

# **BBVA Global Finance Limited**

(a wholly owned subsidiary of Banco  
Bilbao Vizcaya Argentaria, S.A.)

Financial Statements for the year  
ended December 31, 2019

**BBVA GLOBAL FINANCE LIMITED**  
(a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria,  
S.A.)

**STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019**  
**AND 2018**

(Currency - United States Dollars)

	2019	2018 (*)
<b>ASSETS:</b>		
<b>Non-current assets</b>		
Long term assets due from Parent (Notes 2c, 3, 4 and 8)	194,678,000	194,678,000
<b>Current assets</b>		
Short term assets due from Parent (Notes 2c, 3, 4 and 8)	8,029,122	7,957,939
Cash and cash equivalents (Notes 3 and 8)	2,659,381	2,381,426
<b>Total assets</b>	<b>205,366,503</b>	<b>205,017,365</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY:</b>		
<b>Liabilities</b>		
<b>Long-Term liabilities</b>		
Long term bonds and notes (Notes 2c, 5 and 8)	198,891,323	198,713,563
<b>Short-Term liabilities</b>		
Short term bonds and notes (Notes 2c and 5)	1,166,667	1,088,889
Other accrual accounts	11,521	25,026
<b>Total liabilities</b>	<b>200,069,511</b>	<b>199,827,478</b>
<b>Shareholder's equity (Note 6)</b>		
Issued share capital	1,000	1,000
Other reserves	5,188,887	4,983,308
Result of the year	107,105	205,579
<b>Total shareholder's equity</b>	<b>5,296,992</b>	<b>5,189,887</b>
<b>Total liabilities and shareholder's equity</b>	<b>205,366,503</b>	<b>205,017,365</b>

(\*) Presented only for comparison purposes.

The accompanying Explanatory Notes 1 to 10 form an integral part of these financial statements.

**BBVA GLOBAL FINANCE LIMITED**  
(a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria,  
S.A.)

**STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED**  
**DECEMBER 31, 2019 AND 2018**

(Currency - United States Dollars)

	2019	2018 (*)
Interest income from Parent (Notes 4 and 8)	14,532,471	14,472,517
Interest expense to noteholders (Notes 5 and 8)	(14,403,333)	(14,248,733)
<b>Financial margin</b>	<b>129,138</b>	<b>223,784</b>
General and administrative expenses (Notes 7 and 8)	(21,724)	(19,256)
Exchange gains/(losses)	(309)	1,051
<b>Profit (loss) and comprehensive income (loss)</b>	<b>107,105</b>	<b>205,579</b>
<b>Profit (loss) per common share</b>	<b>10,711</b>	<b>20,558</b>
<b>Average number of common shares outstanding</b>	<b>10</b>	<b>10</b>

(\*) Presented only for comparison purposes.

The accompanying Explanatory Notes 1 to 10 form an integral part of these financial statements.

**BBVA GLOBAL FINANCE LIMITED**  
(a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria,  
S.A.)

**STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

(Currency - United States Dollars)

	2019	2018 (*)
<b>Number of authorized shares</b>		
Balance at the beginning and at the end of the year	1,000	1,000
<b>Number of issued shares</b>		
Balance at the beginning and at the end of the year	10	10
<b>Par value per share at end of year</b>	100	100
<b>Capital stock</b>		
Balance at the beginning and at the end of the year	1,000	1,000
<b>Retained earnings</b>		
Balance at the beginning of the year	5,188,887	4,983,308
Net income / (loss) for the year	107,105	205,579
Balance at the end of the year	5,295,992	5,188,887
<b>Shareholders equity, end of the year</b>	<b>5,296,992</b>	<b>5,189,887</b>

(\*) Presented only for comparison purposes.

The accompanying Explanatory Notes 1 to 10 form an integral part of these financial statements.

