BBVA
Private Banking

Annual Report 2019

BBVA in Switzerland

Creating Opportunities

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BBVA in Switzerland

Message from the Chairman and the Chief Executive Officer

"We are proud to present a solid performance for BBVA in Switzerland during 2019, delivering solid growth rates on client assets and revenues "

BBVA in Switzerland (thereafter BBVA SA or the Bank) closed a successful 2019, a year in which we grew and continued to transform ourselves in order to meet clients' needs, and ensure we stay relevant to them in the future with a compiling value proposition for managing their wealth. As we look ahead, our client centric business model, combined with strong investment advisory capabilities and a disciplined cost management, will be key for achieving sustainable growth.

Financial results

Our business model proved that we were able to attract new long-term client inflows and new relationships to the Bank. We achieved strong results and profitable growth, total assets under management reached CHF 5,064 million vs CHF 4,678 million at the end of 2018. Net new money growth rate was 4.74%, and financial markets contributed positively to the total assets under management.

Gross margin amounted to CHF 47.50 million vs CHF 44.33 million in 2018, and net income stood at CHF 7.70 million, thus exceeding the previous year's figure by 68%. Our balance sheet remained strong, highly liquid and conservatively invested with a CET1 ratio of 51.24% compared to 44.79% at the end of 2018. Competition in the International Private Banking sector remains high. Nevertheless, the results reflect that the strategy we are following proves to be competitive in the market, and most importantly, is well received among our client base.

Investment advice

We entered the year with a negative market sentiment and with most of asset classes underperforming due to trade tensions, macroeconomic slowdown and deterioration of corporate earnings during late 2018. However, as the year progressed, the reduction in trade tensions, a new wave of monetary policy easing by central banks, and better-than-expected corporate earnings, contributed to a rebound in most asset classes. Moreover, the S&P 500 posted record highs, the Nasdaq 100 had its best year since 2009, US treasuries had their best rally since 2014 and European indexes registered double digit positive returns.

In this context, we would like to highlight the good results of our investment strategy implemented on clients' portfolios during the year, which allowed us to deliver great investment performances to our clients ranging from 6% to 23%. Investment advisory mandates grew by 13%, which is well above competitors' penetration rates and proves that the changes introduced to the new investment advisory services during 2019 were positive. Our new team focuses on delivering personalized investment advisory services following strict guidelines in terms of investment suitability and appropriateness for the client.

While the future is uncertain, we believe that our investment approach and the quality of our investment advice provided by our teams will remain a key differentiation factor against our competitors.

Digital transformation

During 2019, we have worked with the satisfaction of seeing that our digital strategy is progressing properly, maximizing the use of tools designed for improving 'customer experience', and at the same time gaining efficiency in the execution of clients' orders through 'click and trade' offering.

We close 2019 with a 64% increase in active digital clients and a 43.32% increase in terms of visits to our website. During the second half of 2019, we have started our new strategy to explore new digital networks with the aim of increasing awareness and capturing new business leads. We see opportunities to grow on digital channels, and our platform developments and strategy will evolve in this direction.

Sustainability

Efforts to drive sustainability across BBVA Group in 2019, such as the commitment to be neutral in terms of CO2 emissions in 2020, has led to different initiatives in Switzerland. Our offices already use certified renewable energy, and we worked on reducing our environmental impact by implementing energy efficiency plans, recycling programs, eliminating the use of plastics in our offices, and promoting e-mobility programs together with our employees. Our team is also committed to addressing sustainability challenges, creating value together with clients through the incorporation of new investment opportunities in our offering.

During 2019, the BBVA Group has formally presented its new brand identity and logo. The unveiling underscores BBVA's aim to deploy a unique value proposition and a consistent customer experience, which powered by technology and data will help customers in all their financial management needs.

We are proud of everything that our team has accomplished this past year — creating strong company performance, which has also been recognized in the media with an important award in our sector. Our team is strongly committed and prepared for assuming new challenges and continues to innovate with new offerings across all business lines.

We would like to thank our clients for their continued trust in BBVA, and our employees and stakeholders for their contribution to the business.

Mr. Michael Huber
Chairman of the Board

Mr. Alfonso Gómez
Chief Executive Officer

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 2019)

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 independence.

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 2019, 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. 36 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. 37 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. 24 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. 28 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. 40 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 (Global Head of BBVA Pensions and Insurance in the Americas), among other positions.

Mr. Martin Menzi, Master's degree in Law, University of Zurich. Admitted to the Zurich Bar/Swiss Bar. 33 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, 2019)

Full name	Post on company organization
Mr. Alfonso Gómez	Chief Executive Officer/General Manager
Mr. Daniel Cubero	Finance (until July 31st, 2019)
Mr. Fernando Álamo	Finance (since August 26th, 2019)
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. Javier Rubio	Business Development
Mr. Rafael Párrizas (1)	Internal Audit

(1) Director and reports directly to the Board of Directors; 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. 26 years of professional experience within the BBVA Group in Madrid, New York, London and Zurich, of which 6 years at BBVA in Switzerland.

Mr. Fernando Álamo, Master's degree in Quantitative Finance, Afi Escuela de Finanzas, Madrid. Telecommunications Engineering degree, Universidad Politécnica de Madrid. 20 years of professional experience within the BBVA Group in Madrid and Zurich, of which 1 year at BBVA in Switzerland.

Mr. Daniel Cubero, Economics and Business Administration degree with Specialization in Economics, University of Zaragoza. 22 years of professional experience within the BBVA Group in Madrid and Zurich, of which 7 years at BBVA in Switzerland.

Mr. Sergio Pedrosa, Bachelor's degree in Law, University of Barcelona. European Financial Planner (EFPA). 21 years of professional experience within the BBVA Group, in Madrid, Barcelona and Zurich, of which 18 years at BBVA in 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). 23 years of professional experience within the BBVA Group in Bilbao, Madrid, Jersey and Zurich, of which 17 years at BBVA in Switzerland.

Ms. Janet Pitan, Economics and Business Administration degree with Specialization in Finance, Universidad Complutense in Madrid. Certified International Coach. 22 years of professional experience within the BBVA Group in Madrid and Zurich, of which 6 years at BBVA in Switzerland.

Mr. Juan Carlos Muñoz, Master’s degree in Finance, Universidad del Pacifico in Lima. Economics degree, Universidad Ricardo Palma in Lima. 19 years of professional experience within the BBVA Group in Lima and Zurich, of which 11 years at BBVA in Switzerland.

Mr. Iñigo Berasaluce, Bachelor's degree in Law, University of Deusto. Certified Anti-Money Laundering Specialist (ACAMS). 29 years of professional experience within the BBVA Group in Valencia, Bilbao, Madrid, Zurich and Hong Kong, of which 14 years at BBVA in 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. 22 years of professional experience within the BBVA Group in Madrid and Zurich, of which 8 years at BBVA in Switzerland.

Mr. Javier Rubio, Master’s degree in Finance, Instituto de Estudios Bursátiles (I.E.B.) in Madrid. Bachelor's degree in Law and Jurisprudence, University Complutense Madrid. 14 years of professional experience within the BBVA Group in New York and Zurich, of which 10 years at BBVA in 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. 21 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 7 years at BBVA in Switzerland.

Economic Environment

Performance of financial markets in 2019

The financial markets, supported by the actions of the world's central banks, have performed very well during 2019, which has allowed us to offer our customers very significant returns in an environment of low-interest rates and moderate economic growth.

Our investment strategy throughout the year has paid off, especially for the most conservative investors, being positioned in bonds with high credit quality and long maturities.

The good performance of financial assets has contrasted with a slowdown in economic activity globally. The reason is that financial assets, and not financial ones, are supported by the hyperexpansive monetary policies of the main central banks and the low interest rate environment instead of the economic activity itself.

US 10 Year Treasury Yield

Source: Bloomberg

Outlook for 2020

On the other hand, the high returns obtained during 2019 reduce expectations for those of the coming year, which implies that in 2020 we must be even more aware of asset valuations and of choosing the most appropriate investment strategy at each moment.

On a positive note, we can highlight the fact that we see a major difference in valuation between the different sectors and geographical areas, which will allow us to selectively differentiate.

