserves for general banking risks has been created for a total amount of CHF 3'332'000. This reserves has been built by dissolving of the previous generic provision without income effect after applying the group's "expected loss model".

Table 12: KM1 - FINMA Circular 16/1 (In 000 CHF)

		31.12.18	30.09.18	30.06.18	31.03.18	31.12.17
	Eligible capital (CHF)					
1	Common Equity Tier 1 (CET1)	121,798				115,138
2	Tier 1 capital	121,798				115,138
3	Total capital	121,846				117,837
	Risk-weighted assets (RWA) (CHF)					
4	RWA	271,900				341,731
4a	Minimum required capital (CHF)	21,752				27,339
	Risk-based capital ratios (in % of RWA)					
5	Common Equity Tier 1 ratio (%)	44.80%				33.69%
6	Tier 1 ratio (%)	44.80%				33.69%
7	Total capital ratio (%)	44.81%				34.48%
	CET1 buffer requirement (in % of RWA)					
8	Conservation buffer as per Basel Minimum Standards (%)	1.88%				1.25%
9	Countercyclical buffer (art 44a CAO) as per Basel Minimum Standards (%)	-				-
11	Total buffer requirement as per Basel Minimum Standards in CET1 quality (%)	1.88%				1.25%
12	CET1 capital available to cover CET1 needs as per Basel Minimum Standards (after deduction of CET1 to cover the minimum requirement)	36.81%				26.48%
	Capital target ratios as per annex 8 CAO (in % of RWA)					
12a	Conservation buffer as per annex 8 CAO (%)	3.20%				3.20%
12b	Countercyclical capital buffer (art. 44 and 44a CAO) (%)	-				-
12c	CET1-target ratio (in %) as per Annex 8 of the CAO plus the countercyclical capital buffer as per art. 44 and 44a CAO	7.40%				7.40%
12d	T1-target ratio (in %) as per Annex 8 of the CAO plus the countercyclical capital buffer as per art. 44 and 44a CAO	9.00%				9.00%
12e	Total capital target ratio (in %) as per Annex 8 of the CAO plus the counter-cyclical capital buffer as per art. 44 and 44a CAO	11.20%				11.20%
	Basel III leverage ratio					
13	Leverage ratio exposure measure (CHF)	1,024,467				1,083,217
14	Basel III leverage ratio (Tier 1 capital in % of the leverage ratio exposure measure)	11.89%				10.60%
	Short-term liquidity ratio (LCR)					
15	LCR numerator: total of high-quality, liquid assets (CHF)	164,625	94,488	141,582	194,117	222,805
16	LCR denominator: total net cash outflows (CHF)	109,469	73,708	100,566	136,079	105,173
17	Short-term liquidity ratio, LCR (%)	150.39%	128.19%	140.79%	142.65%	211.85%

Table 13: 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**	**72,500,000**	**72,500,000**	**72,500**	**72,500,000**
Authorised capital	-	-	-	-	-	-
of which, capital increases completed	-	-	-	-	-	-
Conditional capital	-	-	-	-	-	-
of which, capital increases completed	-	-	-	-	-	-
For cantonal banks: endowment capital	-	-	-	-	-	-

Table 14: Disclosure of amounts due from / to related parties (In 000 CHF)

	Amounts due from		Amounts due to	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Holders of qualified participations:	4,994	47,957	79,342	3,655
Group companies				
Linked companies	2,281	2,248		
Transactions with members of governing bodies	354	175	2,581	3,341
Other related parties	663	78		275

Explanations regarding off-balance-sheet transactions	Contingent assets	2,806
	Forward contracts	29,906
Explanations regarding conditions	Balance-sheet and off-balance-sheet transactions were conducted at terms in line with the market	

Table 15: Disclosure of holders of significant participations (In CHF)