**BBVA GLOBAL FINANCE LIMITED**  
(a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria,  
S.A.)

**STATEMENTS OF CASH FLOW FOR THE YEARS ENDED DECEMBER 31,**  
**2019 AND 2018**

(Currency - United States Dollars)

	2019	2018 (*)
<b>Cash flow from operating activities:</b>		
Net income / (loss)	107,105	205,579
Adjustments to reconcile net income to net cash provided by (used in) operating activities	309	(1,051)
Amortization of differences between initial amount and maturity amount on assets due from Parent and bonds and notes		
(Increase) / Decrease in accrued interest receivable from Parent - Long Term	-	-
(Increase) / Decrease in accrued interest receivable from Parent - Short Term	(71,183)	71,203
Increase / (decrease) in interest payable to noteholders - Long Term	177,760	177,400
Increase / (decrease) in interest payable to noteholders - Short Term	77,778	(78,497)
Increase / (decrease) in other accrual accounts	(13,505)	(6,435)
<b>Net cash provided by operating activities</b>	<b>278,264</b>	<b>368,199</b>
<b>Cash flow from investing activities:</b>		
Decrease in assets due from Parent	-	-
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities:</b>		
Decrease in bonds and notes	-	-
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>
<b>Effect of currency translations</b>	<b>(309)</b>	<b>1,051</b>
<b>Net increase in cash and cash equivalents</b>	<b>277,955</b>	<b>369,250</b>
Cash and cash equivalents at beginning of the year	2,381,426	2,012,176
<b>Cash and cash equivalents at the end of the year</b>	<b>2.659.381</b>	<b>2,381,426</b>

(\*) Presented only for comparison purposes.

The accompanying Explanatory Notes 1 to 10 form an integral part of these financial statements.

## **BBVA Global Finance Limited**

(a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A.)

### **Explanatory Notes to the Financial Statements for the year ended December 31, 2019 (Currency-United States dollars)**

#### **1. Group affiliation, principal activity and tax regulation**

Bilbao International Limited, which was incorporated on June 23, 1983, in the Cayman Islands, changed its name to BBV International Finance Limited on August 21, 1990 and to BBVA Global Finance Limited (the "Company") on April 17, 2001 and is a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A., (the "Bank" or the "Parent") a Spanish banking institution headquartered in Bilbao, Spain.

The Company's principal activity is to act as a financing entity for the Bank. The objectives for which the Company is established are to issue debt obligations to lend the proceeds received to its Parent, and to borrow funds from other entities and to lend the proceeds to any subsidiary of its Parent, and any other activities incidental to the borrowing and lending of such funds.

The Cayman Islands currently have no taxes on profits, corporate income or capital gains.

The Company develops its activity as a member company of Banco Bilbao Vizcaya Argentaria Group (the "Group" or "BBVA Group") and its management is performed by personnel of this Group. The Company is economically dependent on the Parent and its continuing existence is based solely on the ability of the Parent to fulfil its obligations to the Company for the interest and maturity of the deposits and guarantee of the redemption value of the Notes (Note 5). The Parent has committed to provide adequate financial resources to the Company to allow it to continue as going concern until the time of its liquidation.

Since December 2001, the Company ceased issuing Subordinated Notes and since June 2003, Senior Notes, due to the revised legal regulatory framework applicable to the Parent.

These financial statements have been prepared for the use of the sole shareholder of the Company.

#### **2. Significant accounting policies**

##### **Accounting principles**

These financial statements of the Company are prepared in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board ("IFRS-IASB") with significant policies applied below.

##### ***a) Recognition of revenues and expenses***

For accounting purposes, revenues and expenses are recorded on the accrual basis of accounting as they are earned or incurred using the effective interest method. Revenues include interest earned by assets due from Parent and expenses include, mainly, interest incurred by bonds, notes and deposits.

##### ***b) Use of estimates***

The preparation of financial statements in conformity with IFRS-IASB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

There have not been any changes in the estimates calculated by the management during 2019 and 2018.

**c) Euro Medium Term Notes and assets due from Parent**

Euro Medium Term Notes and assets due from Parent, recorded as loans and receivables, are recognized at amortized cost, which represents the received and placed amount, respectively, plus or minus the cumulative amortization using the effective interest rate of any difference between that initial amount and the maturity amount. The carrying amount of these loans and receivables are detailed in Notes 4 and 5 respectively.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument, considering all contractual terms of the financial instruments, transaction costs, and all other premiums or discounts.

Issuing Notes, sometimes, involves incurring costs and commissions in relation to the offering. These fees and costs are considered as transaction costs in calculating the effective interest rate.