In addition, our forecasts for the first few months of the year are positive regarding economic activity, which we think will allow us to once again position ourselves in some of the ideas that proved to be so profitable during 2019.

Now, more than ever, concepts such as diversification and a balanced approach to portfolios are particularly relevant. The current environment of demanding valuations and very low-interest rates imply that markets offer less natural value, so professional management and a suitable investment approach seem more important than ever.

Investors should keep in mind that the same apparent lack of value in financial markets occurs in the same way and magnitude in other markets such as real estate, where valuations are at a maximum with respect to disposable income, and private equity, which has been hit by valuations in the same way as traditional equity markets.

Finally, another point to consider is the high level of corporate and government debt, which, as we know from past experience, could imply a high default rate in the future, so we must be cautious when investing even if the coupons and promised yields are high.

Some of these companies and governments have already begun to face their own economic reality and to fight for their own survival, something that in many cases is unavoidable.

MSCI World Equity Index

Source: Bloomberg

GDP Growth Forecast

	2019	2020	2021
USA	2.9%	2.3%	2.0%
Latam	0.6%	1.4%	2.1%
Mexico	0.0%	1.5%	2.0%
Eurozone	1.2%	0.9%	1.2%
Spain	1.9%	1.6%	1.9%
Turkey	0.8%	4.0%	4.5%
China	6.1%	5.8%	5.5%
World	**3.2%**	**3.2%**	**3.3%**

Source: BBVA Research

Management Report

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

Talent & Culture

People management

The most important asset at BBVA in Switzerland is our team, which is why our team remains a strategic priority. Our objective is to ensure that we have the best and most committed team.

We at BBVA in Switzerland combine our transformation strategy with a range of initiatives directed at employees, including:

A shift toward a professional development model that gives BBVA employees more direct control over their development; a model that is more inclusive, transparent and effective, ensuring that each employee is able to occupy the position that best suits his or her profile and allows them to contribute the greatest value to the Organization, driving optimal commitment and placing the focus on training and professional growth.

Building up a corporate culture of collaboration and enterprise, revolving around our "Creating Opportunities" initiative and a specific set of values: Customer Comes First, We Think Big and We Are One Team. These are values and priorities shared by all of us at BBVA Group and are the core of all our activities.

BBVA Values

During 2019, our corporate values and behaviors were successfully locked into all aspects of the professional development model, as well as Talent&Culture remuneration policies.

Likewise, with a view of celebrating, internalizing and living our Group values, each year we at BBVA in Switzerland publicly honor those employees who are role models for the organization and standard bearers for its values.

Training

During 2019, T&C focused on driving a culture of continuous learning, giving employees the freedom to shape their own training and develop new skills.

The result was deployment of the "Individual Growth Plan", which allows each employee to design their own development plan, thus strengthening their skill sets and technical expertise.

BBVA has an innovative online training platform that is instantly available to all employees and features a catalog of training resources tailored to our business and future needs. A total of 1,230 hours online training hours have been provided.

Additionally, BBVA in Switzerland provides on-site courses to help managers and teams learn and master the skills that each require in their role, remain up to date with regulatory change and continue providing great service to our customers. A total of 2,110 hours training hours have been provided.

Progress continues in our digital transformation. We remain committed to harnessing new methodologies, such as Agile, Design Thinking and Behavioral Economics in our projects.

Diversity and inclusion

Diversity and inclusion are among our strategic priorities at BBVA. We at BBVA Switzerland are committed to workforce diversity as a key mean of attracting and retaining the brightest talent and offering the best service to our internal and external customers.

As per December 31, 2019, BBVA in Switzerland had 117 employees, of which 38% were women and 62% were men. The average age of the workforce stood at 40. The average number of full-time employees for the year was 116.3.

Working environment

BBVA conducts a general survey every two years to measure employee commitment levels and to listen their opinion. The results of the 2019 survey revealed growing commitment levels among BBVA in Switzerland employees, with the "quality commitment" question securing one of the highest scores.

Community involvement

During 2019, a Sustainability Committee was set up as part of BBVA Governance, which ran various initiatives, with the focus on driving further progress toward a responsible banking model that benefits society and the environment. Based on this objective, strategies were deployed to measure, control and reduce our environmental footprint. One example is our offices being 100% powered by renewable energy.

In line with our social engagement, during 2019 we organized a charity competition to raise funds for NGOs. All employees took part in the project, thanks to our unity and working as one team, the funds raised far exceeded initial expectations. The funds were donated to two well recognized NGOs.

BBVA in Switzerland overview: business performance and future outlook

Clients' Assets under Management

Net new money growth rate was 4.74%, compared with 4.03% last year, and in line of our target range (3-4%). New money inflows from clients were CHF 782 million, compared with outflows of CHF 561 million.

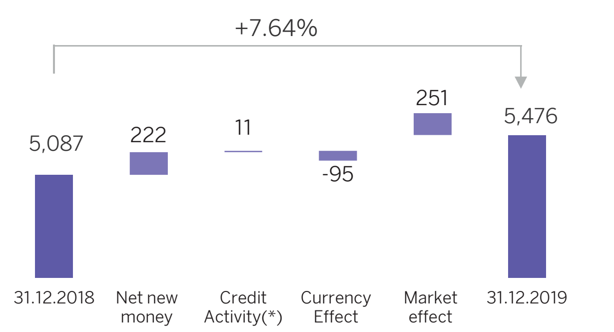
In contrast to 2018, the market effect contributed positively to the revaluation of client portfolios representing CHF 251 million increase in assets under management at the end of 2019.

We believe in our growth plans and we will continue to intensify our efforts to retain and attract our current and prospective clients' assets, which covers the full life cycle of the client's business and personal needs.

As a consequence of the above-mentioned effects, Assets under Management (AuM) performed positively, reaching CHF 5.06 billion, excluding double counting, from CHF 4.68 billion in 2018.

Additionally, Net New Lending reflected an increase of CHF 11.50 million (excluding foreign exchange effect), and therefore it positively impacted our clients Assets under Management and Liabilities (CALs) which posted CHF 5.48 billion, excluding double counting, up 7.64% against last year.

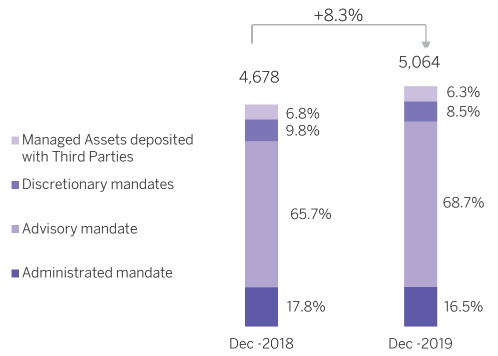
CALs evolution (CHF million)



*Excluding double accountung.

Notes: 1) Assets under Management include all bankable assets that are managed at BBVA in Switzerland for investment purposes and include administrated, advisory and discretionary mandates, as well as other managed assets.
2) Net new money consists of new client acquisitions, client departures, and inflows or outflows attributable to existing clients.

AuMs by type of mandate (CHF million)

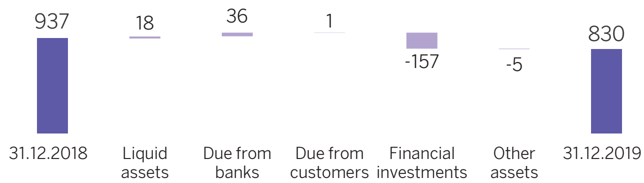


During 2019 bank has increased the share of Assets under Management held under advisory mandates reaching an all time high of 68.7% vs 65.7% in 2018, which in comparative terms is above most of the industry competitors and reinforces the view of providing high quality advisory services to our clients.

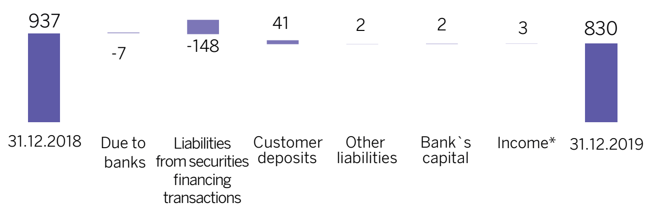
Balance Sheet and Activity

As of the end of 2019, total assets were 830 million, down 11.4% compared to the end of 2018. The main driver of this decrease was the sale of financial investments (CHF 86 million) which was partially compensated by an increase in liquid assets and due from banks positions. As a consequence, funding needs were lower, leading liabilities from securities financing transactions to decrease by CHF 148 million.

