

Banco Santander, S.A.
Hong Kong Branch

(A public limited liability company incorporated in Spain)

Financial Disclosure Statement

For the year ended 31 December 2019

BANCO SANTANDER, S.A.
HONG KONG BRANCH
(A public limited liability company incorporated in Spain)

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Unaudited Income Statement

| | Note | For the year ended | |
|---|------|-------------------------|-------------------------|
| | | 31 Dec 2019 HK\$'000 | 31 Dec 2018 HK\$'000 |
| Interest income | | 1,213,924 | 1,067,864 |
| Interest expense | | (1,298,882) | (1,201,910) |
| Other operating income | | | |
| - Gains less losses arising from trading in foreign currencies | | 572,166 | 554,216 |
| - Gains less losses from other trading activities | | (18,091) | 18,371 |
| - Net fees and commission income | 1 | 110,204 | 110,403 |
| - Others | | 22,824 | 13,010 |
| Total operating income | | 602,145 | 561,954 |
| Operating expenses | | | |
| - Staff expenses | | (393,894) | (359,616) |
| - Rental expenses | | (37,896) | (37,211) |
| - Other expenses | | (144,243) | (113,923) |
| Release / (charge) of impairment allowances for loans and other exposures | | 194 | (1,392) |
| Gains less losses from the disposal of property, plant and equipment | | (3) | 20 |
| Total operating expenses | | (575,842) | (512,122) |
| Profit before taxation | | 26,303 | 49,832 |
| Tax expense | | (19,527) | (23,639) |
| Profit after taxation | | 6,776 | 26,193 |

Unaudited Balance Sheet

| | Note | 31 Dec 2019 HK\$'000 | 30 Jun 2019 HK\$'000 |
|--|------|-------------------------|-------------------------|
| ASSETS | | | |
| Cash and balances with banks (except those included in amount due from overseas offices) | | 1,787,726 | 2,838,286 |
| Due from Exchange Fund | | 21,820 | 3,052 |
| Placement with banks which have a residual contractual maturity of more than one month but not more than 12 months (except those included in amount due from overseas offices) | | 5,023,122 | 7,821,665 |
| Amount due from overseas offices | | 18,242,276 | 18,561,271 |
| Trade bills | | 1,192,872 | 2,700,504 |
| Loans and receivables | 2 | 23,405,179 | 25,837,306 |
| Investment securities | | 9,704,692 | 15,506,162 |
| Property, plant and equipment | | 108,210 | 33,758 |
| | | <u>59,485,897</u> | <u>73,302,004</u> |
| LIABILITIES | | | |
| Deposits and balances from banks (except those included in amount due to overseas offices) | | 4,740,798 | 25,854,778 |
| Due to Exchange Fund | | - | 6,206,835 |
| Deposits from customers | | | |
| - demand deposits and current accounts | | 12,643 | 6,811 |
| - savings deposits | | 338,809 | 302,129 |
| - time, call and notice deposits | | 38,932 | 250,000 |
| Amount due to overseas offices | | 50,077,832 | 34,997,980 |
| Certificates of deposit issued | | - | 800,000 |
| Accrued interest, other liabilities and provisions | | 4,276,883 | 4,883,471 |
| | | <u>59,485,897</u> | <u>73,302,004</u> |

Unaudited Supplementary Information
1. Net fees and commission income

| | For the year ended | |
|------------------------------------|-------------------------|-------------------------|
| | 31 Dec 2019 HK\$'000 | 31 Dec 2018 HK\$'000 |
| Gross fees and commission income | 153,082 | 142,577 |
| Gross fees and commission expenses | (42,878) | (32,174) |
| | <hr/> | <hr/> |
| Net fees and commission income | 110,204 | 110,403 |
| | <hr/> <hr/> | <hr/> <hr/> |

2. Loans and receivables

| | 31 Dec 2019 HK\$'000 | 30 Jun 2019 HK\$'000 |
|-------------------------------------|--|-------------------------|
| | Loans and advances to customers (note 8) | 20,289,609 |
| Accrued interest and other accounts | 3,122,189 | 2,635,735 |
| | <hr/> | <hr/> |
| | 23,411,798 | 25,844,540 |
| Impairment allowances | | |
| - Stage 1 | (6,619) | (7,234) |
| | <hr/> | <hr/> |
| | 23,405,179 | 25,837,306 |
| | <hr/> <hr/> | <hr/> <hr/> |

3. Impaired loans and advances

There were no impaired loans and advances to customers or banks as at 31 December 2019 and 30 June 2019.