**d) Impairment of financial assets**

IFRS 9 replaced the "incurred loss" model in IAS 39 with one of "expected credit loss". The IFRS 9 impairment model is applied to financial assets valued at amortized cost. Likewise, all the financial instruments valued at fair value with changes through profit and loss are excluded from the impairment model.

An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset.

When the estimates used to determine the recoverable amount have changed since the last time, an impairment loss was recognized and these changes then results in an increase of the recoverable amount such an increase represents a reversal of some of the impairment losses in the statement of comprehensive income.

During 2019 and 2018, the Company did not recognize any impairment of financial assets. The Company's total assets are held with Banco Bilbao Vizcaya Argentaria, S.A., the sole shareholder of the Company.

**e) Recognition and derecognition**

Financials assets and liabilities are recognized when they are acquired or funded by the Company and derecognized when settled.

Financial assets are recorded, in general terms, initially at the fair value of the compensation paid plus transaction costs that are directly attributable. Subsequently, financial assets will be valued at amortized cost, except for those financial assets held for trading or designated at fair value through the statements of comprehensive income, which are initially recognized at fair value, recording in the statements of comprehensive income the results from changes in its fair value.

Debits and amounts payable are initially recognized at the fair value of the consideration received, adjusted by the transaction costs directly attributable. Subsequently, these liabilities are measured in accordance with its amortized cost.

**f) Foreign currency transactions and exchange differences**

The Company uses the United States of America Dollar ("U.S. \$") as its functional and presentation currency.

Assets and liabilities in foreign currencies have been translated to U.S. dollars at the year-end exchange rate.

Revenues and expenses in foreign currencies have been translated to U.S. dollars at the average exchange rates in each year.

All the assets are contracted with Banco Bilbao Vizcaya Argentaria, S.A. in Spain, the parent entity of the Company (see Notes 4 and 8). Liabilities are mainly Notes issued denominated in U.S dollars (see Note 5) and current creditors denominated in U.S dollars.

The exchange differences produced when converting the statement of financial position in foreign currency to the functional currency of the entity is generally recognized under the heading "Exchange differences (net)" in the statements of comprehensive income. However, the exchange differences in non-monetary items, measured at fair value, are recognized temporarily in equity under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Exchange differences" in statement of financial position.

**g) Cash and cash equivalents**

Cash and cash equivalents represent all highly liquid instruments with a maturity of three months or less when acquired or generated.

**h) Income taxes**

No income taxes are levied on corporations by the Cayman Islands government and, therefore, no income tax provision is reflected in the accompanying financial statements.

**i) Statement of Comprehensive Income**

The Company has elected to present a single statement of comprehensive income. The Company does not have separate components of other comprehensive income; therefore, comprehensive income is equal to the profit / (loss) reported for all periods presented.

**j) Related party transactions**

The Company is a wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and enters into transactions with related parties in the normal course of business. This includes amongst others cash deposits agreements. All the outstanding amounts have been disclosed in the notes to each separate account balance when applicable (see Notes 3, 4, 5 and 8).

No remuneration is paid by the Company to the managing directors as they are not employed by the Company. Remunerations to the managing directors of the Company are paid by the Parent Company.

**k) Adoption of New and Revised International Financial Reporting Standards ('IFRS') and Interpretations**

In 2019, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC') of the IAS that are relevant to its operations and effective for accounting periods beginning on or after January 1, 2019. The adoption of these new and revised Standards and Interpretations has not resulted in major changes to the Company's records.

Standards, amendments and Interpretations to existing standards that became mandatory for the first time for the 2019 financial statements.

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective in 2019:

- IFRS 16 – "Leases": Effective January 1, 2019. IFRS 16 replaced IAS 17 "Leases". The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases. The standard provides two exceptions to the recognition of lease assets and liabilities that can be applied in the case of short-term contracts and those in which the underlying assets have low value. The Company has elected to apply both exceptions.

With regard to lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Company's financial statements.

- IFRIC 23 – "Uncertainty over income tax treatments": IFRIC 23 provides guidance on how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.



If the entity considers that it is probable that the taxation authority will accept an uncertain tax treatment, the Interpretation requires the entity to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

If the entity considers that it is not probable that the taxation authority will accept an uncertain tax treatment, the Interpretation requires the entity to use the most likely amount or the expected value (sum of the probability weighted amounts in a range of possible outcomes) in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The method used should be the method that the entity expects to provide the better prediction of the resolution of the uncertainty.