Balance sheet movements-assets (CHF million)



Balance sheet movements-liabilities and equity (CHF million)



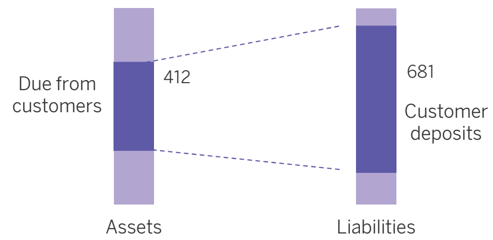
* Dividend distribution

Liquidity

Our aim is to maintain a healthy liquidity position that 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's liquidity framework guidelines.

In 2019, the Bank held a sound liquidity position throughout the year, to finance its business in a reliable and cost-efficient manner.

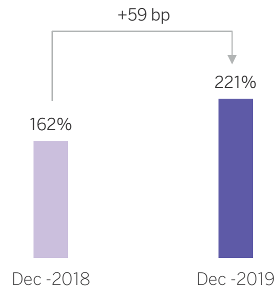
Customer gap (CHF million)



LCR

LCR remains well above the required minimum of 100% for 2019. Therefore, we showed a strong short-term resilience to face our liquidity risk by ensuring that we have sufficient HQLA to survive a significant stress scenario lasting 30 calendar days.

LCR (Liquidity Coverage Ratio)

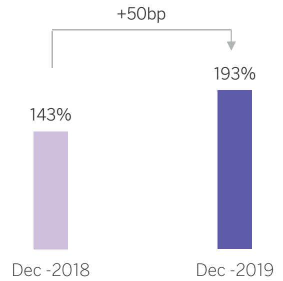


NSFR

The NSFR requires to maintain a stable funding profile in relation to the composition of our on 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)

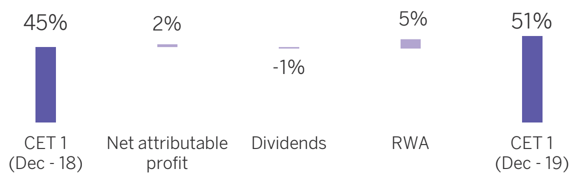


Solvency

The Bank's solvency position still remains comfortable. Capital strength goes on providing key support for our strategy and competitive position.

We strengthened our capital position in 2019 increasing 6.45 bp the BIS CET1 ratio to 51.24% mainly due to a decrease of the Risk Weighted Assets derived from the above-mentioned sale of Financial Investments.

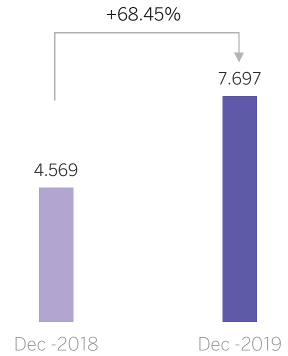
CET 1 ratio



Results

BBVA Switzerland posted strong results showing a **net attributable profit** of CHF 7.70 million during 2019, which represents a year-on-year increase of 68.45% largely boosted by an excellent commercial activity.

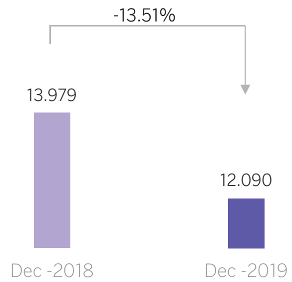
Net Profit (CHF million)



Highlights

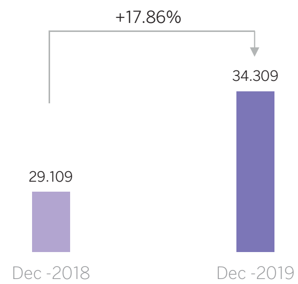
The **net interest income (NII)** reflected lower income versus last year mainly driven by the previously mentioned investment portfolio reduction. Furthermore, the interest rate cuts in USD during 2019 also affected negatively in the performance of NII.

Net Interest Income (CHF million)

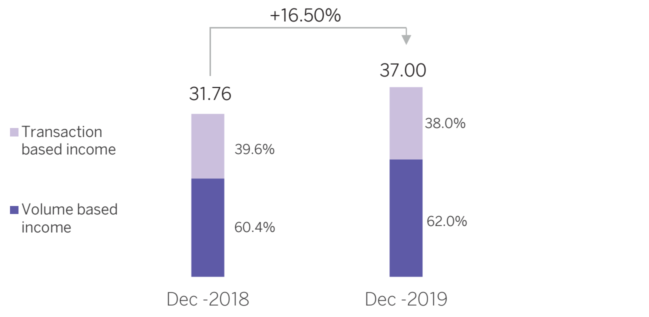


Total **net fees and commissions** registered a double digit increase of 17.86% to CHF 34.31 million significantly impacted by an increase of 6 bp of our return on assets under management and Liabilities. Despite the challenging environment and the pressure in margins we managed to increase our profitability. This achievement is driven by an over performance in both recurrent and non-recurrent fees.

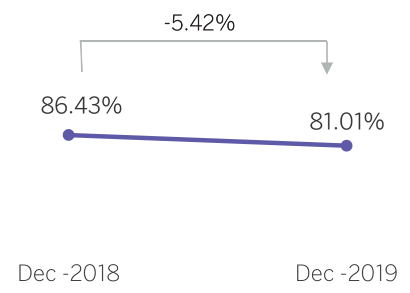
Net commission evolution (CHF million)



Volume versus transaction based income (CHF million)



Cost/income ratio



Volume-based commissions were CHF 22.92 million compared to CHF 19.19 million in 2018, while transaction-based commissions were CHF 14.08 million, 11.94% above in year- on-year terms. Total commissions went up +16.50% against 2018.

Total operating expenses (CHF million)

Personnel & general expenses closed at 36.42 million, increased 0.32% versus 2018, predominantly reflecting our focus on our strategic approach to cost management.

Amortizations were unchanged at CHF 2.06 million.

Cost/income ratio

The cost / income ratio was 81.01%, down 5.42% from 86.43% in 2018. We are committed to improving efficiency across our business with different initiatives such as continuously investing in technology for automatizing processes and giving the client self service functionalities, mitigating operational risks and reducing the manual processes. We are also actively monitoring expenses to commit with annual budgets and deliver sustainable growth in the future.

Key figures

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

	31.12.2019	31.12.2018
Balance Sheet Statistics		
Total assets	830,420,900	937,016,607
Total credit activity	412,410,664	411,342,407
Deposits from customers	680,796,290	639,584,837
Total shareholders' equity	121,462,052	119,177,456
Core results		
Operating income	47,504,200	44,372,310
Operating expenses	38,484,720	38,351,930
Net profit/(loss) attributable to shareholders	7,697,093	4,569,191
Key Performance Indicators		
RoE (%)	6.30%	3.81%
RoA (%)	0.85%	0.47%
C/I ratio (%)	81.01%	86.43%
RoRWA (%)	2.99%	1.68%
CET 1 ratio (%)	51.24%	44.79%
Leverage ratio (%)	13.60%	11.89%
Liquidity coverage ratio (%)	220.84%	161.96%
Net New Money growth (%)	4.74%	4.03%
RoCAL*	0.86%	0.80%
Number of employees	**117**	**122**

* Does not include interests received from own Financial Investments.
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 2019 financial year at its quarterly meetings.

Future Outlook

After a successful 2019 in terms of activity and revenues, we are entering a time of challenges but also great opportunities. Going forward, we would need to overcome important challenges to maintain profitability, like for example: highly volatile financial markets which tend to reduce client activity, a stronger Swiss Franc and structural negative interest rates, amongst other factors.