4. Derivative transactions

| | 31 Dec 2019 HK\$'000 | 30 Jun 2019 HK\$'000 |
|--|-------------------------|-------------------------|
| | Nominal amounts | |
| - Exchange rate-related derivative contracts | 373,133,850 | 317,161,808 |
| - Interest rate derivative contracts | 82,542,538 | 66,735,185 |

Unaudited Supplementary Information (Continued)
4. Derivative transactions (continued)

| | 31 Dec 2019 HK\$'000 | 30 Jun 2019 HK\$'000 |
|--|--------------------------------|--------------------------------|
| Fair value assets | | |
| - Exchange rate-related derivative contracts | 2,572,203 | 2,006,334 |
| - Interest rate derivative contracts | 471,235 | 464,539 |
| Fair value liabilities | | |
| - Exchange rate-related derivative contracts | 2,123,959 | 2,061,485 |
| - Interest rate derivative contracts | 516,617 | 488,213 |

The above derivative assets and liabilities, being the positive or negative marked-to-market value of the respective derivative contracts, represent gross replacement costs. They do not take into account the effects of bilateral netting arrangements.

5. Off-balance sheet exposures

| | 31 Dec 2019 HK\$'000 | 30 Jun 2019 HK\$'000 |
|--|--------------------------------|--------------------------------|
| Contractual amounts | | |
| - Direct credit substitutes | 1,880,005 | 1,905,837 |
| - Transaction-related contingencies | 1,036,009 | 1,646,429 |
| - Trade-related contingencies | 2,446,593 | 3,069,322 |
| - Other commitments | 39,137,546 | 30,674,358 |
| - Others (forward forward deposits placed) | - | 2,935,484 |

Unaudited Supplementary Information (Continued)
6. International claims

International claims refer to exposures to counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any recognized risk transfer. Only countries constituting 10% or more of our total international claims are disclosed as follows:

| HK\$ million | Banks | Official sector | Non-bank private sector | | Others | Total |
|-----------------------------|--------|-----------------|---------------------------------|------------------------------|--------|--------|
| | | | Non-bank financial institutions | Non-financial private sector | | |
| As at 31 Dec 2019 | | | | | | |
| Developed countries | 18,598 | 7,607 | - | 988 | - | 27,193 |
| <i>Of which: Spain</i> | 18,308 | - | - | - | - | 18,308 |
| <i>Japan</i> | 2 | 7,607 | - | - | - | 7,609 |
| Offshore centres | 662 | - | 4,469 | 8,232 | - | 13,363 |
| <i>Of which: Hong Kong</i> | 662 | - | 4,469 | 4,901 | - | 10,032 |
| Developing Asia and Pacific | 6,693 | - | 602 | 5,473 | - | 12,768 |
| <i>Of which: China</i> | 6,688 | - | 602 | 5,473 | - | 12,763 |

| HK\$ million | Banks | Official sector | Non-bank private sector | | Others | Total |
|-----------------------------|--------|-----------------|---------------------------------|------------------------------|--------|--------|
| | | | Non-bank financial institutions | Non-financial private sector | | |
| As at 30 Jun 2019 | | | | | | |
| Developed countries | 18,869 | 13,460 | - | 1,571 | - | 33,900 |
| <i>Of which: Spain</i> | 18,656 | - | - | 550 | - | 19,206 |
| <i>Japan</i> | 1 | 13,460 | - | - | - | 13,461 |
| Offshore centres | 1,378 | - | 1,902 | 12,679 | - | 15,959 |
| <i>Of which: Hong Kong</i> | 750 | - | 1,902 | 9,828 | - | 12,480 |
| Developing Asia and Pacific | 11,410 | - | - | 6,011 | - | 17,421 |
| <i>Of which: China</i> | 11,409 | - | - | 6,008 | - | 17,417 |

Unaudited Supplementary Information (Continued)
7. Gross loans and advances to customers by geographical areas

Analysis of gross amount of loans and advances to customers by major countries or geographical segments in accordance with the location of the counterparties, after taking into account any recognized risk transfer. In general, risk transfer applies when the loans and advances are guaranteed by a party in a country which is different from that of the customer. Major countries constituting 10% or more of our total gross amount of advances are disclosed as follows:

| | 31 Dec 2019 | | 30 Jun 2019 | |
|---------------------------|--------------------|--|--------------------|--|
| | HK\$'000 | % to total advances to customers | HK\$'000 | % to total advances to customers |
| Gross amount of advances | | | | |
| - Hong Kong | 9,618,455 | 47.41% | 12,525,634 | 53.97% |
| - China | 6,066,609 | 29.90% | 5,999,568 | 25.85% |
| - Others | 4,604,545 | 22.69% | 4,683,603 | 20.18% |
| | <u>20,289,609</u> | <u>100.00%</u> | <u>23,208,805</u> | <u>100.00%</u> |
| Overdue or impaired loans | <u>-</u> | | <u>-</u> | |

Unaudited Supplementary Information (Continued)
8. Sector information

Analysis of gross advances to customers and the percentage of secured advances classified into following industry categories:

| | 31 Dec 2019 | | 30 Jun 2019 | |
|--|-------------------|---|-------------------|---|
| | HK\$'000 | % of gross advances covered by collateral or other security | HK\$'000 | % of gross advances covered by collateral or other security |
| Loans and advances for use in Hong Kong | | | | |
| - Industrial, commercial & financial | | | | |
| - Wholesale and retail trade | 322,292 | - | 594,353 | - |
| - Manufacturing | 716,354 | - | 1,108,425 | - |
| - Others | 389,322 | - | 1,789,073 | - |
| | <u>1,427,968</u> | | <u>3,491,851</u> | |
| Trade Finance | 1,659,560 | 1.00% | 3,936,632 | 0.71% |
| Loans and advances for use outside Hong Kong | 17,202,081 | 0.90% | 15,780,322 | 0.68% |
| | <u>20,289,609</u> | | <u>23,208,805</u> | |

9. Overdue or rescheduled assets

As at 31 December 2019 and 30 June 2019, there were no loans and advances to customers or other assets which were overdue for more than three months, nor were there any rescheduled assets.