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Company's financial statements.

- Amended IAS 28 – “Long-term Interests in associates and joint ventures”: The amendments to IAS 28 clarify that an entity is required to apply IFRS 9 to long term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Company's financial statements.

- Annual improvements cycle to IFRSs 2015-2017: The annual improvements cycle to IFRSs 2015-2017 includes minor changes and clarifications to IFRS 3- “Business Combinations”, IFRS 11 – “Joint Arrangements”, IAS 12 – “Income Taxes” and IAS 23 – “Borrowing Costs”.

The implementation of these standards as of January 1, 2019 has not had a significant impact on the Company's financial statements.

- Amended IAS 19 – “Plan Amendment, Curtailment or Settlement”: The minor amendments in IAS 19 concern the cases if an employee benefit plan is amended, curtailed or settled during the period. In these cases, an entity should ensure that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Company's financial statements.

#### Standards and interpretations issued but not yet effective as of December 31, 2019

The following new International Financial Reporting Standards together with their Interpretations have been published at the date of preparation of the accompanying financial statements, but are not mandatory as of December 31, 2019. Although in some cases the International Accounting Standards Board (“IASB”) allows early adoption before their effective date, the Company has not proceeded with this option for any such new standards.

- IAS 1 and IAS 8 – Definition of Material: The amendments clarify the definition of material in the elaboration of the financial statements by aligning the definition of the conceptual framework, IAS 1 and IAS 8 (which, before the amendments, included similar but not identical definitions). The new definition of material is the following: “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. This Standard will be applied to the accounting years starting on or after January 1, 2020. No significant impact on the Company's financial statements is expected.
- IFRS 3 – Definition of a business: The amendments clarify the difference between the acquisition of a business or the acquisition of a set of assets. To determine whether a transaction is an acquisition of a business, an entity should evaluate and conclude if the two following conditions are fulfilled:
  - the fair value of the acquired assets is not concentrated in one single asset or group of similar assets.
  - the entirety of acquired activities and assets includes, as a minimum, an input and a substantial process which, together, contribute to the capacity to create products.

This Standard will be applied to the accounting years starting on or after January 1, 2020. No significant impact on the Company's financial statements is expected.

- Amendments to IFRS 9, IAS 39 and IFRS 7- IBOR Reform: The IBOR Reform (Phase 1) refers to the amendments to IFRS 9, IAS 39 and IFRS 7 issued by the IASB to prevent that some hedge accounting have to be discontinued in the period before the reform of the interest rate references takes place.

In some cases and / or jurisdictions, there may be uncertainty about the future of some interest rate references or their impact on the contracts held by the entity, which directly causes uncertainty about the timing or amounts of the cash flows of the hedged instrument or hedging instrument. Due to such uncertainties, some entities may be forced to discontinue hedge accounting, or not be able to designate new hedging relationships.

For this reason, the amendments include several reliefs that apply to all hedging relationships that are affected by the uncertainty arising from the IBOR reform; A hedging relationship is affected by the reform if it generates uncertainty about the timing or amount of the cash flows of the hedged instrument or that of hedging instrument referenced to the particular interest rate benchmark.

Since the purpose of the modification is to provide some reliefs to the application of certain specific requirements of hedge accounting, these exceptions must end once the uncertainty will be resolved or the hedging relationship will cease to exist.

The modifications will be applicable to the accounting years beginning on or after January 1, 2020 although early application is allowed. The Company has not applied these modifications in advance as of December 31, 2019 because it considers that the existing uncertainty does not affect its hedging relationships to the point that some had to be discontinued. As of 2020, they are not expected to have a significant impact on the Company's financial statements.

- IFRS 17 – Insurance Contracts: IFRS 17 establishes the principles for the accounting for insurance contracts and supersedes IFRS 4. The new standard introduces a single accounting model for all insurance contracts and requires the entities to use updated assumptions. An entity shall divide the contracts into groups and recognize and measure groups of insurance contracts at the total of:
  - the fulfilment cash flows, that comprises the estimate of future cash flows, an adjustment to reflect the time value of money and the financial risk associated with the future cash flows and a risk adjustment for non-financial risk; and
  - the contractual service margin that represents the unearned profit.