Despite these challenges, we believe our business is stronger and sounder for the following reasons:

- Net client inflows have been positive in the last two years;
- Revenues are well diversified across different countries and client types;
- Our digital platform strategy is well advanced;
- Capital levels are far higher than the industry average, with conservative investments in our balance sheet and a well collateralized loan portfolio.
- Expense monitoring programs are achieving their targets;

Our business strategy has three pillars:

- Invest for growth: expanding the addressable market with a focus on client acquisition and the increase of stable revenues through discretionary mandates, lending and other activities.
- Diversify the business mix with new products and services: we see an opportunity to provide clients with a new wealth digital banking experience, incorporating personalized services and new products in combination with our advisory capabilities.
- Improve operating efficiency: minimizing operating costs by investing in automation and technology that will improve the client experience and drive expense savings across our business activity.

Being competitive in the next few years will demand strong focus on client needs and will require continuous adaptations of our business model. Consequently, we are fostering a culture of constant innovation with our employees, which will bring live new products and services in short development cycles.

We believe the future offers new opportunities for the Bank in the digitalization of wealth management services in those markets where we have a strong presence, and also with the new trends and technologies that can be used in the financial sector.

Update: On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the reporting date 31 December 2019, the Coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on recognition and measurement of assets and liabilities.

At the time of publication of this annual report, given the nature of our business, asset allocation and the strong balance sheet, we are in a solid position from a capital and liquidity position. However, the current crisis will likely have an impact on the financial statements covering the period 2020. Precisely, a decreasing income from interest operations due to the current market low yields - also driven by Central Banks intervention - is expected. Regarding commission revenues, we expect decreasing recurrent commission income due to the market driven reduction of assets under management. On the contrary, we do not expect substantial credit losses on amounts due from customers and on financial assets due to conservative collateral values and the high quality of our financial assets.

Our assessment is based on the information currently available. Due to the rapid developments, the actual impacts on the financial reporting period 2020 may differ significantly from our expectations.

BBVA SA follows all recommendations from official authorities to minimize health risks and has decided to activate the Bank 'Business Continuity Plan', introducing also complementary measures to protect our employees such as 'teleworking' or suspended meetings and trips. With these measures, we would like to ensure the Bank remains operational in case of further events, maintaining a high quality standard of service to our clients.

Financial Statements

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

Balance Sheet

Assets (In CHF)

	31.12.2019	31.12.2018
Liquid assets	67,210,282	49,495,201
Amounts due from banks	62,930,452	65,583,416
Amounts due from securities financing transactions	38,693,999	-
Amounts due from customers	412,410,665	411,342,407
Trading portfolio assets	-	-
Positive replacement values of derivative financial instruments	731,341	1,006,325
Financial investments	230,226,006	387,044,387
Accrued income and prepaid expenses	10,618,072	13,907,309
Participations	-	-
Tangible fixed assets	5,812,016	7,148,111
Other assets	1,788,067	1,489,452
Value adjustments for default risks (transitional regulation)	-	-
TOTAL ASSETS	**830,420,900**	**937,016,608**
TOTAL SUBORDINATED CLAIMS	**-**	**-**

Liabilities and shareholders' equity (In CHF)

	31.12.2019	31.12.2018
Amounts due to banks	661,365	7,806,794
Liabilities from securities financing transactions	-	148,369,624
Amounts due in respect of customer deposits	680,796,290	639,584,837
Negative replacement values of derivative financial instruments	3,749,603	783,416
Accrued expenses and deferred income	10,478,108	10,717,914
Other liabilities	2,410,230	2,841,217
Provisions	545,927	545,927

Reserves for general banking risks	2,620,232	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	11,762,052	9,477,456
Profit carried forward/loss carried forward	-	-
Profit (result of the period)	7,697,093	4,569,191
TOTAL LIABILITIES	**830,420,900**	**937,016,608**
TOTAL SUBORDINATED LIABILITIES	**-**	**-**

Off-balance sheet transactions (In CHF)

	31.12.2019	31.12.2018
Contingent liabilities	50,354,994	69,109,154
Irrevocable commitments	1,832,000	2,082,000

Income Statement

Income Statement (In CHF)

	31.12.2019	31.12.2018
Results from interest operations		
Interest and discount income	9,337,800	8,199,677
Interest and dividend income on trading portfolios	24	-
Interest and dividend income on financial investments	4,518,002	6,173,204
Interest expense	-1,784,128	-373,644
Gross result from interest operations	**12,071,698**	**13,999,237**
Changes in value adjustments for default risks and losses from interest operations	18,000	-20,000
SUBTOTAL NET RESULT FROM INTEREST OPERATIONS	**12,089,698**	**13,979,237**
Result from commission business and services		
Commission income from securities trading and investment activities	35,717,439	30,306,682
Commission income from lending activities	537,463	596,024
Commission income from other services	1,116,839	1,234,879
Commission expenses	-3,062,403	-3,028,556
Subtotal result from commission business and services	**34,309,338**	**29,109,029**
Result from trading activities and the fair value option	**920,289**	**1,033,993**
Other result from ordinary activities		
Result from the disposal of financial investments	184,230	224,762
Income from participations	-	-
Other ordinary income	1,065	26,832
Other ordinary expenses	-420	-188
SUBTOTAL OTHER RESULT FROM ORDINARY ACTIVITIES	**184,875**	**251,406**

Operating expenses (In CHF)

	31.12.2019	31.12.2018
Personnel expenses	-25,207,063	-24,819,920
General and administrative expenses	-11,215,141	-11,486,667
SUBTOTAL OPERATING EXPENSES	**-36,422,204**	**-36,306,587**
Gross Profit	**11,081,996**	**8,067,078**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-2,062,516	-2,045,343
Changes to provisions and other value adjustments, and losses	-6,038	-29,107
Operating result	**9,013,442**	**5,992,628**
Extraordinary income	2,441	17,531
Extraordinary expenses	-4,044	-
Changes in reserves for general banking risks	-	711,768
Taxes	-1,314,746	-2,152,736
PROFIT (RESULT OF THE PERIOD)	**7,697,093**	**4,569,191**

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

	31.12.2019	31.12.2018
Profit	**7,697,093**	**4,569,191**
+/- profit / loss carried forward	-	-
=Distributable profit	7,697,093	4,569,191
Appropriation of profit/ coverage of losses	**-**	**-**
Appropriation of profit	-	-
Allocation to statutory retained earnings reserve	-	-
Allocation to voluntary retained earnings reserve	3,848,547	2,284,596
Distributions from distributable profit	3,848,546	2,284,595
New amount carried forward	-	-
Other distributions	**-**	**-**
Voluntary retained earnings reserve	11,762,052	9,477,456
Allocation from distributable profit (as per above registration)	3,848,547	2,284,596
New amount carried forward	15,610,599	11,762,052

Since the statutory retained earnings exceed 50% of the share capital, there will be no further allocation.

Cash Flow Statement

Cash Flow Statement (In 000 CHF)

	Cut-off date 31.12.2019		Cut-off date 31.12.2018	
	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from operating activities (internal financing)				
Result of the period	7,697	-	4,569	-
Change in reserves for general banking risks	-	-	2,620	-
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	2,062	-	2,045	-
Provisions and other value adjustments	-	-	-	-
Change in value adjustments for default risks and losses	-	18	-	3,312
Accrued income and prepaid expenses	3,289	-	3,070	-
Accrued expenses and deferred income	-	240	828	-
Other items	-	730	-	21
Previous year's dividend	-	2,285	-	4,000
SUBTOTAL	**13,048**	**3,273**	**13,132**	**7,333**
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	-	726	-	1,098
Intangible assets	-	-	-	-
Mortgages on own real estate	-	-	-	-
SUBTOTAL	**-**	**726**	**3**	**1,098**

Cash Flow Statement (In 000 CHF)

