

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

**FINANCIAL DISCLOSURE STATEMENT
AS AT 31 DECEMBER 2018**

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Chief Executive's Declaration

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 vertical line and a small dot at the top.

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

**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
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INCOME STATEMENT

	<u>31 Dec 2017</u> HKD'000	<u>31 Dec 2018</u> HKD'000
Interest Income	546,940	787,841
Interest Expenses	(369,409)	(562,922)
Other Operating Income:		
- Gains less losses arising from trading in foreign currencies	841	3,606
- Gains less losses on securities held for trading purposes	0	0
- Gains less losses from other trading activities	0	0
- Commission income	256,752	171,679
- Commission expense	0	(5,564)
- Others	(3,201)	(2,137)
Operating Expenses:		
- Staff and Rental Expenses	(155,002)	(174,972)
- Other Expenses	(26,742)	(31,052)
Impairment losses and provision for impaired loans and receivables	(101,869)	(71,563)
Profit/(Loss) from the disposal of equipment	15	0
Profit before taxation	148,325	114,916
Tax (Expense)/Income	0	(11,681)
Profit after Taxation	148,325	103,235

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BALANCE SHEET INFORMATION

	Note	<u>30 Jun 2018</u>	<u>31 Dec 2018</u>
		HKD'000	HKD'000
ASSETS			
Cash and balances with banks		157,008	254,230
Placements with banks maturing between 1 and 12 months		-	-
Amount due from overseas offices		2,903,304	5,418,875
Trade Bills		13,175	15,419
Loans and receivables	1	20,408,065	22,949,928
Investment securities		2,392,256	2,408,239
Provision against value of other claims and investment		(105)	(269)
Plant and equipment		6,079	5,856
Total Assets		25,879,782	31,052,278
LIABILITIES			
Deposits and balances from banks		790,441	2,905,970
Deposits from customers:			
- Demand deposits and current accounts		337,335	991,202
- Time, call and notice deposits		828,465	844,592
Certificates of deposit issued		-	-
Amount due to overseas offices		23,719,330	26,024,130
Other liabilities		204,211	286,384
Total Liabilities		25,879,782	31,052,278

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ADDITIONAL BALANCE SHEET INFORMATION

	<u>30 Jun 2018</u> HKD'000	<u>31 Dec 2018</u> HKD'000
(1) Loans and receivables		
- Loans and advances to customers	20,380,627	22,952,687
- Loans and advances to banks	-	-
- Accrued interest and other accounts	90,691	108,279
Provisions for impairment loans to customer		
- collective provisions*	(32,082)	(101,784)
- specific provisions	(31,171)	(9,254)
	-----	-----
	<u>20,408,065</u>	<u>22,949,928</u>
	=====	=====

*Collective provisions are booked at Head Office for Hong Kong Branch as at 31 December 2017. Starting from the year 2018, the collective provisions are allocated to and maintained in the book of Hong Kong Branch.

	<u>30 Jun 2018</u> HKD'000	<u>31 Dec 2018</u> HKD'000
(2) Impaired Loans and Advances		
(a) Amount of impaired loans and advances to customers which are individually determined to be impaired	273,112	226,990
(b) Amount of specific provisions made for such loans and advances	31,171	9,254
(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	1.3%	1.0%

