

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

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**CONTENTS**

	Page
Chief Executive's Declaration	2
Profit and Loss Information	3
Balance Sheet Information	4
Additional Balance Sheet Information	5-13
Off Balance Sheet and Liquidity Ratio	14-15
Consolidated Financial Information for Banco Bilbao Vizcaya Argentaria, S.A.	16

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

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**Chief Executive's Declaration**

The financial disclosure statement as at 30 June 2018 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, appearing to be 'P. Riquelme Turrent', with a stylized flourish at the end.

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

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

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**INCOME STATEMENT**

	<u>30 Jun 2017</u> HKD'000	<u>30 Jun 2018</u> HKD'000
Interest Income	287,860	347,797
Interest Expenses	(177,395)	(248,110)
Other Operating Income:		
- Gains less losses arising from trading in foreign currencies	1,983	2,648
- Gains less losses on securities held for trading purposes	0	0
- Gains less losses from other trading activities	0	0
- Commission income	139,970	112,298
- Commission expense	0	(2,317)
- Others	(2,645)	(1,340)
Operating Expenses:		
- Staff and Rental Expenses	(72,342)	(83,139)
- Other Expenses	(12,607)	(14,508)
Impairment losses and provision for impaired loans and receivables	(71,445)	(36,135)
Profit/(Loss) from the disposal of equipment	0	0
Profit before taxation	93,379	77,194
Tax (Expense)/Income	0	0
Profit after Taxation	93,379	77,194

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

**BALANCE SHEET INFORMATION**

	Note	<u>31 Dec 2017</u>	<u>30 Jun 2018</u>
		HKD'000	HKD'000
<b>ASSETS</b>			
Cash and balances with banks		277,968	157,008
Placements with banks maturing between 1 and 12 months		-	-
Amount due from overseas offices		4,501,879	2,903,304
Trade Bills		12,447	13,175
Loans and receivables	1	17,775,836	20,408,065
Investment securities		2,598,331	2,392,256
Provision against value of other claims and investment		(392)	(105)
Plant and equipment		5,011	6,079
Total Assets		25,171,080	25,879,782
<b>LIABILITIES</b>			
Deposits and balances from banks		1,096,545	790,441
Deposits from customers:			
- Demand deposits and current accounts		2,105,887	337,335
- Time, call and notice deposits		448,133	828,465
Certificates of deposit issued		-	-
Amount due to overseas offices		21,308,465	23,719,330
Other liabilities		212,050	204,211
Total Liabilities		25,171,080	25,879,782

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

**ADDITIONAL BALANCE SHEET INFORMATION**

	<u>31 Dec 2017</u> HKD'000	<u>30 Jun 2018</u> HKD'000
(1) Loans and receivables		
- Loans and advances to customers	17,699,799	20,380,627
- Loans and advances to banks	-	-
- Accrued interest and other accounts	78,741	90,691
Provisions for impairment loans to customer		
- collective provisions*	-	(32,082)
- specific provisions	(2,704)	(31,171)
	<u>17,775,836</u>	<u>20,408,065</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>31 Dec 2017</u> HKD'000	<u>30 Jun 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	292,458	273,112
(b) Amount of specific provisions made for such loans and advances	2,704	31,171
(c) Value of collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate	224,487	-
(d) Percentage of such loans and advances to total amount of loans and advances to customers	1.7%	1.3%

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

	<u>31 Dec 2017</u> HKD'000	<u>30 Jun 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	1,563,080	1,569,560
- Wholesale and retail trade	66,886	4,859
- Manufacturing	-	549,346
- Transport and transport equipment	-	158,493
- Information Technology	701,273	274,080
- Others	78,154	-
Individuals:		
- Loans for the purchase of other residential properties	-	-
- Others	-	-
Trade finance	662,248	1,268,568
Loan for use outside Hong Kong	14,628,158	16,555,721
Total customers advances	<u>17,699,799</u>	<u>20,380,627</u>
Extent of customer loans covered by collateral or other security	<u>8.79%</u>	<u>6.52%</u>

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

(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>31 Dec 2017</u>		<u>30 Jun 2018</u>	
	<u>HKD in million</u>	<u>% of total advances to customers</u>	<u>HKD in million</u>	<u>% of total advances to customers</u>
Australia	3,108	17.6%	3,067	15.0%
Brazil	753	4.2%	724	3.6%
Hong Kong	4,200	23.7%	3,955	19.4%
Qatar	1,435	8.1%	1,405	6.9%
Peru	2,413	13.6%	2,158	10.6%
United Arab Emirates	437	2.5%	428	2.1%
Netherlands	525	3.0%	801	3.9%
USA	1,088	6.1%	1,508	7.4%
Marshall Islands	462	2.6%	443	2.2%
Kuwait	987	5.6%	2,401	11.8%
Singapore	-	-	1,037	5.1%
Others	2,292	13.0%	2,454	12.0%
	<u>17,700</u>	<u>100%</u>	<u>20,381</u>	<u>100%</u>