	Cut-off date 31.12.2019		Cut-off date 31.12.2018	
	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	15,499	-	19,260	-
Mortgage loans	-	-	-	-
Other financial instruments at fair value	-	-	-	-
Financial investments	184,545	-	51,693	-
Other accounts receivable	-	-	-	-
Short-term business				
Amounts due to banks	-	7,146	6,122	-
Liabilities from securities financing transactions	-	148,370	148,370	-
Amounts due in respect of customer deposits	41,211	-	-	225,156
Other liabilities	-	-	-	-
Trading portfolio liabilities	-	-	-	-
Negative replacement values of derivative financial instruments	2,967	-	-	133
Liabilities from other financial instruments at fair value	-	-	-	-
Amounts due from banks	2,653	-	-	5,251
Amounts due from securities financing transactions	-	38,696	-	-
Amounts due from customers	-	16,567	-	26,939
Trading portfolio assets	-	-	-	-
Positive replacement values of derivative financial instruments	275	-	3,615	-
Other financial instruments at fair value	-	-	-	-
Financial investments	-	27,707	60,364	-
Other assets	-	-	-	-
Liquidity				
Liquid assets	-	17,713	-	36,649
SUBTOTAL	**247,150**	**256,199**	**289,424**	**294,128**
TOTAL	**260,198**	**260,198**	**302,559**	**302,559**

Statement of Changes in Equity

Presentation of the 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 current period	**72,500**	**-**	**37,200**	**2,620**	**-**	**9,477**	**-**	**-**	**4,569**	**126,366**
Effect of any restatement	-	-	-	-	-	-	-	-	-	-
Employee participation schemes /recognition in reserves	-	-	-	-	-	-	-	-	-	-
Capital increase / decrease	-	-	-	-	-	-	-	-	-	-
Other contributions / other capital paid in	-	-	-	-	-	-	-	-	-	-
Acquisition of own shares	-	-	-	-	-	-	-	-	-	-
Disposal of own shares	-	-	-	-	-	-	-	-	-	-
Effect of subsequent valuation of own shares	-	-	-	-	-	-	-	-	-	-
Profit (loss) on disposal of own shares	-	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	-
Dividends and other distributions	-	-	-	-	-	-	-	-	-2,284	-2,284
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	-	-	-	-	-	-	-
Other allocations to (transfers from) the other reserves	-	-	-	-		2,285	-	-	-2,285	-
Profit / loss (result of the period)	-	-	-	-	-	-	-	-	7,697	7,697
Equity at end of current period	**72,500**	**-**	**37,200**	**2,620**	**-**	**11,762**	**-**	**-**	**7,697**	**131,779**

Notes to the Annual Financial Statements

1. General Information

1.1. Company

BBVA 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.

1.2. COVID-19

At the time of publication of this annual report, given the nature of our business, asset allocation and the strong balance sheet, we are in a solid position from a capital and liquidity position. However, the current Covid-19 crisis will likely have an impact on the financial statements covering the period 2020. Precisely, a decreasing income from interest operations due to the current market low yields - also driven by Central Banks intervention - is expected. Regarding commission revenues, we expect decreasing recurrent commission income due to the market driven reduction of assets under management. On the contrary, we do not expect substantial credit losses on amounts due from customers and on financial assets due to conservative collateral values and the high quality of our financial assets.

For the reporting date 31 December 2019, the Coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on recognition and measurement of assets and liabilities.

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.

The accompanying reliable assessment statutory single-entity financial statements present the economic situation of the Bank such that a third party can form a reliable opinion.

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

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

Balance sheet positions are evaluated individually.

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 minus 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 that 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 realised profits or losses from premature sale or redemption are 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 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

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

Tangible fixed assets are tested for impairment at each balance sheet date. The review is based on substantial indications that lead to the assumption that 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 outflows 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.

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. The Bank has released a tax provision of CHF 0.736 million from the US Program for Swiss Banks.

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

Off-balance sheet transactions

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

Pension Fund

The Bank has transferred all of its pension fund commitments to a collective foundation (a joint scheme formed by several employers). This is a legally-independent and fully-reinsured pension scheme.

All of the company's Swiss-domiciled staff, except for expatriates 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 in Switzerland 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 characteristics of the BBVA Group's remuneration plans based on equity instruments are described below.

System of Variable Remuneration in Shares

BBVA Group has a specific remuneration system applicable to those employees whose professional activities may have a material impact on the risk profile of the Group (hereinafter "Identified Staff"), designed within the framework of applicable regulations to credit institutions and considering best practices and recommendations at the local and international levels in this matter.

In 2019, this remuneration scheme is reflected in the following remuneration policies:

- BBVA Group Remuneration Policy, approved by the Board of Directors on 29 of November 2017, that applies in general to all employees of BBVA and of its subsidiaries that form part of the consolidated group. This policy includes in a specific chapter the remuneration system applicable to the members of BBVA Group Identified Staff, including Senior Management.

- BBVA Directors' Remuneration Policy, approved by the Board of Directors and by the General Shareholders' Meeting held on March 15, 2019, that it's applicable to BBVA Directors. The remuneration system for executive directors corresponds, generally, with the applicable system to the Identified Staff, to which they belong, incorporating some particularities of their own, derived from their condition of directors.

The Annual Variable Remuneration for the Identified Staff members is subject to specific rules for settlement and payment established in their corresponding remuneration policies, specifically:

- Variable remuneration for Identified Staff members for each financial year will be subject to ex ante adjustments, so that it shall be reduced at the time of the performance assessment in the event of negative performance of the Group's results or other parameters such as the level of achievement of budgeted targets, and it shall not accrue or it will accrue in a reduced amount, should certain level of profits and capital ratios not be achieved.

- 60% of the Annual Variable Remuneration will be paid, if conditions are met, in the year following that to which it corresponds (the "Upfront Portion"). The remaining portion will be deferred in time (hereinafter, the "Deferred Component") for a 3 year-period for the Identified Staff.
- 50% of the Annual Variable Remuneration, both the Upfront Portion and the Deferred Component, shall be established in BBVA shares.
- Shares received as Annual Variable Remuneration shall be withheld for a one-year period after delivery, except for the transfer of those shares required to honor the payment taxes.
- The Deferred Component of the Annual Variable Remuneration may be reduced in its entirety, but never increased, based on the result of multi-year performance indicators aligned with the Group's core risk management and control metrics related to the solvency, capital, liquidity, profitability or to the share performance and the recurring results of the Group.
- Resulting cash portions of the Deferred Component of Annual Variable Remuneration and subject to the multi-year performance indicators, finally delivered, shall be updated following the Consumer Price Index (CPI), measured as the year-on-year change prices, as agreed by the Board of Directors.
- The entire Annual Variable Remuneration shall be subject to malus and clawback arrangements during the whole deferral and withholding period, both linked to a downturn in the financial performance of the Bank as a whole, of a specific unit or area, or of exposure generated by an Identified Staff member, when such a downturn in financial performance arises from any of the circumstances expressly named in the remuneration policies.
- No personal hedging strategies or insurances shall be used in connection with remuneration or liability that may undermine the effects of alignment with sound risk management.
- The variable component of the remuneration for a financial year shall be limited to a maximum amount of 100% of the fixed component of the total remuneration, unless the General Meeting resolves to increase this percentage up to a maximum of 200%.

In this regard, the General Meeting held on March, 15, 2019 resolved to increase this limit to a maximum level of 200% of the fixed component of the total remuneration for a given number of the Identified Staff members, in the terms indicated in the report issued for this purpose by the Board of Directors dated February 11, 2019.

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

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

2.3. Consistency in Accounting Policies and Valuation Principles

The accounting policies and valuation principles have not changed compared to the previous year.

2.4. Recognition of business transactions

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

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

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:

	31.12.2019	31.12.2018
USD 1	0.9674	0.9824
EUR 1	1.0855	1.1255
GBP 1	1.2831	1.2530
JPY 100	0.8902	0.8980

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 integrated in every process to ensure that risk taking is in line with the previously defined risk appetite.

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 standardized manner. By using a global risk 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. In the risk appetite there is a clear definition of each type of risk and the limits that are consistent with the Bank's risk profile.

In order to ensure this consistency, two types of limits 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 when 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 analyses 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 prevent any loss caused by this risk.

3.3. Compliance and Legal Risks

The Compliance and legal department ensure that business activities are in compliance with valid regulatory rules. 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.

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 of 2019.

