

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

**FINANCIAL DISCLOSURE STATEMENT
AS AT 31 DECEMBER 2017**

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Chief Executive's Declaration

The financial disclosure statement as at 31 December 2017 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.

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a horizontal line and a vertical stroke.

Pablo Riquelme Turrent
Chief Executive
Banco Bilbao Vizcaya Argentaria, S.A.
Hong Kong Branch

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INCOME STATEMENT

	<u>31 Dec 2016</u> HKD'000	<u>31 Dec 2017</u> HKD'000
Interest Income	558,828	546,940
Interest Expenses	(338,170)	(369,409)
Other Operating Income:		
- Gains less losses arising from trading in foreign currencies	986	841
- Gains less losses on securities held for trading purposes	0	0
- Gains less losses from other trading activities	0	0
- Commission income	278,460	256,752
- Commission expense	0	0
- Others	0	(3,201)
Operating Expenses:		
- Staff and Rental Expenses	(246,355)	(155,002)
- Other Expenses	(28,052)	(26,742)
- Net charge for other provisions	(0)	(392)
Impairment losses and provision for impaired loans and receivables	(205,766)	(101,477)
Profit/(Loss) from the disposal of equipment	(25)	15
Profit before taxation	19,906	148,325
Tax (Expense)/Income	0	0
Profit after Taxation	19,906	148,325

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BALANCE SHEET INFORMATION

	Note	<u>30 Jun 2017</u>	<u>31 Dec 2017</u>
		HKD'000	HKD'000
ASSETS			
Cash and balances with banks		121,035	277,968
Placements with banks maturing between 1 and 12 months		3,061	-
Amount due from overseas offices		3,719,009	4,501,879
Trade Bills		4,942	12,447
Loans and receivables	1	21,015,269	17,775,836
Investment securities		2,096,276	2,598,331
Provision against value of other claims and investment		-	(392)
Plant and equipment		4,782	5,011
Total Assets		26,964,374	25,171,080
LIABILITIES			
Deposits and balances from banks		6,856	1,096,545
Deposits from customers:			
- Demand deposits and current accounts		2,357,490	2,105,887
- Time, call and notice deposits		238,919	448,133
Certificates of deposit issued		-	-
Amount due to overseas offices		23,708,013	21,308,465
Other liabilities		653,096	212,050
Total Liabilities		26,964,374	25,171,080

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ADDITIONAL BALANCE SHEET INFORMATION

	<u>30 Jun 2017</u> HKD'000	<u>31 Dec 2017</u> HKD'000
(1) Loans and receivables		
- Loans and advances to customers	21,224,034	17,699,799
- Loans and advances to banks	-	-
- Accrued interest and other accounts	71,635	78,741
Provisions for impairment loans to customer		
- specific provisions	(280,400)	(2,704)
	<u>21,015,269</u>	<u>17,775,836</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 2017</u> HKD'000	<u>31 Dec 2017</u> HKD'000
(2) Impaired Loans and Advances		
(a) Amount of impaired loans and advances to customers which are individually determined to be impaired	1,028,786	292,458
(b) Amount of specific provisions made for such loans and advances	280,400	2,704
(c) Value of collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate	467,986	224,487
(d) Percentage of such loans and advances to total amount of loans and advances to customers	4.8%	1.7%

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	<u>30 Jun 2017</u> HKD'000	<u>31 Dec 2017</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	6,088,212	1,563,080
- Wholesale and retail trade	64,607	66,886
- Manufacturing	-	-
- Transport and transport equipment	-	-
- Information Technology	400,874	701,273
- Others	191,739	78,154
Individuals:		
- Loans for the purchase of other residential properties	-	-
- Others	-	-
Trade finance	728,949	662,248
Loan for use outside Hong Kong	13,749,653	14,628,158
Total customers advances	<u>21,224,034</u>	<u>17,699,799</u>
Extent of customer loans covered by collateral or other security	<u>6.00%</u>	<u>8.79%</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 2017</u>		<u>31 Dec 2017</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	4,153	19.5%	3,108	17.6%
Brazil	784	3.7%	753	4.2%
Hong Kong	9,014	42.5%	4,200	23.7%
Qatar	1,468	6.9%	1,435	8.1%
Peru	1,648	7.8%	2,413	13.6%
Spain	192	0.9%	192	1.1%
United Arab Emirates	446	2.1%	437	2.5%
Netherlands	293	1.4%	525	3.0%
USA	611	2.9%	1,088	6.1%
Marshall Islands	568	2.7%	462	2.6%
Kuwait	-	-	987	5.6%
Others	2,047	9.6%	2,100	11.9%
	<u>21,224</u>	<u>100%</u>	<u>17,700</u>	<u>100%</u>