Holders of significant participations and groups of holders of participations with pooled voting rights	31.12.2018		31.12.2017	
	Nominal	**% of equity**	**Nominal**	**% of equity**
with voting rights	72,500,000	100.00%	72,500,000	100.00%
Banco Bilbao Vizcaya Argentaria, Spain	72,500,000	100.00%	72,500,000	100.00%

Table 16: 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)	-	-	-

	2018	2017
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 2018	Change	Number of shares at the end of 2018
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	**-**	**-**	**-**

	31.12.2018		31.12.2017	
	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 31.12.2018	Total 31.12.2017
Reserves not distributable (Rz A5-88 - Part 2)		
Amount not distributable from statutory capital reserve	-	-
Amount not distributable from statutory retained ernings reserve	36,250,000	36,250,000
Amount not distributable from voluntary retained ernings reserve	-	-
TOTAL RESERVES NOT DISTRIBUTABLE	**36,250,000**	**36,250,000**

	Value of transaction 2018
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	-

	Value of transaction 2018
Reasons for and disclosure of the valuation basis of transactions with holders of participations that could not be recognised at fair value (Rz A5-91)	
Description	-

	Contractually agreed price	Fair value amount	Difference in capital reserves
Description of transactions with holders of participations that were not conducted at terms in line with the market, including disclosure of the difference recognised in the item capital reserve between the fair value and the contractually agreed price of the transaction.This requirement applies only to true and fair view supplementary single-entity fiancial statements and consolidated financial statements. (Rz A5-92)			
Description	-	-	-

Table 17: Presentation of the maturity structure of financial instruments (In 000 CHF)

	At sight	Cancellable	DUE 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	49,495	-	-	-	-	-	-	49,495
Amounts due from banks	65,584	-	-	-	-	-	-	65,584
Amounts due from securities financing transactions	-	-	-	-	-	-	-	-
Amounts due from customers	205	269,222	12,062	46,004	83,850	-	-	411,343
Mortgage loans	-	-	-	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-	-	-
Positive replacement values of derivative financial instruments	1,006	-	-	-	-	-	-	1,006
Other financial instruments at fair value	-	-	-	-	-	-	-	-
Financial investments	-	-	-	71,144	315,900	-	-	387,044
TOTAL 2018	**116,290**	**269,222**	**12,062**	**117,148**	**399,750**	**-**	**-**	**914,472**
TOTAL 2017	**95,426**	**222,893**	**53,350**	**136,252**	**469,754**	**-**	**-**	**977,675**
Debt capital / financial instruments								
Amounts due to banks	2,149	-	5,658	-	-	-	-	7,807
Liabilities from securities financing transactions	-	-	39,296	109,074	-	-	-	148,370
Amounts due in respect of customer deposits	638,111	-	1,474	-	-	-	-	639,585
Trading portfolio liabilities	-	-	-	-	-	-	-	-
Negative replacement values of derivative financial instruments	784	-	-	-	-	-	-	784
Liabilities from other financial instruments at fair value	-	-	-	-	-	-	-	-
Cash bonds	-	-	-	-	-	-	-	-
Bond issues and central mortgage institution loans	-	-	-	-	-	-	-	-
TOTAL 2018	**641,044**	**-**	**46,428**	**109,074**	**-**	**-**	**-**	**796,546**
TOTAL 2017	**867,343**	**-**	**-**	**-**	**-**	**-**	**-**	**867,343**

Table 18: Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle (In 000 CHF)

