

**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
HONG KONG BRANCH**

**FINANCIAL DISCLOSURE STATEMENT
AS AT 31 DECEMBER 2016**

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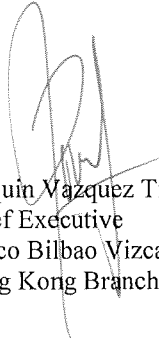
**FINANCIAL DISCLOSURE STATEMENT
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Chief Executive's Declaration

The financial disclosure statement as at 31 December 2016 is set out on page 3 to 16.

The disclosure statement is prepared in accordance with the Banking (Disclosure) Rules issued by Hong Kong Monetary Authority.

The information contained therein complies with the disclosure requirements and is not false or misleading.



Joaquin Vazquez Tirado
Chief Executive
Banco Bilbao Vizcaya Argentaria, S.A.
Hong Kong Branch

28 March 2017

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INCOME STATEMENT

	<u>31 Dec 2015</u> HKD'000	<u>31 Dec 2016</u> HKD'000
Interest Income	489,222	558,828
Interest Expenses	(287,703)	(338,170)
Other Operating Income:		
- Gains less losses arising from trading in foreign currencies	6,353	986
- Gains less losses on securities held for trading purposes	0	0
- Gains less losses from other trading activities	0	0
- Commission income	185,511	278,460
- Commission expense	0	0
- Others	(178)	0
Operating Expenses:		
- Staff and Rental Expenses	(247,420)	(246,355)
- Other Expenses	(28,043)	(28,052)
Impairment losses and provision for impaired loans and receivables	0	(205,766)
Profit/(Loss) from the disposal of equipment	(2)	(25)
Profit before taxation	117,740	19,906
Tax (Expense)/Income	0	0
Profit after Taxation	117,740	19,906

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BALANCE SHEET INFORMATION

	Note	<u>30 Jun 2016</u>	<u>31 Dec 2016</u>
		HKD'000	HKD'000
ASSETS			
Cash and balances with banks		47,603	105,587
Placements with banks maturing between 1 and 12 months		1,294	1,697
Amount due from overseas offices		20,116,146	3,108,492
Trade Bills		15,569	24,356
Loans and receivables	1	16,969,411	18,659,558
Investment securities		1,470,031	2,087,159
Plant and equipment		5,180	5,561
Total Assets		38,625,234	23,992,410
LIABILITIES			
Deposits and balances from banks		12,904,540	3,779
Deposits from customers:			
- Demand deposits and current accounts		345,776	790,673
- Time, call and notice deposits		2,596,912	1,056,161
Certificates of deposit issued		3,738,190	-
Amount due to overseas offices		18,871,937	21,912,420
Other liabilities		167,879	229,377
Total Liabilities		38,625,234	23,992,410

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ADDITIONAL BALANCE SHEET INFORMATION

	<u>30 Jun 2016</u> HKD'000	<u>31 Dec 2016</u> HKD'000
(1) Loans and receivables		
- Loans and advances to customers	16,777,286	18,753,710
- Loans and advances to banks	213,655	38,555
- Accrued interest and other accounts	75,432	73,397
Provisions for impairment loans to customer		
- specific provisions	(96,962)	(206,104)
	-----	-----
	<u>16,969,411</u>	<u>18,659,558</u>
	=====	=====

*General provisions are booked at Head Office for Hong Kong Branch

Head Office general provision policy always follows the specification and regulations of Bank of Spain, in particular the Circular BdE 4/2004 – Annex IX and periodically updates.

	<u>30 Jun 2016</u> HKD'000	<u>31 Dec 2016</u> HKD'000
(2) Impaired Loans and Advances		
(a) Amount of impaired loans and advances to customers which are individually determined to be impaired	969,618	1,290,763
(b) Amount of specific provisions made for such loans and advances	96,962	206,104
(c) Value of collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate	-	-
(d) Percentage of such loans and advances to total amount of loans and advances to customers	5.8%	6.9%