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	<u>30 Jun 2018</u> HKD'000	<u>31 Dec 2018</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	1,569,560	-
- Wholesale and retail trade	4,859	5,829
- Manufacturing	549,346	1,924,348
- Transport and transport equipment	158,493	-
- Information Technology	274,080	-
- Others	-	1,566,330
Individuals:		
- Loans for the purchase of other residential properties	-	-
- Others	-	-
Trade finance	1,268,568	1,483,108
Loan for use outside Hong Kong	16,555,721	17,973,072
Total customers advances	<u>20,380,627</u>	<u>22,952,687</u>
Extent of customer loans covered by collateral or other security	<u>6.52%</u>	<u>6.73%</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 2018</u>		<u>31 Dec 2018</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	3,067	15.0%	2,817	12.3%
Brazil	724	3.6%	682	3.0%
Hong Kong	3,955	19.4%	4,694	20.4%
Qatar	1,405	6.9%	1,365	5.9%
Peru	2,158	10.6%	1,578	6.9%
United Arab Emirates	428	2.1%	416	1.8%
Netherlands	801	3.9%	2,078	9.1%
USA	1,508	7.4%	1,795	7.8%
Marshall Islands	443	2.2%	40	0.2%
Kuwait	2,401	11.8%	3,471	15.1%
Singapore	1,037	5.1%	854	3.7%
Others	2,454	12.0%	3,163	13.8%
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	<u>20,381</u>	<u>100%</u>	<u>22,953</u>	<u>100%</u>
	=====	=====	=====	=====

(b) Individually determined impaired advances to customers

	<u>30 Jun 2018</u> <u>HKD in million</u>	<u>31 Dec 2018</u> <u>HKD in million</u>
Australia	24	-
Panama	249	227
	-----	-----
	<u>273</u>	<u>227</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 2018 (in HKD million)	Banks	Official Sector	Non-Bank private Sector		Others	Total
			Non-Bank Financial Institutions	Non-Financial Private Sector		
1. Developed Countries	62	-	-	4,219	-	4,281
of which Australia	8	-	-	2,892	-	2,900
of which U.S.A.	42	-	-	107	-	149
of which Spain	1	-	-	-	-	1
of which United Kingdom	8	-	-	115	-	123
of which Netherland	-	-	-	627	-	627
of which Japan	2	-	-	464	-	466
2. Offshore Centre	507	-	-	3,912	-	4,419
of which Cayman Islands	-	-	-	1,161	-	1,161
of which Panama	-	-	-	168	-	168
of which Singapore	-	-	-	1,037	-	1,037
of which Hong Kong	507	-	-	1,546	-	2,053
3. Developing Europe	-	-	-	-	-	-
4. Developing Latin America & Caribbean	6	4	-	77	-	87
of which Brazil	-	1	-	64	-	65
of which Peru	6	-	-	11	-	17
5. Developing Africa & Middle East	5	-	-	1,730	-	1,735
of which United Arab Emirates	-	-	-	433	-	433
of which Qatar	-	-	-	1,295	-	1,295
6. Developing Asia & Pacific	471	-	-	10,736	-	11,207
of which China	471	-	-	4,308	-	4,779
of which S. Korea	-	-	-	6,425	-	6,425
7. International Organizations	-	-	-	-	-	-
8. Unallocated by Country	-	-	-	-	-	-

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<u>As at 31 Dec 2018 (in HKD million)</u>	<u>Non-Bank private Sector</u>					<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	193	-	-	5,563	-	5,756
of which Australia	12	-	-	2,677	-	2,689
of which U.S.A.	98	-	-	89	-	187
of which Spain	2	-	-	-	-	2
of which United Kingdom	78	-	-	385	-	463
of which Netherland	-	-	-	1,931	-	1,931
of which Japan	2	-	-	408	-	410
2. Offshore Centre	14	-	-	4,823	-	4,837
of which Cayman Islands	-	-	-	196	-	196
of which Panama	-	-	-	164	-	164
of which Singapore	-	-	-	854	-	854
of which Hong Kong	14	-	-	3,609	-	3,623
3. Developing Europe	-	-	-	-	-	-
4. Developing Latin America & Caribbean	4	1	-	77	-	82
of which Brazil	-	1	-	61	-	62
of which Peru	4	-	-	10	-	14
5. Developing Africa & Middle East	5	-	-	1,697	-	1,702
of which United Arab Emirates	-	-	-	422	-	422
of which Qatar	-	-	-	1,270	-	1,270
6. Developing Asia & Pacific	-	-	-	11,565	-	11,565
of which China	-	-	-	3,652	-	3,652
of which S. Korea	-	-	-	7,900	-	7,900
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 2018		31 Dec 2018	
	<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	24,420	0.1%	-	-
Rescheduled advances to customers	-	-	-	-