	31.12.2018		31.12.2017	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	49,370	125	12,843	15
Amounts due from banks	1,591	63,993	6,043	54,279
Amounts due from securities financing transactions	-	-	-	-
Amounts due from customers	7,914	403,429	6,529	394,893
Trading portfolio assets	-	-	-	-
Positive replacement values of derivative financial instruments	95	911	18	4,603
Financial investments	-	387,044	-	498,451
Accrued income and prepaid expenses	9,420	4,487	11,541	5,436
Participations	-	-	3	-
Tangible fixed assets	7,148	-	8,095	-
Other assets	1,490	-	2,066	-
Capital not paid in	-	-	-	-
TOTAL ASSETS	**77,028**	**859,989**	**47,138**	**957,677**
Liabilities				
Amounts due to banks	1,978	5,829	77	1,608
Liabilities from securities financing transactions	69,778	78,592	-	-
Amounts due in respect of customer deposits	22,186	617,399	28,128	836,613
Trading portfolio liabilities	-	-	-	-
Negative replacement values of derivative financial instruments	80	704	37	879
Accrued expenses and deferred income	10,352	366	9,871	18
Other liabilities	1,058	1,783	2,847	592
Provisions	546	-	546	421
Reserves for general banking risks	2,620	-	-	-
Bank's capital	72,500	-	72,500	-
Statutory capital reserve	-	-	-	-
Statutory retained earnings reserve	37,200	-	37,200	-
Voluntary retained earnings reserves	9,477	-	5,438	-
Own shares (negative item)	-	-	-	-
Profit carried forward / loss carried forward	-	-	-	-
Profit / loss (result of the period)	4,569	-	8,040	-
TOTAL LIABILITIES	**232,344**	**704,673**	**164,684**	**840,131**

Table 19: Breakdown of total asset by country or group of countries (domicile principle) (In 000 CHF)

	31.12.2018		31.12.2017	
	Absolute	Share as %	Absolute	Share as %
Europe				
Spain	97,165	10.37%	140,160	13.95%
Switzerland	77,028	8.22%	47,138	4.69%
Netherlands	49,269	5.26%	85,959	8.55%
United Kingdom	49,248	5.26%	74,891	7.45%
Turkey	46,947	5.01%	48,853	4.86%
Norway	43,810	4.68%	44,636	4.44%
Luxembourg	29,247	3.12%	1,509	0.15%
Other European	70,136	7.48%	139,452	13.88%
TOTAL EUROPE	**462,850**	**49.40%**	**582,598**	**57.97%**
North America				
United States	74,914	7.99%	28,770	2.86%
Mexico	119,993	12.81%	114,842	11.44%
Canada	10	0.00%	47	0.00%
TOTAL NORTH AMERICA	**194,917**	**20.80%**	**143,659**	**14.30%**
South and Central America (incl, Caribbean zone)				
South America	89,312	9.53%	100,046	9.96%
Central America	429	0.05%	1,016	0.10%
Caribbean Zone	108,001	11.52%	93,534	9.31%
TOTAL SOUTH AND CENTRAL AMERICA (INCL, CARIBBEAN ZONE)	**197,742**	**21.10%**	**194,596**	**19.37%**
TOTAL OTHER COUNTRIES	**81,508**	**8.70%**	**83,962**	**8.36%**
TOTAL ASSET	**937,017**	**100.00%**	**1,004,815**	**100.00%**

Table 20: Breakdown of total assets by credit rating of country groups (risk domicile view) (In 000 CHF)