8. Balance sheet information

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

	31.12.2019	31.12.2018
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	38,696	-
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	39,318	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	-	408,513	3,898	412,411
Mortgage loans	-	-	-	-
Residential property	-	-	-	-
Office and business premises	-	-	-	-
Commercial and industrial premises	-	-	-	-
Other	-	-	-	-
TOTAL LOANS (BEFORE NETTING WITH VALUE ADJUSTMENTS)				
2019	-	408,513	3,898	412,411
2018	-	408,158	3,184	411,342
TOTAL LOANS (AFTER NETTING WITH VALUE ADJUSTMENTS)				
2019	-	408,513	3,898	412,411
2018	-	408,158	3,184	411,342

	TYPE OF COLLATERAL			
	Secured by mortgage	Other collateral	Unsecured	Total
Off-balance sheet				
Contingent liabilities	-	50,355	-	50,355
Irrevocable commitments	-	-	1,832	1,832
Obligations to pay up shares and make further contributions	-	-	-	-
Credit commitments	-	-	-	-
TOTAL OFF-BALANCE SHEET				
2019	-	50,355	1,832	52,187
2018	-	69,109	2,082	71,191

	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans / receivables				
2019	-	-	-	-
2018	-	-	-	-

No impaired loans/receivables as at 31.12.2019 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	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange / precious metals						
Forward contracts	687	1,748	57,721	44	2,002	16,378
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-
TOTAL	**687**	**1,748**	**57,721**	**44**	**2,002**	**16,378**
Equity securities / indices						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange-traded)	-	-	137,751	-	-	-
TOTAL	**-**	**-**	**137,751**	**-**	**-**	**-**
Credit Derivatives						
Credit default swaps	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-
First-to-default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**
Other*						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**
Total before Netting agreements						
31.12.2019	687	1,748	195,472	44	2,002	16,378
of which, determined using a valuation model	-	-	-	-	-	-
31.12.2018	703	566	84,015	303	217	20,220
of which, determined using a valuation model	-	-	-	-	-	-

	Positive replacement values (cumulative)	Negative replacement values (cumulative)
Total after netting agreements		
31.12.2019	731	3,750
Manual correction of current year		
31.12.2018	1,006	783

	Central clearing houses	Banks and securities dealers	Other customers
Breakdown by counterparty			
Positive replacement values (after netting agreements)	-	453	278
Manual correction of current year	-	-	-

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

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

	BOOK VALUE		FAIR VALUE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Debt Securities	**230,226**	**387,044**	**232,223**	**383,257**
of which, intended to be held to maturity	206,809	363,264	207,758	359,260
of which, not intended to be held to maturity (available for sale)	23,417	23,780	24,465	23,997
Equity Securities	-	-	-	-
of which, qualified participations	-	-	-	-
Precious metals	-	-	-	-
Real estate, commodities and motor vehicles	-	-	-	-
TOTAL	**230,226**	**387,044**	**232,223**	**383,257**
of which, securities eligible for repo transactions in accordance with liquidity requirements	119,669	145,858	121,111	144,337

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Breakdown of counterparties by rating S&P and Fitch						
Debt securities: book values	152,196	72,502	5,528	-	-	-

The value adjustments for default risks of the financial investments, total amount of CHF 28'000 per end of year 2019, has been deducted from the book value and market value.

Table 5a: Presentation of tangible fixed assets (In 000 CHF)

	Acquisition cost	Accumulated depreciation	Book value previous year end	Current year classifications	Additions	Disposals	Deprecia-tion	Reversals	Book value as at end of current year
Bank buildings	-	-	-	-	-	-	-	-	-
Other real estate	4,611	-2,600	2,011	-	30	-	-500	-	1,541
Proprietary or separately acquired software	8,305	-3,205	5,100	-	696	-	-1,538	-	4,258
Other tangible fixed assets	119	-82	37	-	-	-	-24	-	13
Assets acquired under finance leases:									
of which, bank buildings	-	-	-	-	-	-	-	-	-
of which, other real estate	-	-	-	-	-	-	-	-	-
of which, other tangible fixed assets	-	-	-	-	-	-	-	-	-
TOTAL TANGIBLE FIXED ASSETS	**13,035**	**-5,887**	**7,148**	**-**	**726**	**-**	**-2,062**	**-**	**5,812**

After completion of depreciations, the positions have been offsetted in the amount of 000 CHF 1'020: Software 1'014 / Other tangible fixed assets 6.

Disclosure of the depreciation method applied and the range used for the expected useful life:	
	-

Table 5b: 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	5,448	1,816	1,816	1,816	-	-	-

Table 6: Breakdown of other assets and other liabilities (In 000 CHF)

	Other assets		Other liabilities	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Compensation account	423	8	-	298
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	1,159	1,155	-	-
Balances arising from internal bank business operations	-	-	-	-
Commodities	-	-	-	-
Indirect taxes	206	327	-	-
Badwill	-	-	-	-
Funds set up by the bank and possessing no separate legal personality, e.g. pension and charitable funds	-	-	-	-
Pure clearing accounts	-	-	1,982	2,003
Balances arising from internal bank business operations	-	-	-	-
Matured, but unredeemed coupons and debt instruments	-	-	-	-
Indirect taxes	-	-	428	540
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	**1,788**	**1,489**	**2,410**	**2,841**

Table 7: 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	3,845	3,212
Interest bearing securities rights	36,164	861
Assets under reservation of ownership	-	-

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

Table 8: Disclosures on the economic situation of own pension schemes (In 000 CHF)

a) Employer contribution reserves (ECR)

ECR	Nominal value at 31.12.2019	Waiver of use at 31.12.2019	Net amount at 31.12.2019	Net amount at 31.12.2018	Influence of ECR on personnel expenses 31.12.2019	Influence of ECR on personnel expenses 31.12.2018
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

	Overfunding/ underfunding at 31.12.2017	Economic interest of the bank/financial group 31.12.2019	Economic interest of the bank/financial group 31.12.2018	Change in economic interest (economic benefit/ obligation) versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses 31.12.2019	Pension expenses in personnel expenses 31.12.2018
Employer sponsored funds/ pension schemes	-	-	-	-	-	-	-
Pension plans without overfunding/underfunding	-	-	-	-	1,224	1,224	1,152
Pension plans with overfunding	-	-	-	-	-	-	-
Pension plans with underfunding	-	-	-	-	-	-	-
Pension schemes withoutown assets	-	-	-	-	-	-	-

Table 9: 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	-	-	-	-	-	-	-	-	-
Provisions for other business risks	546	-	-	-	-	-	-	546	-
Provisions for restructuring	-	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-	-
TOTAL PROVISIONS	**546**	**-**	**-**	**-**	**-**	**-**	**-**	**546**	**-**
Reserves for general banking risks	2,620	-	-	-	-	-	-	2,620	-
Value adjustments for default and country risks	48	-	-	-	-	39	-57	30	18
of which, value adjustments for default risks in respect of impaired loans / receivables	-	-	-	-	-	-	-	-	-
of which, value adjustments for latent risks	48	-	-	-	-	39	-57	30	18

Table 10: Presentation of the bank's capital (In CHF)

Bank's capital	31.12.2019 Total par value	31.12.2019 No. of shares	31.12.2019 Capital eligible for dividend	31.12.2018 Total par value	31.12.2018 No. of shares	31.12.2018 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 11: Disclosure of amounts due from / to related parties (In 000 CHF)

	Amounts due from 31.12.2019	Amounts due from 31.12.2018	Amounts due to 31.12.2019	Amounts due to 31.12.2018
Holders of qualified participations	23,327	4,994	3,267	79,342
Group companies	-	-	-	-
Linked companies	16,493	2,281	-	-
Transactions with members of governing bodies	194	354	4,327	2,581
Other related parties	3	663	1,126	-

Explanations regarding off-balance-sheet transactions	Contingent assets	2,615
	Forward contracts	39,195
Explanations regarding conditions	Balance-sheet and off-balance-sheet transactions were conducted at terms in line with the market	

Table 12: Disclosure of holders of significant participations (In CHF)

Holders of significant participations and groups of holders of participations with pooled voting rights	31.12.2019 Nominal	31.12.2019 % of equity	31.12.2018 Nominal	31.12.2018 % 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 13: 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)	-	-	-

	2019	2018
Contingent liabilities in connection with sold or purchased 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 2019	Change	Number of shares at the end of 2019
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	**-**	**-**	**-**