The amounts recognized in the income statement shall be disaggregated into insurance revenue, insurance service expenses and insurance finance income or expenses. Insurance revenue and insurance service expenses shall exclude any investment components. Insurance revenue shall be recognized over the period the entity provides insurance coverage and in proportion to the value of the provision of coverage that the insurer provides in the period.

This Standard will be applied to the accounting years starting on or after January 1, 2022. No significant impact on the Company's financial statements is expected.

### **3. Risk Exposure**

The use of financial instruments may involve the assumption or transfer of one or more types of risk. The risks associated with financial instruments are:

- Credit risk: this is the risk that one of the parties to the financial instrument agreement will fail to honour its contractual obligations due to the insolvency or incapacity of the individuals or legal entities involved and will cause the other party to incur a financial loss.
- Market risk: These arise as a consequence of holding financial instruments whose value may be affected by changes in market conditions. The following is a summary of each of the components:
  - i) Fair value interest rate risk: arises as a result of changes in market interest rates.
  - ii) Currency risk: arises as a result of changes in the exchange rate between currencies.
- Counterparty risk: since the counter party of the deposits is Banco Bilbao Vizcaya Argentaria, S.A. the Company considers that its exposure to counter party is not relevant.

- Liquidity risk: the Company obtains the liquidity required to meet interest payments, redemption of issues and the needs of its business activities from subordinated deposits on the issues arranged with Banco Bilbao Vizcaya Argentaria, S.A. or the credit facility maintained by its sole shareholder.

The Company (integrated in BBVA Group) is integrated in the global risk management system, developed by the Group, based on three components: a corporate risk management structure, with segregated functions and responsibilities; a set of tools, circuits and procedures that make up the different risk management systems; and an internal control system.

## CORPORATE RISK MANAGEMENT STRUCTURE

The Board of Directors of the Group is the body responsible for setting risk policies. The Board hence establishes the general principles defining the target risk profile for the BBVA Group. Likewise, it approves the infrastructure required for risk management, the delegation framework and the limits system that enables the business to develop and maintain this risk profile in the day-to-day decision making.

The BBVA Group's risk management system is managed by an independent risk area (the "Risk Area"), which combines a view by risk types with a global view.

The Risk Area assures that the risk tools, metrics, historical databases and information systems are in line and uniform. It likewise sets the procedures, circuits and general management criteria.

## TOOLS, CIRCUITS AND PROCEDURES

The BBVA Group has implemented an integrated risk management system designed to cater for the needs arising in relation to the various types of risk; this prompted it to equip the management processes for each risk with measurement tools for risk acceptance, assessment and monitoring and to define the appropriate circuits and procedures, which are reflected in manuals that also include management criteria.

### Credit risk

The breakdown of the credit risk by financial instruments as of December 31, 2019 and 2018 is as follows:

	U.S. Dollars	
	2019	2018
Cash and cash equivalents (Note 8)	2,659,381	2,381,426
Short and Long term assets due from Parent (Notes 4 and 8)	202,707,122	202,635,939
<b>Total</b>	<b>205,366,503</b>	<b>205,017,365</b>

As of December 31, 2019 and 2018 there were no impaired assets nor past due. The counterparty of all financial assets was Banco Bilbao Vizcaya Argentaria, S.A., the Parent entity of the Company, financial entity with high credit rating estimated by external agencies.

### Liquidity risk

The breakdown of the assets and liabilities by maturities as of December 31, 2019 and 2018 is as follows:

December 31, 2019	Demand	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
<b>ASSETS:</b>						
<i>Non-current assets</i>						
Long term assets due from Parent	-	-	-	-	194,678,000	<b>194,678,000</b>
<i>Current assets</i>						
Short term assets due from Parent	-	8,029,122	-	-	-	<b>8,029,122</b>
Cash and cash equivalents	2,659,381	-	-	-	-	<b>2,659,381</b>
<b>LIABILITIES:</b>						
<i>Long-Term liabilities</i>						
Long term bonds and notes	-	-	-	-	198,891,323	<b>198,891,323</b>
<i>Short-Term liabilities</i>						
Short term bonds and notes	-	1,166,667	-	-	-	<b>1,166,667</b>
Other accrual accounts	-	11,521	-	-	-	<b>11,521</b>