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	<u>30 Jun 2016</u> HKD'000	<u>31 Dec 2016</u> HKD'000
(3) Advances to customers – by industry sectors		
Loan for use in Hong Kong		
Industrial, commercial and financial:		
- Property development	-	-
- Property investment	-	-
- Financial concerns	3,317,663	3,157,958
- Wholesale and retail trade	671,918	579,726
- Manufacturing	130,769	130,769
- Transport and transport equipment	-	-
- Information Technology	258,672	-
- Others	191,642	191,556
Individuals:		
- Loans for the purchase of other residential properties	-	-
- Others	-	-
Trade finance	304,327	388,037
Loan for use outside Hong Kong	11,902,295	14,305,664
Total customers advances	<u>16,777,286</u>	<u>18,753,710</u>
Extent of customer loans covered by collateral or other security	<u>2.00%</u>	<u>4.00%</u>

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(4) Advances to customers – by countries

The analysis of advances to customers by countries, which is according to the location of counterparties, is as follows:

(a) Total advances to customers

	<u>30 Jun 2016</u>		<u>31 Dec 2016</u>	
	<u>HKD</u> <u>in million</u>	<u>% of total</u> <u>advances to</u> <u>customers</u>	<u>HKD</u> <u>in million</u>	<u>% of total</u> <u>advances to</u> <u>customers</u>
Australia	3,458	20.6%	4,272	22.8%
Brazil	214	1.3%	882	4.7%
Hong Kong	5,318	31.7%	5,447	29.0%
India	470	2.8%	-	-
Qatar	879	5.2%	1,493	8.0%
Peru	1,482	8.8%	1,540	8.2%
Spain	207	1.2%	185	1.0%
United Arab Emirates	460	2.8%	451	2.4%
Netherlands	730	4.4%	689	3.7%
USA	576	3.4%	517	2.7%
Marshall Islands	-	-	535	2.9%
Others	2,983	17.8%	2,743	14.6%
	<u>16,777</u>	<u>100%</u>	<u>18,754</u>	<u>100%</u>

(b) Individually determined impaired advances to customers

	<u>31 Jun 2016</u> HKD in million	<u>31 Dec 2016</u> HKD in million
By countries		
Australia	970	992
Peru	-	299
	<u>970</u>	<u>1,291</u>

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(5) International Claims

International claims are derived according to the location of counterparties on which ultimate risk lies after taking into account any transfer of risk (claims arising between branches and subsidiaries are excluded).

As at 30 Jun 2016 (in HKD million)	Non-Bank private Sector					Total
	Banks	Official Sector	Non-Bank Financial Institutions	Non-Financial Private Sector	Others	
1. Developed Countries	31	-	-	3,709	-	3,740
of which Australia	9	-	-	2,989	-	2,998
of which U.S.A.	10	-	-	294	-	304
of which Spain	5	-	-	207	-	212
of which United Kingdom	4	-	-	109	-	113
2. Offshore Centre	-	-	-	3,289	-	3,289
of which Cayman Islands	-	-	-	925	-	925
of which Bermuda	-	-	-	242	-	242
of which British Virgin Islands	-	-	-	65	-	65
of which Panama	-	-	-	182	-	182
of which Singapore	-	-	-	262	-	262
of which Hong Kong	-	-	-	1,613	-	1,613
3. Developing Europe	-	-	-	-	-	-
4. Developing Latin America & Caribbean	2	-	-	67	-	69
of which Brazil	-	-	-	62	-	62
of which Peru	2	-	-	4	-	6
of which Puerto Rico	-	-	-	-	-	-
5. Developing Africa & Middle East	-	-	-	1,166	-	1,166
of which United Arab Emirates	-	-	-	463	-	463
of which Qatar	-	-	-	703	-	703
6. Developing Asia & Pacific	699	13	-	8,819	-	9,531
of which China	699	-	-	5,195	-	5,894
of which Indonesia	-	13	-	-	-	13
of which India	-	-	-	470	-	470
of which S. Korea	-	-	-	2,378	-	2,378
of which Chinese Taipei	-	-	-	776	-	776
7. International Organisations	-	-	-	-	-	-
8. Unallocated by Country	-	-	-	-	-	-