	Net foreign exposure / 31.12.2018		Net foreign exposure / 31.12.2017	
Bank's own country rating	in CHF	Share as %	in CHF	Share as %
1	712,846	91.95%	777,206	94.38%
2	-	-	-	-
3	1	-	-	-
4	43,773	5.65%	38,183	4.64%
5	2,193	0.28%	4,451	0.54%
6	16,389	2.11%	3,284	0.40%
7	25	-	20	-
Unrated	39	0.01%	292	0.04%
TOTAL	**775,266**	**100.00%**	**823,436**	**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 21: 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	49,001	411	78	5	49,495
Amounts due from banks	970	5,249	57,503	1,861	65,583
Amounts due from securities financing transactions	-	-	-	-	-
Amounts due from customers	43,542	177,907	146,281	43,612	411,342
Mortgage loans	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-
Positive replacement values of derivative financial instruments	1,006	-	-	-	1,006
Other financial instruments at fair value	-	-	-	-	-
Financial investments	29,932	77,244	279,869	-	387,045
Accrued income and prepaid expenses	9,790	1,296	2,332	490	13,908
Participations	-	-	-	-	-
Tangible fixed assets	7,148	-	-	-	7,148
Intangible assets	-	-	-	-	-
Other assets	1,487	3	-	-	1,490
Capital not paid in					
TOTAL ASSETS SHOWN IN BALANCE SHEET	**142,876**	**262,110**	**486,063**	**45,968**	**937,017**
Delivery entitlements from spot exchange, forward forex and forex options transactions	**38,102**	**16,278**	**26,468**	**19,845**	**100,693**
TOTAL ASSETS	**180,978**	**278,388**	**512,531**	**65,813**	**1,037,710**
Liabilities					
Amounts due to banks	-	-	2,149	5,658	7,807
Liabilities from securities financing transactions	-	69,778	78,592	-	148,370
Amounts due in respect of customer deposits	24,591	205,467	394,432	15,096	639,586
Trading portfolio liabilities	-	-	-	-	-
Negative replacement values of derivative financial instruments	783	-	-	-	783
Liabilities from other financial instruments at fair value	-	-	-	-	-
Cash bonds	-	-	-	-	-
Bond issues and central mortgage institution loans	-	-	-	-	-
Accrued expenses and deferred income	10,347	-	371	-	10,718
Other liabilities	2,841	-	-	-	2,841
Provisions	546	-	-	-	546
Reserves for general banking risks	2,620	-	-	-	2,620
Bank's capital	72,500	-	-	-	72,500
Statutory capital reserve	-	-	-	-	-
Statutory retained earnings reserve	37,200	-	-	-	37,200
Voluntary retained earnings reserves	9,477	-	-	-	9,477
Own shares (negative item)	-	-	-	-	-
Profit carried forward / loss carried forward	-	-	-	-	-
Profit / loss (result of the period)	4,569	-	-	-	4,569
TOTAL LIABILITIES SHOWN IN THE BALANCE SHEET	**165,474**	**275,245**	**475,544**	**20,754**	**937,017**
Delivery obligations from spot exchange, forward forex and forex options transactions	**14,983**	**8,163**	**38,178**	**44,992**	**106,316**
TOTAL LIABILITIES	**180,457**	**283,408**	**513,722**	**65,746**	**1,043,333**
NET POSITION PER CURRENCY	**521**	**-5,020**	**-1,191**	**67**	**-5,623**

9. Information on off-balance sheet transactions

Table 22: Breakdown of contingent liabilities and contingent assets (In 000 CHF)

	31.12.2018	31.12.2017
Guarantees to secure credits and similar	67,957	61,213
Other contingent liabilities	1,152	1,152
TOTAL CONTINGENT LIABILITIES	**69,109**	**62,365**
Other contingent assets	16,062	10,492
TOTAL CONTINGENT ASSETS	**16,062**	**10,492**

Table 23: Breakdown of fiduciary transactions (In 000 CHF)

	31.12.2018	31.12.2017
Fiduciary investments with third-party companies	107,316	81,249
Fiduciary investments with group companies and linked companies	276,419	168,458
TOTAL	**383,735**	**249,707**

Table 24: Managed assets (In 000 CHF)

	31.12.2018	31.12.2017
a) Breakdown of managed assets		
Type of managed assets		
Assets in collective ischemes managed by the bank	539,804	551,192
Assets under discretionary asset management agreements	457,152	468,229
Other managed assets	3,904,293	3,986,669
TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING)	**4,901,248**	**5,006,090**
of which, double counting	223,356	239,612
b) Presentation of the development of managed assets		
TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING) AT BEGINNING	**5,006,090**	**5,303,092**
+/- net new money inflow or net new money outflow	198,267	-443,792
+/- price gains / losses, interest, dividends and currency gains / losses	-303,109	146,790
+/- other effects	-	-
TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING) AT END	**4,901,248**	**5,006,090**