<b>December 31, 2018</b>	<b>Demand</b>	<b>Up to 1 Year</b>	<b>1 to 3 Years</b>	<b>3 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<b>ASSETS:</b>						
<i><b>Non-current assets</b></i>						
Long term assets due from Parent	-	-	-	-	194,678,000	<b>194,678,000</b>
<i><b>Current assets</b></i>						
Short term assets due from Parent	-	7,957,939	-	-	-	<b>7,957,939</b>
Cash and cash equivalents	2,381,426	-	-	-	-	<b>2,381,426</b>
<b>LIABILITIES:</b>						
<i><b>Long-Term liabilities</b></i>						
Long term bonds and notes	-	-	-	-	198,713,563	<b>198,713,563</b>
<i><b>Short-Term liabilities</b></i>						
Short term bonds and notes	-	1,088,889	-	-	-	<b>1,088,889</b>
Other accrual accounts	-	25,026	-	-	-	<b>25,026</b>

### **Structural interest rate risk**

The aim of statement of financial position interest rate risk management is to maintain the Company's exposure to market interest rate fluctuations at levels within its risk strategy and profile. For such compliance, the Assets - liabilities Committee (the "ALCO") of the Group actively manages the statement of financial position interest rate risk through transactions intended to optimize the level of risk assumed in relation to the expected results, thus enabling the Company to comply with the tolerable risk limits.

The ALCO bases its activities on the interest rate risk measurements performed by the risk area. Acting as an independent unit, the risk area periodically quantifies the impact of interest rate fluctuations on the BBVA Group's net interest income and economic value.

The impact of interest rate fluctuations on the Company's net interest income is minimal since the interest rate fluctuations of the liabilities are offset with the interest rate fluctuations of the assets.

### **Structural currency risk**

Structural currency risk derives mainly from exposure to exchange rate fluctuations arising in relation to the investments and from the issues financed in currencies other than the investment currency.

The impact of exchange rate fluctuations on the Company's net interest is minimal since the exchange rate fluctuations of the liabilities are offset with the exchange rate fluctuations of the assets.

### **Capital risk**

The BBVA Group's capital management is performed at both regulatory and economic level.

Regulatory capital management is based on the analysis of the capital base and the capital ratios (core capital, Tier 1, etc.) using Basel ("BIS") and Bank of Spain criteria.

The aim is to achieve a capital structure that is as efficient as possible in terms of both cost and compliance with the requirements of regulators, ratings agencies and investors. Active capital management includes securitizations, sales of assets, and preferred and subordinated issues of equity and hybrid instruments.

From an economic standpoint, capital management seeks to optimize value creation at the BBVA Group and at its different business units.

#### **4. Short and Long term assets due from Parent**

The detail of the balances of this caption in the accompanying statements of financial position is as follows:

	U.S. Dollars		Interest Rate
	2019	2018 (*)	
<b>Assets due from Parent:</b>			
Short term BBVA Deposit (**)	6,813,737	6,820,965	2.20375%
BBVA Deposits from Subordinated Notes Programme (***)	195,893,385	195,814,974	7.25%
	<b>202,707,122</b>	<b>202,635,939</b>	

(\*) Presented for comparison purposes.

(\*\*) Interest rate at the end of the year. Deposits with quarterly maturity and variable interest rate linked to Libor 3M.

(\*\*\*) Present similar interest rates as the related notes whose proceeds were over the deposits (See Note 5).

As of December 31, 2019 and 2018 the breakdown term of the abovementioned assets is as follows:

##### **December 31, 2019**

	U.S. Dollars		
	Short term	Long term	Total
BBVA Deposit	6,813,737	-	6,813,737
Subordinated Notes Programme	1,215,385	194,678,000	195,893,385
	<b>8,029,122</b>	<b>194,678,000</b>	<b>202,707,122</b>

##### **December 31, 2018**

	U.S. Dollars		
	Short term	Long term	Total
BBVA Deposit	6,820,965	-	6,820,965
Subordinated Notes Programme	1,136,974	194,678,000	195,814,974
	<b>7,957,939</b>	<b>194,678,000</b>	<b>202,635,939</b>

The corresponding interest income for 2019 and 2018 was U.S.\$ 14,532,471 and U.S.\$ 14,472,517 respectively and are recorded in the "Interest income from Parent" caption in the accompanying statements of comprehensive income for the years ended December 31, 2019 and 2018 (see Note 8).

