

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

**FINANCIAL DISCLOSURE STATEMENT
AS AT 30 JUNE 2017**

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**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
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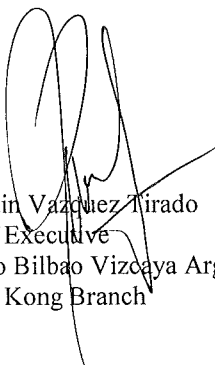
**FINANCIAL DISCLOSURE STATEMENT
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Chief Executive's Declaration

The financial disclosure statement as at 30 June 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.



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

22 September 2017

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

	<u>30 Jun 2016</u> HKD'000	<u>30 Jun 2017</u> HKD'000
Interest Income	283,180	287,860
Interest Expenses	(168,893)	(177,395)
Other Operating Income:		
- Gains less losses arising from trading in foreign currencies	3,275	1,983
- Gains less losses on securities held for trading purposes	0	0
- Gains less losses from other trading activities	0	0
- Commission income	72,274	139,970
- Commission expense	0	0
- Others	0	(2,645)
Operating Expenses:		
- Staff and Rental Expenses	(109,684)	(72,342)
- Other Expenses	(14,644)	(12,607)
Impairment losses and provision for impaired loans and receivables	(97,022)	(71,445)
Profit/(Loss) from the disposal of equipment	(25)	0
Profit before taxation	(31,539)	93,379
Tax (Expense)/Income	0	0
Profit after Taxation	(31,539)	93,379

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BALANCE SHEET INFORMATION

	Note	<u>31 Dec 2016</u>	<u>30 Jun 2017</u>
		HKD'000	HKD'000
ASSETS			
Cash and balances with banks		105,587	121,035
Placements with banks maturing between 1 and 12 months		1,697	3,061
Amount due from overseas offices		3,108,492	3,719,009
Trade Bills		24,356	4,942
Loans and receivables	1	18,659,558	21,015,269
Investment securities		2,087,159	2,096,276
Plant and equipment		5,561	4,782
Total Assets		23,992,410	26,964,374
LIABILITIES			
Deposits and balances from banks		3,779	6,856
Deposits from customers:			
- Demand deposits and current accounts		790,673	2,357,490
- Time, call and notice deposits		1,056,161	238,919
Certificates of deposit issued		-	-
Amount due to overseas offices		21,912,420	23,708,013
Other liabilities		229,377	653,096
Total Liabilities		23,992,410	26,964,374

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ADDITIONAL BALANCE SHEET INFORMATION

	<u>31 Dec 2016</u> HKD'000	<u>30 Jun 2017</u> HKD'000
(1) Loans and receivables		
- Loans and advances to customers	18,753,710	21,224,034
- Loans and advances to banks	38,555	-
- Accrued interest and other accounts	73,397	71,635
Provisions for impairment loans to customer		
- specific provisions	(206,104)	(280,400)
	-----	-----
	<u>18,659,558</u>	<u>21,015,269</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>31 Dec 2016</u> HKD'000	<u>30 Jun 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	1,290,763	1,028,786
(b) Amount of specific provisions made for such loans and advances	206,104	280,400
(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
(d) Percentage of such loans and advances to total amount of loans and advances to customers	6.9%	4.8%

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	<u>31 Dec 2016</u> HKD'000	<u>30 Jun 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	3,157,958	6,088,212
- Wholesale and retail trade	579,726	64,607
- Manufacturing	130,769	-
- Transport and transport equipment	-	-
- Information Technology	-	400,874
- Others	191,556	191,739
Individuals:		
- Loans for the purchase of other residential properties	-	-
- Others	-	-
Trade finance	388,037	728,949
Loan for use outside Hong Kong	14,305,664	13,749,653
Total customers advances	<u>18,753,710</u>	<u>21,224,034</u>
Extent of customer loans covered by collateral or other security	<u>4.00%</u>	<u>6.00%</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>31 Dec 2016</u>		<u>30 Jun 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	4,272	22.8%	4,153	19.5%
Brazil	882	4.7%	784	3.7%
Hong Kong	5,447	29.0%	9,014	42.5%
Qatar	1,493	8.0%	1,468	6.9%
Peru	1,540	8.2%	1,648	7.8%
Spain	185	1.0%	192	0.9%
United Arab Emirates	451	2.4%	446	2.1%
Netherlands	689	3.7%	293	1.4%
USA	517	2.7%	611	2.9%
Marshall Islands	535	2.9%	568	2.7%
Others	2,743	14.6%	2,047	9.6%
	<u>18,754</u>	<u>100%</u>	<u>21,224</u>	<u>100%</u>