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 25: 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	1,642
Discretionary portofolio management services	78
Assets and Liabilities Management/trading	-686
TOTAL	**1,034**
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)	-
Equity securities (including funds)	-7
Foreign currencies	1,041
Commodities / precious metals	-
TOTAL RESULT FROM TRADING ACTIVITIES	**1,034**
of which, from fair value option	-
of which, from fair value option on assets	-
of which, from fair value option on liabilities	-

Table 26: Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest (In 000 CHF)

	31.12.2018	31.12.2017
Disclosure of material refinancing income in the item 'Interest and discount income'	-	-
Negative interest	255	458

Table 27: Breakdown of personnel expenses (In 000 CHF)

	31.12.2018	31.12.2017
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	20,577	19,908
of which, expenses relating to share-based compensation and alternative forms of variable compensation	-	-
Prestations socialesSocial insurance benefits	2,903	2,893
Changes in book value for economic benefits and obligations arising from pension schemes	-	-
Other personnel expenses	1,340	1,829
TOTAL	**24,820**	**24,630**

Table 28: Breakdown of general and administrative expenses (In 000 CHF)

	31.12.2017	31.12.2016
Office space expenses	1,917	1,944
Expenses for information and communications technology	4,983	4,600
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	24	34
Fees of audit firm(s) (Art. 961a no. 2 CO)	438	465
of which, for financial and regulatory audits	403	453
of which, for other services	35	12
Other operating expenses	4,125	4,584
of which, compensation for any cantonal guarantee	-	-
TOTAL	**11,487**	**11,627**

Table 29: 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)

Reserves for general banking risks has been created to a total amount of CHF 3'332'000 by dissolving the previous generic provision without booking directly though the profit and loss, after applying IFRS9 for the calculation of provisions.

Losses: Operating losses amounting to - 29 TCHF registered as follow:

- Claims operational nature (clients and counterparties): -17 TCHF.
- Breaches on the management activity provided by the bank in collective schemes: -12 TCHF.

Extraordinary income: The total amount of 18 TCHF corresponds on one hand to the sale of the participation in the amount of 9 TCHF and on the other hand to the sale of tangible fixed asset in the amount of 9 TCHF.

Extraordinary expenses: No extraordinary expenses were recorded in 2018.

Table 30: 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	8,200	-
Interest and dividend income from trading portfolios	-	-
Interest and dividend income from financial investments	6,173	-
Interest expense	-374	-
Gross result from interest operations	13,999	-
Changes in value adjustments for default risks and losses from interest operations	-20	-
Subtotal net result from interest operations	**13,979**	**-**
Result from commission business and services		
Commission income from securities trading and investment activities	30,307	-
Commission income from lending activities	596	-
Commission income from other services	1,235	-
Commission expense	-3,029	-
Subtotal result from commission business and services	**29,109**	**-**
Result from trading activities and the fair value option	1,034	-
Other result from ordinary activities	251	-
TOTAL OF OPERATING REVENUES	**44,374**	**-**
Operating expenses		
Personnel expenses	-24,820	-
General and administrative expenses	-11,487	-
Subtotal of operating expenses	**-36,307**	**-**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-2,045	-
Changes to provisions and other value adjustments, and losses	-29	-
OPERATING RESULT	**5,993**	**-**

Table 31: Presentation of current taxes, deferred taxes and disclosure of tax rate (In 000 CHF)

	31.12.2018	31.12.2017
Expenses for current taxes	2,153	2,362
Expenses for deferred taxes	-	780
TOTAL OF TAXES	**2,153**	**3,142**
Average tax rate weighted	23.00%	23.00%

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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 financial statements (pages 14 to 42) of BBVA (Suiza) SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2018.

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 responsibility 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 standards 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 disclosures 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 internal 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 2018 comply with Swiss law and the company's articles of incorporation.

BBVA (Suiza) SA, Zurich
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders

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 circumstances 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

Michael Schneebeli
Licensed Audit Expert
Auditor in Charge

Matthias Friedli
Licensed Audit Expert

Zurich, 11 April 2019

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