As of December 31, 2019 and 2018, the currency of the deposits was U.S. dollars.

#### **5. Notes**

In 2000, as consequence of the merger between Banco Bilbao Vizcaya, S.A. ("BBV") and Argentaria, Caja Postal y Banco Hipotecario, S.A. ("Argentaria"), and in order to reorganize the finance subsidiaries in the Banco Bilbao Vizcaya Argentaria Group, the Company substituted all the Argentaria Group issuers as issuer of all senior Notes issued and outstanding. Notes issued on and after April 27, 2000 and the Substituted Notes are guaranteed by BBVA.

On March 23, 2010, the Board of Directors approved the substitution by the Company as issuer of the relevant issues of other Banco Bilbao Vizcaya Argentaria Group.

As of December 31, 2019 and 2018, the Company has the following guaranteed subordinated issues:

Issue	Date of Issuance	Issue Amount Nominal	Interest Rate	Amortized cost U.S. Dollars Outstanding at (***)	
				2019	2018 (*)
1 Fixed Rate Notes due 2025 (**)	1995	USD 200,000,000	7.00%	200,057,990	199,802,452
				<b>200,057,990</b>	<b>199,802,452</b>

(\*) Presented only for comparison purposes.

(\*\*) These Notes are not listed on any stock exchange market.

(\*\*\*) Includes short-term accrued interests.

The interest expense for 2019 and 2018 was U.S.\$ 14,403,333 and U.S.\$ 14,248,733 respectively, and are recorded in the "Interest expense to noteholders" caption in the accompanying statements of comprehensive income for the years ended December 31, 2019 and 2018.

The fair value of the nominal value as of December 31, 2019 and 2018, as described hereafter (Level 1):

	2019 (%)	2018 (%)
1 Fixed Rate Notes due 2025	116.60%	109.37%

Given that the Company deposits the proceeds received from its issuance in short and long terms assets due from Parent Company with similar conditions, the fair value of the that assets is similar to the issuances linked. The fair value hierarchy of these deposits are level 2 in 2019 and 2018.

No financial instruments have been transferred between the different levels of measurement during 2019 and 2018.

## **6. Shareholder's equity**

### **Issued Share Capital**

The issued share capital as of December 31, 2019 is \$ 1,000 divided into 10 shares of a nominal or par value of \$ 100 each. All outstanding shares are wholly owned by Banco Bilbao Vizcaya Argentaria, S.A.

## **7. Auditor's remuneration**

The "General and administrative expenses" caption in the accompanying statements of comprehensive income for the year ended December 31, 2019 includes the fee paid to the auditor, KPMG Auditores, S.L., for the audit of the financial statements for the year ended 31 December 2019, amounting to EUR 20,512 (U.S.\$ 22,962). In that year, the auditor of the accompanying financial statements of the Company did not perform or invoice any work other than of the audit.

## **8. Related party transactions**

The transactions held by the Company with related parties during 2019 and 2018, and the balances with related parties as of 31 December 2019 and 2018 are the following:

	2019	2018
<b>BALANCE SHEET:</b>		
<b>Assets-</b>		
Long term assets due from Parent (Notes 2c, 3 and 4)	194,678,000	194,678,000
Short term assets due from Parent (Notes 2c, 3 and 4)	8,029,122	7,957,939
Cash and cash equivalents (Note 3)	2,659,381	2,381,426
<b>Liabilities-</b>		
Long term bonds and Notes (Notes 2c and 5)	54,625	54,984
<b>INCOME STATEMENT:</b>		
<b>Income/(Expenses)-</b>		
Interest income from Parent (Note 4)	14,532,471	14,472,517
Interest expense to noteholders (Note 5)	(131,172)	(131,172)
General and administrative expenses	(267)	(200)

The Company only enters into related party transactions with Banco Bilbao Vizcaya Argentaria, S.A., sole shareholder of the Company. Thus, all the balances with related parties as of December 31, 2019 and 2018, and all the related party transactions during 2019 and 2018 are held with the Parent entity of the Company.

## **9. Subsequent events**

From December 31, 2019 to the date of preparation of these financial statements, no other subsequent events not mentioned above in these financial statements have taken place that significantly affect the Company's earnings or its equity position.

## **10. Approval of the financial statements**

The Board of Directors prepared the 2019 financial statements as of March 2, 2020.