(b) Individually determined impaired advances to customers

	<u>31 Dec 2016</u> <u>HKD in million</u>	<u>30 Jun 2017</u> <u>HKD in million</u>
Australia	992	1,029
Peru	299	-
	<u>1,291</u>	<u>1,029</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 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 S. Korea	8	-	-	3,875	-	3,883
of which Chinese Taipei	-	-	-	776	-	776
7. International Organisations	-	-	-	-	-	-
8. Unallocated by Country	-	-	-	-	-	-

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<u>As at 30 Jun 2017 (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	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
2. Offshore Centre	922	-	-	6,392	-	7,314
of which Cayman Islands	-	-	-	585	-	585
of which Bermuda	-	-	-	165	-	165
of which British Virgin Islands	-	-	-	-	-	-
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
of which Chinese Taipei	-	-	-	-	-	-
7. International Organizations	-	-	-	-	-	-
8. Unallocated by Country	-	-	-	-	-	-

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

	31 Dec 2016		30 Jun 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	991,628	5.3%	-	-
- > 1 year	-	-	1,028,786	4.9%
Rescheduled advances to customers	-	-	-	-

(b) Other overdue assets:

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

	<u>As at 30 Jun 2017</u>									
	In HKD million									
	USD	GBP	EUR	CNY	CAD	CHF	AUD	SGD	OTHER	TOTAL
Spot assets	22,069	73	1,755	13	90	1	2,258	0	0	26,259
Spot liabilities	(22,033)	(73)	(1,756)	(26)	(53)	(0)	(2,259)	(28)	(0)	(26,228)
Forward purchases	649	0	0	137	0	0	3	28	287	1,104
Forward Sales	(596)	(0)	(0)	(126)	(36)	(0)	(0)	(0)	(287)	(1,045)
Net option position	0	0	0	0	0	0	0	0	0	0
Net long (short) position	89	0	(1)	(2)	1	1	2	0	0	90
Net structural position	0	0	0	0	0	0	0	0	0	0

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OFF BALANCE SHEET EXPOSURES

	<u>31 Dec 2016</u> HKD'000	<u>30 Jun 2017</u> HKD'000
Contingent Liabilities and Commitments		
- Direct credit substitutes	2,411,543	521,535
- Transaction-related contingent items	-	1,106,674
- Trade related contingencies	78,053	119,192
- Other commitments	4,578,215	4,447,561
- Others	0	0
Derivatives		
- Exchange rate contracts	1,534,183	1,251,037
- Interest rate contract	0	0
Replacement cost of derivatives *		
- Exchange rate contracts	1,295	1,236
- 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>30 Jun 2016</u>	<u>30 Jun 2017</u>
Average liquidity maintenance ratio for the financial year (LMR)	57.70%	44.78%

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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>31 Dec 2016</u> EUR million	<u>30 Jun 2017</u> EUR million
<u>CAPITAL AND CAPITAL ADEQUACY</u>		
Consolidated Capital Adequacy Ratio (combined Tier 1 and Tier 2)*	15.1%	15.5%
Aggregate amount of shareholders' funds	55,428	54,727
*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	731,856	702,429
- Total liabilities	676,428	647,702
- Total loans and advances	430,474	424,405
- Total customer deposits	533,557	531,670

	<u>30 Jun 2016</u> EUR million	<u>30 Jun 2017</u> EUR million
Pre-tax profit	3,391	4,033

Exchange rate:

EUR 1.00 = HKD 8.6224 as at 30 Jun 2016

EUR 1.00 = HKD 8.169 as at 31 Dec 2016

EUR 1.00 = HKD 8.9083 as at 30 Jun 2017