	31.12.2019		31.12.2018	
	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 31.12.2019	Total 31.12.2018
Reserves not distributable (Rz A5-88 - Part 2)		
Amount not distributable from statutory capital reserve	-	-
Amount not distributable from statutory retained earnings reserve	36,250,000	36,250,000
Amount not distributable from voluntary retained earnings reserve	-	-
TOTAL RESERVES NOT DISTRIBUTABLE	**36,250,000**	**36,250,000**

	Value of transaction 2019
Description and amount 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 2019
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 14: Presentation of the maturity structure of financial instruments (In 000 CHF)

	At sight	Cancellable	DUE Within 3 months	DUE Within 3 to 12 months	DUE Within 12 months to 5 years	DUE After 5 years	DUE No maturity	Total
Assets / financial instruments								
Liquid assets	67,210	-	-	-	-	-	-	67,210
Amounts due from banks	62,930	-	-	-	-	-	-	62,930
Amounts due from securities financing transactions	-	-	38,694	-	-	-	-	38,694
Amounts due from customers	1,477	288,988	8,713	44,882	61,579	6,772	-	412,411
Mortgage loans	-	-	-	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-	-	-
Positive replacement values of derivative financial instruments	731	-	-	-	-	-	-	731
Other financial instruments at fair value	-	-	-	-	-	-	-	-
Financial investments	-	-	33,862	64,982	131,382	-	-	230,226
TOTAL 2019	**132,348**	**288,988**	**81,269**	**109,864**	**192,961**	**6,772**	**-**	**812,202**
TOTAL 2018	**116,290**	**269,222**	**12,062**	**117,148**	**399,750**	**-**	**-**	**914,472**
Debt capital / financial instruments								
Amounts due to banks	661	-	-	-	-	-	-	661
Liabilities from securities financing transactions	-	-	-	-	-	-	-	-
Amounts due in respect of customer deposits	680,796	-	-	-	-	-	-	680,796
Trading portfolio liabilities	-	-	-	-	-	-	-	-
Negative replacement values of derivative financial instruments	3,750	-	-	-	-	-	-	3,750
Liabilities from other financial instruments at fair value	-	-	-	-	-	-	-	-
Cash bonds	-	-	-	-	-	-	-	-
Bond issues and central mortgage institution loans	-	-	-	-	-	-	-	-
TOTAL 2019	**685,207**	**-**	**-**	**-**	**-**	**-**	**-**	**685,207**
TOTAL 2018	**641,044**	**-**	**46,428**	**109,074**	**-**	**-**	**-**	**796,546**

Table 15: Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle (In 000 CHF)

	31.12.2019		31.12.2018	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	66,736	474	49,370	125
Amounts due from banks	120	62,810	1,591	63,993
Amounts due from securities financing transactions	38,694	-	-	-
Amounts due from customers	5,715	406,696	7,914	403,429
Trading portfolio assets	-	-	-	-
Positive replacement values of derivative financial instruments	145	586	95	911
Financial investments	-	230,226	-	387,044
Accrued income and prepaid expenses	7,543	3,076	9,420	4,487
Participations	-	-	-	-
Tangible fixed assets	5,812	-	7,148	-
Other assets	1,788	-	1,490	-
Capital not paid in	-	-	-	-
TOTAL ASSETS	**126,553**	**703,868**	**77,028**	**859,989**
Liabilities				
Amounts due to banks	263	399	1,978	5,829
Liabilities from securities financing transactions	-	-	69,778	78,592
Amounts due in respect of customer deposits	19,780	661,016	22,186	617,399
Trading portfolio liabilities	-	-	-	-
Negative replacement values of derivative financial instruments	123	3,627	80	704
Accrued expenses and deferred income	10,478	-	10,352	366
Other liabilities	2,410	-	1,058	1,783
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	11,762	-	9,477	-
Own shares (negative item)	-	-	-	-
Profit carried forward / loss carried forward	-	-	-	-
Profit / loss (result of the period)	7,697	-	4,569	-
TOTAL LIABILITIES	**165,379**	**665,042**	**232,344**	**704,673**

Table 16: Breakdown of total asset by country or group of countries (domicile principle) (In 000 CHF)

	31.12.2019		31.12.2018	
	Absolute	Share as %	Absolute	Share as %
Europe				
Switzerland	126,553	15.24%	77,028	8.22%
Spain	77,554	9.34%	97,165	10.37%
Turkey	53,907	6.49%	46,947	5.01%
Netherlands	48,518	5.84%	49,269	5.26%
Sweden	29,067	3.50%	29,332	3.13%
Luxembourg	25,268	3.04%	29,247	3.12%
France	19,467	2.34%	19,701	2.10%
United Kingdom	19,362	2.33%	49,248	5.26%
Norway	18,331	2.21%	43,810	4.68%
Other European	1,956	0.24%	21,103	2.25%
TOTAL EUROPE	**419,983**	**50.57%**	**462,850**	**49.40%**
North America				
United States	43,688	5.26%	74,914	7.99%
Mexico	130,670	15.74%	119,993	12.81%
Canada	100	0.01%	10	0.00%
TOTAL NORTH AMERICA	**174,458**	**21.01%**	**194,917**	**20.80%**
South and Central America (Incl. Caribbean Zone)				
South America	90,641	10.92%	89,418	9.54%
Central America	224	0.03%	323	0.03%
Caribbean Zone	107,413	12.93%	108,001	11.53%
TOTAL SOUTH AND CENTRAL AMERICA (INCL. CARIBBEAN ZONE)	**198,278**	**23.88%**	**197,742**	**21.10%**
TOTAL OTHER COUNTRIES	**37,702**	**4.54%**	**81,508**	**8.70%**
TOTAL ASSET	**830,421**	**100.00%**	**937,017**	**100.00%**

Table 17: Breakdown of total assets by credit rating of country groups (risk domicile view) (In 000 CHF)

	Net foreign exposure / 31.12.2019		Net foreign exposure / 31.12.2018	
Bank's own country rating	in CHF	Share as %	in CHF	Share as %
1	534,782	88.50%	712,846	91.95%
2	-	-	-	-
3	-	-	1	0.00%
4	42,414	7.02%	43,773	5.65%
5	4,907	0.81%	2,193	0.28%
6	19,331	3.20%	16,389	2.11%
7	2,649	0.44%	25	0.00%
Unrated	151	0.03%	39	0.01%
TOTAL	**604,233**	**100.00%**	**775,266**	**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 18: 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	66,424	725	44	18	67,211
Amounts due from banks	177	15,508	22,229	25,016	62,930
Amounts due from securities financing transactions	-	-	38,694	-	38,694
Amounts due from customers	45,473	185,808	151,313	29,817	412,411
Mortgage loans	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-
Positive replacement values of derivative financial instruments	731	-	-	-	731
Other financial instruments at fair value	-	-	-	-	-
Financial investments	11,626	45,582	173,018	-	230,226
Accrued income and prepaid expenses	7,557	1,151	1,463	447	10,618
Participations	-	-	-	-	-
Tangible fixed assets	5,812	-	-	-	5,812
Intangible assets	-	-	-	-	-
Other assets	1,780	2	6	-	1,788
Capital not paid in	-	-	-	-	-
TOTAL ASSETS SHOWN IN BALANCE SHEET	**139,580**	**248,776**	**386,767**	**55,298**	**830,421**
Delivery entitlements from spot exchange, forward forex and forex options transactions	**24,199**	**16,906**	**16,008**	**16,986**	**74,099**
TOTAL ASSETS	**163,779**	**265,682**	**402,775**	**72,284**	**904,520**
Liabilities					
Amounts due to banks	-	-	661	-	661
Liabilities from securities financing transactions	-	-	-	-	-
Amounts due in respect of customer deposits	10,213	260,691	374,266	35,626	680,796
Trading portfolio liabilities	-	-	-	-	-
Negative replacement values of derivative financial instruments	3,750	-	-	-	3,750
Liabilities from other financial instruments at fair value	-	-	-	-	-
Cash bonds	-	-	-	-	-
Bond issues and central mortgage institution loans	-	-	-	-	-
Accrued expenses and deferred income	10,478	-	-	-	10,478
Other liabilities	2,298	60	53	-	2,411
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	11,762	-	-	-	11,762
Own shares (negative item)	-	-	-	-	-
Profit carried forward / loss carried forward	-	-	-	-	-
Profit / loss (result of the period)	7,697	-	-	-	7,697
TOTAL LIABILITIES SHOWN IN THE BALANCE SHEET	**159,064**	**260,751**	**374,980**	**35,626**	**830,421**
Delivery obligations from spot exchange, forward forex and forex options transactions	**5,717**	**10,326**	**27,210**	**36,593**	**79,846**
TOTAL LIABILITIES	**164,781**	**271,077**	**402,190**	**72,219**	**910,267**
NET POSITION PER CURRENCY	**-1,002**	**-5,395**	**585**	**65**	**-5,747**