(b) Individually determined impaired advances to customers

	<u>30 Jun 2017</u> <u>HKD in million</u>	<u>31 Dec 2017</u> <u>HKD in million</u>
Australia	1,029	24
Panama	-	268
	<u>1,029</u>	<u>292</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 2017 (in HKD million)	Non-Bank private Sector					Total
	Banks	Official Sector	Non-Bank Financial Institutions	Non-Financial Private Sector	Others	
1. Developed Countries	85	-	-	4,855	-	4,940
of which Australia	20	-	-	3,943	-	3,963
of which U.S.A.	57	-	-	244	-	301
of which Spain	1	-	-	-	-	1
of which United Kingdom	2	-	-	395	-	397
of which Japan	-	-	-	64	-	64
2. Offshore Centre	922	-	-	6,392	-	7,314
of which Cayman Islands	-	-	-	585	-	585
of which Bermuda	-	-	-	165	-	165
of which Panama	-	-	-	175	-	175
of which Singapore	-	-	-	268	-	268
of which Hong Kong	922	-	-	5,199	-	6,121
3. Developing Europe	-	-	-	-	-	-
4. Developing Latin America & Caribbean	3	-	-	82	-	85
of which Brazil	-	-	-	74	-	74
of which Peru	3	-	-	6	-	9
5. Developing Africa & Middle East	-	-	-	1,774	-	1,774
of which United Arab Emirates	-	-	-	449	-	449
of which Qatar	-	-	-	1,325	-	1,325
6. Developing Asia & Pacific	352	9	-	8,541	-	8,902
of which China	352	-	-	4,719	-	5,071
of which Indonesia	-	9	-	-	-	9
of which S. Korea	-	-	-	3,818	-	3,818
7. International Organisations	-	-	-	-	-	-
8. Unallocated by Country	-	-	-	-	-	-

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<u>As at 31 Dec 2017 (in HKD million)</u>	Non-Bank private Sector					<u>Total</u>
	<u>Banks</u>	<u>Official Sector</u>	<u>Non-Bank Financial Institutions</u>	<u>Non-Financial Private Sector</u>	<u>Others</u>	
1. Developed Countries	135	-	-	4,052	-	4,187
of which Australia	22	-	-	2,870	-	2,892
of which U.S.A.	93	-	-	135	-	228
of which Spain	3	-	-	-	-	3
of which United Kingdom	12	-	-	468	-	480
of which Japan	1	-	-	513	-	514
2. Offshore Centre	3	-	-	2,647	-	2,650
of which Cayman Islands	-	-	-	586	-	586
of which Bermuda	-	-	-	-	-	-
of which Panama	-	-	-	172	-	172
of which Singapore	-	-	-	-	-	-
of which Hong Kong	3	-	-	1,889	-	1,892
3. Developing Europe	-	-	-	-	-	-
4. Developing Latin America & Caribbean	6	65	-	16	-	87
of which Brazil	-	65	-	1	-	66
of which Peru	6	-	-	11	-	17
5. Developing Africa & Middle East	-	-	-	1,750	-	1,750
of which United Arab Emirates	-	-	-	441	-	441
of which Qatar	-	-	-	1,308	-	1,308
6. Developing Asia & Pacific	665	-	-	9,615	-	10,280
of which China	665	-	-	4,658	-	5,323
of which Indonesia	-	-	-	-	-	-
of which S. Korea	-	-	-	4,954	-	4,954
7. International Organizations	-	-	-	-	-	-
8. Unallocated by Country	-	-	-	-	-	-