(b) Other overdue assets:

	30 Jun 2018		31 Dec 2018	
	<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 2018

<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)	5,227	1,254	6,481
2. Local Government, local government-owned entities and their subsidiaries and JVs	916	-	916
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	898	403	1,301
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	573	1,154	1,727
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	7,614	2,811	10,425
Total assets after provision	25,880		
On-balance sheet exposures as percentage of total assets	29.42%		

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<u>As at 31 Dec 2018</u>	<u>On-balance sheet exposure</u> HKD million	<u>Off-balance sheet exposure</u> HKD million	<u>Total Exposure</u> HKD million
<u>Types of Counterparties</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	5,842	1,816	7,658
2. Local Government, local government-owned entities and their subsidiaries and JVs	1,257	-	1,257
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,138	250	2,388
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	196	1,151	1,347
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	9,433	3,217	12,650
Total assets after provision	31,052		
On-balance sheet exposures as percentage of total assets	30.38%		

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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 2018</u>										
	In HKD million										
	USD	GBP	JPY	EUR	CNY	CAD	CHF	AUD	SGD	OTHER	TOTAL
Spot assets	20,755	79	55	1,579	74	0	1	2,089	0	0	24,632
Spot liabilities	(20,910)	(79)	(1)	(1,576)	(75)	(0)	(0)	(2,095)	(6)	(0)	(24,742)
Forward purchases	1,517	0	177	183	1,437	0	0	24	21	114	3,473
Forward Sales	(1,350)	(0)	(231)	(183)	(1,437)	(0)	(0)	(0)	(15)	(114)	(3,330)
Net option position	0	0	0	0	0	0	0	0	0	0	0
Net long (short) position	12	0	0	3	(1)	0	1	18	0	0	33
Net structural position	0	0	0	0	0	0	0	0	0	0	0

	<u>As at 31 Dec 2018</u>										
	In HKD million										
	USD	GBP	JPY	EUR	CNY	CAD	CHF	AUD	SGD	OTHER	TOTAL
Spot assets	26,937	76	42	976	12	0	1	1,995	0	0	30,039
Spot liabilities	(26,827)	(77)	(1)	(978)	(14)	(0)	(0)	(1,921)	(5)	(0)	(29,823)
Forward purchases	217	0	0	2	144	0	0	8	5	0	376
Forward Sales	(281)	(0)	(40)	(0)	(144)	(0)	(0)	(0)	(0)	(0)	(465)
Net option position	0	0	0	0	0	0	0	0	0	0	0
Net long (short) position	46	(1)	1	0	(2)	0	1	82	0	0	127
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 2018</u> HKD'000	<u>31 Dec 2018</u> HKD'000
Contingent Liabilities and Commitments		
- Direct credit substitutes	3,068,787	2,379,809
- Transaction-related contingent items	1,137,542	892,114
- Trade related contingencies	0	6,682
- Other commitments	3,817,032	4,532,336
- Others	0	0
Derivatives		
- Exchange rate contracts	3,602,971	487,811
- Interest rate contract	11,601	55,337
Replacement cost of derivatives *		
- Exchange rate contracts	1,851	479
- Interest rate contract	11,671	55,722

*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>Twelve Months</u> <u>ended</u> <u>31 Dec 2017</u>	<u>Three Months</u> <u>ended</u> <u>31 Dec 2018</u>
Average liquidity maintenance ratio (LMR)	46.38%	48.28%

This information is available at the Bank's website:-
<https://www.bbvacib.com/en/sobre-bbva-cib/due-diligence/-/0045/445333>

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Liquidity Risk Management

BBVA Hong Kong Branch's liquidity procedure and strategy are reviewed regularly by the Regional ALCO Committee, chaired by the Asia CEO (who is the Hong Kong Branch manager too), with committee members comprised of Asia Senior Management based in Hong Kong which includes all the business lines and main support units, as well as Asset & Liability Management and Structural Risks departments in Head Office. The support areas defined to identify, measure and control risks are independent of the business origination functions.