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As at 31 Dec 2016 (in HKD million)	Non-Bank private Sector					Total
	Banks	Official Sector	Non-Bank Financial Institutions	Non-Financial Private Sector	Others	
1. Developed Countries	46	-	-	4,692	-	4,738
of which Australia	19	-	-	4,098	-	4,117
of which U.S.A.	21	-	-	119	-	140
of which Spain	2	-	-	-	-	2
of which United Kingdom	2	-	-	24	-	26
2. Offshore Centre	-	-	-	3,057	-	3,057
of which Cayman Islands	-	-	-	981	-	981
of which Bermuda	-	-	-	110	-	110
of which British Virgin Islands	-	-	-	65	-	65
of which Panama	-	-	-	178	-	178
of which Singapore	-	-	-	253	-	253
of which Hong Kong	-	-	-	1,470	-	1,470
3. Developing Europe	-	-	-	-	-	-
4. Developing Latin America & Caribbean	4	-	78	89	-	171
of which Brazil	-	-	-	83	-	83
of which Peru	3	-	-	5	-	8
of which Puerto Rico	-	-	78	-	-	78
5. Developing Africa & Middle East	12	-	-	1,787	-	1,799
of which United Arab Emirates	12	-	-	454	-	466
of which Qatar	-	-	-	1,333	-	1,333
6. Developing Asia & Pacific	376	11	-	9,458	-	9,845
of which China	368	-	-	4,807	-	5,175
of which Indonesia	-	11	-	-	-	11
of which India	-	-	-	-	-	-
of which S. Korea	8	-	-	3,875	-	3,883
of which Chinese Taipei	-	-	-	776	-	776
7. International Organisations	-	-	-	-	-	-
8. Unallocated by Country	-	-	-	-	-	-

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(6) (a) Analysis of gross amount of overdue and rescheduled advances to customers

	<u>30 Jun 2016</u>		<u>31 Dec 2016</u>	
	<u>HKD'000</u>	<u>% of total advances to customers</u>	<u>HKD'000</u>	<u>% of total advances to customers</u>
Advances to customer overdue for				
- > 3 months and < 6 months	-	-	-	-
- > 6 months and < 1 year	-	-	991,628	5.3%
- > 1 year	-	-	-	-
Rescheduled advances to customers	-	-	-	-

(b) Other overdue assets:

	<u>30 Jun 2016</u>		<u>31 Dec 2016</u>	
	<u>HKD'000</u>	<u>% of total advances to customers</u>	<u>HKD'000</u>	<u>% of total advances to customers</u>
Overdue trade bills				
- > 3 months	-	-	-	-
Overdue debt securities				
- > 3 months	-	-	-	-

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(7) Breakdown of Mainland exposures to non-bank counterparties.

The following Mainland exposures to non-bank counterparties are prepared in accordance with HKMA Return of Mainland Activities completion instructions.

As at 30 Jun 2016

<u>Types of Counterparties</u>	<u>On-balance sheet exposure HKD million</u>	<u>Off-balance sheet exposure HKD million</u>	<u>Total Exposure HKD million</u>
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	5,956	1,290	7,246
2. Local Government, local government-owned entities and their subsidiaries and JVs	478	-	478
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,102	1,133	2,235
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local government not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	7,536	2,423	9,959
Total assets after provision	38,625		
On-balance sheet exposures as percentage of total assets	19.51%		

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As at 31 Dec 2016

<u>Types of Counterparties</u>	<u>On-balance sheet exposure HKD million</u>	<u>Off-balance sheet exposure HKD million</u>	<u>Total Exposure HKD million</u>
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	5,720	1,175	6,895
2. Local Government, local government-owned entities and their subsidiaries and JVs	388	-	388
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	828	1,184	2,012
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local government not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	6,936	2,359	9,295
Total assets after provision	23,992		
On-balance sheet exposures as percentage of total assets	28.91%		

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(8) Currency risk

This information concerning the foreign currency exposures of the bank is calculated in the method set out in the return of "Foreign Currency Position" issued by the HKMA.

	<u>As at 30 Jun 2016</u>										
	In HKD million										
	USD	GBP	JPY	EUR	CNY	CAD	CHF	AUD	SGD	OTHER	TOTAL
Spot assets	33,870	86	2	2,083	2	81	1	1,736	0	0	37,861
Spot liabilities	(32,490)	(86)	(0)	(2,073)	(90)	(9)	(0)	(1,734)	(28)	(0)	(36,510)
Forward purchases	2,537	0	76	0	162	0	0	0	43	350	3,168
Forward Sales	(3,904)	(0)	(76)	(10)	(76)	(71)	(0)	(0)	(15)	(350)	(4,502)
Net option position	0	0	0	0	0	0	0	0	0	0	0
Net long (short) position	13	0	2	0	(2)	1	1	2	0	0	17
Net structural position	0	0	0	0	0	0	0	0	0	0	0