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

	30 Jun 2017		31 Dec 2017	
	<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	-	-	-	-
- > 1 year	1,028,786	4.9%	24,318	0.1%
Rescheduled advances to customers	-	-	-	-

(b) Other overdue assets:

	30 Jun 2017		31 Dec 2017	
	<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 2017

<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)	9,175	1,306	10,481
2. Local Government, local government-owned entities and their subsidiaries and JVs	418	-	418
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,294	1,374	2,668
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	10,887	2,680	13,567
Total assets after provision	26,964		
On-balance sheet exposures as percentage of total assets	40.38%		

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<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)	5,308	1,227	6,535
2. Local Government, local government-owned entities and their subsidiaries and JVs	828	156	984
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,019	1,058	2,077
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	7,155	2,441	9,596
Total assets after provision	25,171		
On-balance sheet exposures as percentage of total assets	28.43%		

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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 2017</u>										
	In HKD million										
	USD	GBP	JPY	EUR	CNY	CAD	CHF	AUD	SGD	OTHER	TOTAL
Spot assets	22,069	73	0	1,755	13	90	1	2,258	0	0	26,259
Spot liabilities	(22,033)	(73)	(0)	(1,756)	(26)	(53)	(0)	(2,259)	(28)	(0)	(26,228)
Forward purchases	649	0	0	0	137	0	0	3	28	287	1,104
Forward Sales	(596)	(0)	(0)	(0)	(126)	(36)	(0)	(0)	(0)	(287)	(1,045)
Net option position	0	0	0	0	0	0	0	0	0	0	0
Net long (short) position	89	0	0	(1)	(2)	1	1	2	0	0	90
Net structural position	0	0	0	0	0	0	0	0	0	0	0

	<u>As at 31 Dec 2017</u>										
	In HKD million										
	USD	GBP	JPY	EUR	CNY	CAD	CHF	AUD	SGD	OTHER	TOTAL
Spot assets	19,387	81	66	2,084	4	3	1	2,259	0	0	23,885
Spot liabilities	(19,570)	(81)	(1)	(2,092)	(5)	(0)	(0)	(2,265)	(29)	(0)	(24,043)
Forward purchases	1,617	0	0	16	989	65	0	8	29	127	2,851
Forward Sales	(1,417)	(0)	(65)	(8)	(989)	(68)	(0)	(0)	(0)	(127)	(2,674)
Net option position	0	0	0	0	0	0	0	0	0	0	0
Net long (short) position	17	0	0	0	(1)	0	1	2	0	0	19
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 2017</u> HKD'000	<u>31 Dec 2017</u> HKD'000
Contingent Liabilities and Commitments		
- Direct credit substitutes	521,535	496,323
- Transaction-related contingent items	1,106,674	1,153,334
- Trade related contingencies	119,192	6,093
- Other commitments	4,447,561	5,435,561
- Others	0	0
Derivatives		
- Exchange rate contracts	1,251,037	3,087,938
- Interest rate contract	0	0
Replacement cost of derivatives *		
- Exchange rate contracts	1,236	988
- 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 2016</u>	<u>31 Dec 2017</u>
Average liquidity maintenance ratio for the financial year (LMR)	54.30%	46.38%

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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:

<https://shareholdersandinvestors.bbva.com>

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

	<u>30 Jun 2017</u> EUR million	<u>31 Dec 2017</u> EUR million
<u>CAPITAL AND CAPITAL ADEQUACY</u>		
Consolidated Capital Adequacy Ratio (combined Tier 1 and Tier 2)*	15.5%	15.4%
Aggregate amount of shareholders' funds	54,727	53,323
*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	702,429	690,059
- Total liabilities	647,702	636,736
- Total loans and advances	424,405	400,369
- Total customer deposits	531,670	511,285
	<u>31 Dec 2016</u> EUR million	<u>31 Dec 2017</u> EUR million
Pre-tax profit	6,392	6,931

Exchange rate:

EUR 1.00 = HKD 8.1690 as at 31 Dec 2016

EUR 1.00 = HKD 8.9083 as at 30 Jun 2017

EUR 1.00 = HKD 9.3503 as at 31 Dec 2017