9. Information on off-balance sheet transactions

Table 19: Breakdown of contingent liabilities and contingent assets (In 000 CHF)

	31.12.2019	31.12.2018
Guarantees to secure credits and similar	49,434	67,957
Performance guarantees and similar	-	-
Irrevocable commitments arising from documentary letters of credit	-	-
Other contingent liabilities	921	1,152
TOTAL CONTINGENT LIABILITIES	**50,355**	**69,109**
Contingent assets arising from tax losses carried forward	-	-
Other contingent assets	16,108	16,062
TOTAL CONTINGENT ASSETS	**16,108**	**16,062**

Table 20: Breakdown of fiduciary transactions (In 000 CHF)

	31.12.2019	31.12.2018
Fiduciary investments with third-party companies	187,201	107,316
Fiduciary investments with group companies and linked companies	290,814	276,419
TOTAL	**478,015**	**383,735**

Table 21: Managed assets (In 000 CHF)

	31.12.2019	31.12.2018
a) Breakdown of managed assets		
Type of managed assets:		
Assets in collective investment schemes managed by the bank	655,329	539,804
Assets under discretionary asset management agreements	428,764	457,152
Other managed assets	4,315,789	3,904,293
TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING)	**5,399,882**	**4,901,248**
of which, double counting	335,575	223,356
b) Presentation of the development of managed assets		
TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING) AT BEGINNING	**4,901,248**	**5,006,090**
+/- net new money inflow or net new money outflow	319,692	198,267
+/- price gains / losses, interest, dividends and currency gains / losses	178,942	-303,109
+/- other effects*	-	-
TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING) AT END	**5,399,882**	**4,901,248**

*Net new money consists of acquisition of new 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 commissions paid do not form part of net new money.

10. Information on the income statement

Table 22: 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	1,788
Discretionary portofolio management services	124
Assets and Liabilities Management/trading	-992
TOTAL	**920**
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)	-2
Foreign currencies	922
Commodities / precious metals	-
TOTAL RESULT FROM TRADING ACTIVITIES	**920**
of which, from fair value option	-
of which, from fair value option on assets	-
of which, from fair value option on liabilities	-

Table 23: Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest (In 000 CHF)

	31.12.2019	31.12.2018
Disclosure of material refinancing income in the item 'Interest and discount income'	-	-
Negative interest	389	255

Table 24: Breakdown of personnel expenses (In 000 CHF)

	31.12.2019	31.12.2018
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	21,086	20,577
'of which, expenses relating to share-based compensation and alternative forms of variable compensation	-	-
Social insurance benefits	2,865	2,903
Changes in book value for economic benefits and obligations arising from pension schemes	-	-
Other personnel expenses	1,256	1,340
TOTAL	**25,207**	**24,820**

Table 25: Breakdown of general and administrative expenses (In 000 CHF)

	31.12.2019	31.12.2018
Office space expenses	1,962	1,917
Expenses for information and communications technology	4,678	4,983
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	21	24
Fees of audit firm (Art. 961a no. 2 CO)	352	438
of which, for financial and regulatory audits	336	403
of which, for other services	16	35
Other operating expenses	4,202	4,125
of which, compensation for any cantonal guarantee	-	-
TOTAL	**11,215**	**11,487**

Table 26: 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)

Losses: Operating losses amounting to -6 TCHF, due to claims from operational nature (clients and counterparties)
Extraordinary income: The total amount of 2 TCHF corresponds to the sale of tangible fixed asset in the amount of 1 TCHF and to the recovery of a loan in the amount of 1 TCHF.
Extraordinary expenses: The total amount of 4 TCHF corresponds to penalties due to late presentation or late payment of taxes.

Table 27: 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	9,338	-
Interest and dividend income from trading portfolios	-	-
Interest and dividend income from financial investments	4,518	-
Interest expense	-1,784	-
Gross result from interest operations	**12,072**	-
Changes in value adjustments for default risks and losses from interest operations	18	-
Subtotal net result from interest operations	**12,090**	-
Result from commission business and services		
Commission income from securities trading and investment activities	35,717	-
Commission income from lending activities	537	-
Commission income from other services	1,117	-
Commission expense	-3,062	-
Subtotal result from commission business and services	**34,309**	-
Result from trading activities and the fair value option	**920**	-
Other result from ordinary activities	**185**	-
TOTAL OF OPERATING REVENUES	**47,504**	-
Operating expenses		
Personnel expenses	-25,207	-
General and administrative expenses	-11,215	-
Subtotal of operating expenses	**-36,422**	-
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-2,063	-
Changes to provisions and other value adjustments, and losses	-6	-
Operating result	**9,013**	-

Table 28: Presentation of current taxes, deferred taxes, and disclosure of tax rate (In 000 CHF)

	31.12.2019	31.12.2018
Expenses for current taxes	2,095	2,153
Expenses for deferred taxes	-780	-
TOTAL OF TAXES	**1,315**	**2,153**
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 SA, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of BBVA SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 16 to 45) for the year ended 31 December 2019.

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 2019 comply with Swiss law and the company's articles of incorporation.

KPMG

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

Markus Rohner	Stefan Bissig
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 14 April 2020

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

		31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018
	Eligible capital (CHF)					
1	Common Equity Tier 1 (CET1)	124,082	-	-	-	121,798
2	Tier 1 capital	124,082	-	-	-	121,798
3	Total capital	124,112	-	-	-	121,846
	Risk-weighted assets (RWA) (CHF)					
4	RWA	242,137	-	-	-	271,900
4a	Minimum required capital (CHF)	19,371	-	-	-	21,752
	Risk-based capital ratios (in % of RWA)					
5	Common Equity Tier 1 ratio (%)	51.24%	-	-	-	44.80%
6	Tier 1 ratio (%)	51.24%	-	-	-	44.80%
7	Total capital ratio (%)	51.26%	-	-	-	44.81%
	CET1 buffer requirement (in % of RWA)					
8	Conservation buffer as per Basel Minimum Standards (%)	2.50%	-	-	-	1.88%
9	Countercyclical buffer (art 44a CAO) as per Basel Minimum Standards (%)	0.00%	-	-	-	0.00%
11	Total buffer requirement as per Basel Minimum Standards in CET1 quality (%)	2.50%	-	-	-	1.88%
12	CET1 capital available to cover CET1 needs as per Basel Minimum Standards (after deduction of CET1 to cover the minimum requirement)	43.26%	-	-	-	36.81%
	Capital target ratios as per annex 8 CAO (in % of RWA)					
12a	Conservation buffer as per annex 8 CAO (%)	2.50%	-	-	-	3.20%
12b	Countercyclical capital buffer (art. 44 and 44a CAO) (%)	0.00%	-	-	-	0.00%
12c	CET1-target ratio (in %) as per Annex 8 of the CAO plus the countercyclical capital buffer as per art. 44 and 44a CAO	7.00%	-	-	-	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	8.50%	-	-	-	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	10.50%	-	-	-	11.20%
	Basel III leverage ratio					
13	Leverage ratio exposure measure (CHF)	911,687	-	-	-	1,024,467
14	Basel III leverage ratio (Tier 1 capital in % of the leverage ratio exposure measure)	13.61%	-	-	-	11.89%
	Short-term liquidity ratio (LCR)					
15	LCR numerator: total of high-quality, liquid assets (CHF)	245,493	210,642	144,556	186,443	164,625
16	LCR denominator: total net cash outflows (CHF)	110,804	53,757	54,894	135,366	109,469
17	Short-term liquidity ratio, LCR (%)	221.56%	391.84%	263.34%	137.73%	150.39%

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Creating Opportunities