	<u>As at 31 Dec 2016</u>										
	In HKD million										
	USD	GBP	JPY	EUR	CNY	CAD	CHF	AUD	SGD	OTHER	TOTAL
Spot assets	18,505	79	0	1,920	20	81	1	2,401	0	0	23,007
Spot liabilities	(18,326)	(79)	(0)	(1,899)	(19)	(16)	(0)	(2,398)	(26)	(0)	(22,763)
Forward purchases	665	0	0	5	24	0	0	0	56	169	919
Forward Sales	(836)	(0)	(0)	(31)	(24)	(63)	(0)	(0)	(30)	(169)	(1,153)
Net option position	0	0	0	0	0	0	0	0	0	0	0
Net long (short) position	8	0	0	(5)	1	2	1	3	0	0	10
Net structural position	0	0	0	0	0	0	0	0	0	0	0

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OFF BALANCE SHEET EXPOSURES

	<u>30 Jun 2016</u> HKD'000	<u>31 Dec 2016</u> HKD'000
Contingent Liabilities and Commitments		
- Direct credit substitutes	2,567,299	2,411,543
- Trade related contingencies	28,064	78,053
- Other commitments	3,661,741	4,578,215
- Others	0	0
Derivatives		
- Exchange rate contracts	6,445,229	1,534,183
- Interest rate contract	0	0
Replacement cost of derivatives *		
- Exchange rate contracts	1,737	1,295
- Interest rate contract	0	0

*The replacement costs of contract represent the mark to market assets on all contracts and which have not been subjected to any bilateral netting agreement.

LIQUIDITY

Average liquidity maintenance ratio (LMR) is calculated as the simple average of each month's average liquidity maintenance ratio for the financial year computed in accordance with Banking Liquidity Rules.

	<u>31 Dec 2015</u>	<u>31 Dec 2016</u>
Average liquidity maintenance ratio for the financial year (LMR)	60.72%	54.30%

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Liquidity Risk Management

BBVA Hong Kong Branch's liquidity policy and strategy are reviewed regularly by the Regional ALCO Committee, chaired by the Asia CEO, with committee members comprised of Asia Senior Management based in Hong Kong, as well as Liquidity Management and Structural Risk Control teams in Head Office.

The branch manages its liquidity risk in accordance with procedures of Head Office Liquidity and Funding Risk Management and requirements of HKMA. This includes investing in highly liquid securities for quick and easy sale in case of crises, although the main source of liquidity for the branch, even during crises, would be Head Office.

On a daily basis, the Risk Department of the branch reviews the HKMA LMR ratio, sources of funding and other liquidity ratios. On a monthly basis, stress tests of the Branch's liquidity under crisis scenario are carried out and overall position of the Branch is analyzed within the ALCO Committee.

REMUNERATION DISCLOSURE

In respect to the disclosure requirement under the HKMA's Supervisory Policy Manual (CG-5)-Guideline on a Sound Remuneration System, please refer to the Bank's link shown below:

http://shareholdersandinvestors.bbva.com/TLBB/fbinir/mult/directorsremuneration_tcm927-554636.pdf

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CONSOLIDATED FINANCIAL INFORMATION FOR BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

	<u>30 Jun 2016</u> EUR million	<u>31 Dec 2016</u> EUR million
<u>CAPITAL AND CAPITAL ADEQUACY</u>		
Consolidated Capital Adequacy Ratio (combined Tier 1 and Tier 2)*	15.7%	15.1%
Aggregate amount of shareholders' funds	55,962	55,428
*An allowance for market risk has been incorporated in the above ratio which is computed in accordance with Bank for International Settlements (BIS).		

OTHER FINANCIAL INFORMATION

- Total assets	746,040	731,856
- Total liabilities	690,078	676,428
- Total loans and advances	433,268	430,474
- Total customer deposits	536,400	533,557

	<u>31 Dec 2015</u> EUR million	<u>31 Dec 2016</u> EUR million
Pre-tax profit	5,879	6,392

Exchange rate:

EUR 1.00 = HKD 8.4685 as at 31 Dec 2015

EUR 1.00 = HKD 8.6224 as at 30 Jun 2016

EUR 1.00 = HKD 8.169 as at 31 Dec 2016