The 2018 financial statements of the Company have been approved by the shareholder at the respective Annual General Meeting on November 25, 2019.

The 2019 financial statements of the Company have not yet been approved by the shareholder at the respective Annual General Meeting. However, the Company's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

The BBVA Group's consolidated financial statements for 2019 will be approved at the Annual Shareholder's General meeting to be held in Bilbao, Spain, on March 13, 2020.

# BBVA Global Finance Limited

(A wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A.)

## Directors' report for the year ended December 31, 2019

During 2019, the Company didn't issue any Notes.

The issued and outstanding subordinated debt securities are guaranteed by its sole Shareholder: Banco Bilbao Vizcaya Argentaria, S.A.

The Company is managed by Parent's personnel, and as a result of that, the Company does not have any personnel expenses.

### Statement of comprehensive income

In 2019, the profit for the year amounted to \$ U.S. 107,105.

The financial revenues amounted to \$ U.S. 14,532,471 and the interest expense amounted to \$ U.S. 14,403,333 in 2019.

In addition, in 2019, the general and administrative expenses amounted to \$ U.S. 21,724 and the exchange losses amounted to \$ U.S. 309.

### Distribution of result

The distribution of the Company's profit for the year ended 2019 that will be proposed by the Board of Directors to the sole shareholder is as follows:

	U.S. Dollars
Net Profit for the year	107,105
	<b>107,105</b>
<b>Distribution to:</b>	
Retained earnings	107,105
	<b>107,105</b>

### Treasury shares

At December 31, 2019, the Company had no treasury shares or shares of its Parent, Banco Bilbao Vizcaya Argentaria, S.A. and had not performed any treasury share transactions during the year.

### Risk Exposure

The use of financial instruments may involve the transfer of one or more types of risk. The risks associated with these financial instruments are:

- Credit risk: this is the risk that one of the parties to the financial instrument agreement will fail to honour its contractual obligations due to the insolvency or incapacity of the individuals or legal entities involved and will cause the other party to incur a financial loss.
- Market risk: this arises as a consequence of holding financial instruments whose value may be affected by changes in market conditions, following is a summary of each of the components:
  - i) Fair value interest rate risk: arises as a result of changes in market interest rates.



- ii) Currency risk: arises as a result of changes in the exchange rate between currencies.
- Counterparty risk: since the counter party of the deposits is Banco Bilbao Vizcaya Argentaria, S.A. the Company considers that its exposure to counter party is not relevant.
- Liquidity risk: the Company obtains the liquidity required to meet interest payments, redemption of issues and the needs of its business activities from subordinated deposits on the issues arranged with Banco Bilbao Vizcaya Argentaria, S.A. or the credit facility maintained by its sole shareholder.

The Company (integrated in BBVA Group) is integrated in the global risk management system, developed by the group, based on three components: a corporate risk management structure, with segregated functions and responsibilities; a set of tools, circuits and procedures that make up the different risk management systems; and an internal control system.

#### **Research and development**

The Company did not have any research and development expenses.

#### **Subsequent events**

From December 31, 2019 to the date of preparation of these financial statements, no other subsequent events not mentioned above in these financial statements have taken place that significantly affect the Company's earnings or its equity position.

#### **Outlook**

The Company will focus its strategy for the coming years, integrated on the strategy of the Group Banco Bilbao Vizcaya Argentaria, on managing the Issued Subordinated debt securities.

**WRITTEN RESOLUTION OF ALL THE DIRECTORS OF BBVA GLOBAL FINANCE  
LIMITED (a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria, S. A.)**

Financial Statements for the year ended December 31<sup>st</sup>, 2019 together with Management Report had been approved by the Board of Directors of BBVA GLOBAL FINANCE LIMITED (a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A.) as of March 2, 2020, including Statements of Financial Position, Statements of Comprehensive Income, Statements of Changes in Shareholder's Equity, Cash Flow Statements, from pages 1 to 4, and the Explanatory Notes to the financial statements, from pages 5 to 14, and the Director's report, pages 15 to 16.

Signed by the Board of Directors of BBVA GLOBAL FINANCE LIMITED (a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A.) as of March 2, 2020.

---

**Antonio Borraz Peralta**  
**Chairman**

---

**Ignacio Echevarría Soriano**  
**Director**