The branch manages its liquidity risk in accordance with the *Liquidity and funding risk procedure for Foreign Branches* and HKMA requirements. This includes maintaining a liquidity cushion (buffer) not just aimed to meet LMR target requirements, but comprised of at least 50% of highest liquid securities (namely HKMA bill and notes).

According to intragroup lending policies, the Branch can only borrow or lend funds with its Head Office. In a similar way, the Group's strategy is based, among others, in the principle of funding self-sufficiency of its subsidiaries. Meaning that each of the Liquidity Management Units must cover its funding needs independently on the markets where it operates. This avoids possible contagion due to a crisis affecting one or more Liquidity Management Units in the Group. Currently, the main source of liquidity for the branch is the access to Head Office funding.

The aforementioned access to Head Office funding is structured through an Evergreen facility signed between the Branch and Head Office, according to which the Branch may be funded via drawdowns up to USD4.8Bio equivalent funding in USD, AUD, EUR and GBP, with no maturity and an additional call option term held by Head Office with length no shorter than 6 months. The liquidity and funding risk of the branch is mitigated by the unlimited access to the parent company funds, being the Branch part of the same legal entity, and relatively small.

On a daily basis, the Finance Department reviews the HKMA LMR ratio, sources of funding and other liquidity ratios; sending a summary to the senior management in the Branch. On a monthly basis, stress tests of the Branch's liquidity under crisis scenario (based on contractual obligations and assumptions well worse than any historical situation) are carried out and overall position of the Branch is presented to the ALCO Committee. This stress test is used, among others to assess the liquidity cushion size and composition. In general, due to the structured created for the branch there are no liquidity gaps. Aforementioned Evergreen facility, Customer deposits and interbank borrowing which are not used for self-funding purposes. Most of the guarantee business and uncommitted facility lines that could require sudden liquidity requirements have been moved out from Hong Kong. Making overall liquidity management simple for the Branch.

At least yearly the Funding Contingency plans of the region and branch are reviewed and tested. This includes the early warning signals that are monitored, escalation process for managing liquidity disruptions, short term measures including selling highly liquid assets in the market and a communication plan for all the areas in the Branch. A Recovery Plan completely in line with the Group's one is ready and presented to the HKMA.

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The Table below is on- and off-balance sheet items, broken down into maturity buckets as at 31 December 2018

In HKD Millions	Total Amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years	Over 5 years	Balancing
Total on-balance sheet assets	31,177	4,741	1,388	2,156	889	419	1,656	4,487	4,183	2,741	8,509	8
Total off-balance sheet claims	12,659	12,659	0	0	0	0	0	0	0	0	0	0
Total on-balance sheet liabilities	31,121	3,332	30	1,488	966	18	73	19	28	0	24,935	232
Total off-balance sheet obligations	7,957	0	6,009	7	1,941	0	0	0	0	0	0	0

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 2018</u> EUR million	<u>31 Dec 2018</u> EUR million
<u>CAPITAL AND CAPITAL ADEQUACY</u>		
Consolidated Capital Adequacy Ratio*	15.5%	15.7%
Aggregate amount of shareholders' funds	52,087	52,874

*An allowance for market risk has been incorporated in the above ratio which is calculated under Capital Requirements Directive IV from Basel III regulation.

OTHER FINANCIAL INFORMATION

- Total assets	689,632	676,689
- Total liabilities	637,545	623,815
- Total loans and advances	390,661	386,225
- Total customer deposits	499,834	504,073

	<u>31 Dec 2017</u> EUR million	<u>31 Dec 2018</u> EUR million
Pre-tax profit	6,931	7,580

Exchange rate:

EUR 1.00 = HKD 9.3503 as at 31 Dec 2017

EUR 1.00 = HKD 9.136 as at 30 Jun 2018

EUR 1.00 = HKD 8.96019559 as at 31 Dec 2018