(b) Individually determined impaired advances to customers

	<u>31 Dec 2017</u> HKD in million	<u>30 Jun 2018</u> HKD in million
Australia	24	24
Panama	268	249
	<u>292</u>	<u>273</u>

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

(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 31 Dec 2017 (in HKD million)	Non-Bank private Sector					Total
	Banks	Official Sector	Non-Bank Financial Institutions	Non-Financial Private Sector	Others	
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 Netherland	-	-	-	52	-	52
of which Japan	1	-	-	513	-	514
2. Offshore Centre	3	-	-	2,647	-	2,650
of which Cayman Islands	-	-	-	586	-	586
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 S. Korea	-	-	-	4,954	-	4,954
7. International Organizations	-	-	-	-	-	-
8. Unallocated by Country	-	-	-	-	-	-



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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

<u>As at 30 Jun 2018 (in HKD million)</u>	<u>Banks</u>	<u>Official Sector</u>	<u>Non-Bank private Sector</u>		<u>Others</u>	<u>Total</u>
			<u>Non-Bank Financial Institutions</u>	<u>Non-Financial Private Sector</u>		
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	-	-	-	-	-	-

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

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

	31 Dec 2017		30 Jun 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	24,318	0.1%	24,420	0.1%
Rescheduled advances to customers	-	-	-	-

(b) Other overdue assets:

	31 Dec 2017		30 Jun 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	-	-	-	-

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

(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 31 Dec 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)	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%		

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

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%		

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

(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 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

	<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

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

**OFF BALANCE SHEET EXPOSURES**

	<u>31 Dec 2017</u> HKD'000	<u>30 Jun 2018</u> HKD'000
Contingent Liabilities and Commitments		
- Direct credit substitutes	496,323	3,068,787
- Transaction-related contingent items	1,153,334	1,137,542
- Trade related contingencies	6,093	0
- Other commitments	5,435,561	3,817,032
- Others	0	0
Derivatives		
- Exchange rate contracts	3,087,938	3,602,971
- Interest rate contract	0	11,601
Replacement cost of derivatives *		
- Exchange rate contracts	988	1,851
- Interest rate contract	0	11,671

\*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>Six Months Ended</u> <u>30 Jun 2017</u>	<u>Three Months</u> <u>ended</u> <u>31 Mar 2018</u>	<u>Three Months</u> <u>ended</u> <u>30 Jun 2018</u>
Average liquidity maintenance ratio (LMR)	44.78%	44.42%	45.97%

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

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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 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 procedures of Head Office and HKMA requirements. This includes maintaining a liquidity cushion that does not only cover the LMR target requirements, but it comprises of at least 50% of highly liquid securities (mainly Hong Kong Exchange Fund Bills) for quick and easy sale in case of crises. Nevertheless, the main source of liquidity for the branch, even during crises, would be Head Office. The branch is not allowed to maintain a negative mismatched position and therefore it is not using customer accounts or deposits for asset funding purposes. The intragroup lending policies are very restrictive: the branch can only borrow or lend funds with its head office. In a similar way, the Group does not allow liquidity transfers/funding between the parent company and the subsidiaries or among subsidiaries, removing contagion risk. The Head Office and the Branch signed an Evergreen facility according to which the former provides up to USD4.8Bio equivalent funding on demand. In case of necessity this limit could be breached, as the contractual obligations of the branch are Head Office's too, 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. On a monthly basis, stress tests of the Branch's liquidity under crisis scenario are carried out and overall position of the Branch is presented within the ALCO Committee. At least yearly the Funding Contingency plans of the region and branch are reviewed and tested. A Recovery Plan completely in line with the Group's one is ready and presented to the HKMA.

**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>

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

**FINANCIAL DISCLOSURE STATEMENT  
AS AT 30 JUNE 2018**

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

	<u>31 Dec 2017</u> EUR million	<u>30 Jun 2018</u> EUR million
<b><u>CAPITAL AND CAPITAL ADEQUACY</u></b>		
Consolidated Capital Adequacy Ratio (combined Tier 1 and Tier 2)*	15.4%	15.5%
Aggregate amount of shareholders' funds	53,323	52,087
*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	690,059	689,632
- Total liabilities	636,736	637,545
- Total loans and advances	400,369	390,661
- Total customer deposits	511,285	499,834

	<u>30 Jun 2017</u> EUR million	<u>30 Jun 2018</u> EUR million
Pre-tax profit	4,033	4,443

Exchange rate:

EUR 1.00 = HKD 8.9083 as at 30 Jun 2017

EUR 1.00 = HKD 9.3503 as at 31 Dec 2017

EUR 1.00 = HKD 9.136 as at 30 Jun 2018