10. Repossessed assets

There were no repossessed assets held as at 31 December 2019 and 30 June 2019.

Unaudited Supplementary Information (Continued)
11. Non-bank Mainland exposures

The following Mainland exposures to non-bank counterparties are prepared in accordance with the completion instructions for Return of Mainland Activities issued by the Hong Kong Monetary Authority (“HKMA”).

| Types of Counterparties | On-balance sheet exposure HK\$ million | Off-balance sheet exposure HK\$ million | Total HK\$ million |
|--|--|---|-----------------------|
| As at 31 Dec 2019 | | | |
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs) | 15,560 | 3,971 | 19,531 |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs | 323 | - | 323 |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 873 | 449 | 1,322 |
| 4. Other entities of central government not reported in item 1 above | 717 | - | 717 |
| 5. Other entities of local governments 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 | 17,473 | 4,420 | 21,893 |
| Total assets after provision | 59,485 | | |
| On-balance sheet exposures as percentage of total assets | 29.37% | | |

Unaudited Supplementary Information (Continued)
11. Non-bank Mainland exposures (continued)

| Types of Counterparties | On-balance sheet exposure HK\$ million | Off-balance sheet exposure HK\$ million | Total HK\$ million |
|--|--|---|-----------------------|
| As at 30 Jun 2019 | | | |
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs) | 16,658 | 5,659 | 22,317 |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs | 200 | - | 200 |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 1,255 | 1,552 | 2,807 |
| 4. Other entities of central government not reported in item 1 above | 1,109 | 5 | 1,114 |
| 5. Other entities of local governments 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 | 19,222 | 7,216 | 26,438 |
| Total assets after provision | 73,301 | | |
| On-balance sheet exposures as percentage of total assets | 26.22% | | |

Unaudited Supplementary Information (Continued)
12. Currency risk

The net positions or net structural positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position or total net structural position in all foreign currencies.

| HK\$ million | CNY | GBP | JPY | USD | Others | Total |
|---------------------------|----------|---------|----------|-----------|----------|-----------|
| As at 31 Dec 2019 | | | | | | |
| Spot assets | 914 | 1,426 | 7,648 | 28,388 | 18,612 | 56,988 |
| Spot liabilities | (103) | (139) | - | (48,649) | (10,467) | (59,358) |
| Forward purchases | 61,594 | 1,293 | 52,238 | 181,198 | 39,572 | 335,895 |
| Forward sales | (62,444) | (2,568) | (59,898) | (160,784) | (47,722) | (333,416) |
| Net option position | - | - | - | - | - | - |
| Net long (short) position | (39) | 12 | (12) | 153 | (5) | 109 |
| Net structural position | - | - | - | 5 | - | 5 |
| As at 30 Jun 2019 | | | | | | |
| Spot assets | 898 | 2,038 | 13,502 | 33,589 | 20,343 | 70,370 |
| Spot liabilities | (128) | (1,364) | (1,634) | (53,478) | (15,006) | (71,610) |
| Forward purchases | 52,606 | 1,579 | 30,187 | 161,669 | 44,051 | 290,092 |
| Forward sales | (53,229) | (2,245) | (42,094) | (141,871) | (49,394) | (288,833) |
| Net option position | - | - | - | - | - | - |
| Net long (short) position | 147 | 8 | (39) | (91) | (6) | 19 |
| Net structural position | - | - | - | 6 | - | 6 |

Delta equivalent approach method is used to calculate net options position of the Branch.

Unaudited Supplementary Information (Continued)
13. Liquidity information disclosures
i. Liquidity maintenance ratio (“LMR”)

| | For the quarter ended | |
|--------------------------------------|------------------------------|--------------------|
| | 31 Dec 2019 | 31 Dec 2018 |
| Average LMR for the financial period | 45.83% | 56.75% |

The average liquidity maintenance ratio is the simple average of each month’s average liquidity maintenance ratio for the reporting period. Liquidity maintenance ratio is calculated in accordance with the guidelines of the HKMA and the Banking (Liquidity) Rules.

The liquidity information disclosure is also available under section “Shareholders and Investors” on Banco Santander S.A.’s website at www.santander.com.

ii. Liquidity risk management

Liquidity risk comprises the risk of the Banco Santander, S.A. Hong Kong Branch (the “Branch”) not being able to fund increases in its assets or meet obligations as they fall due without incurring unacceptable losses. Liquidity risk identification, measurement, monitoring and control for the Branch are commensurate with the limited scope of our business and its role as the funding center in Asia-Pacific.

Risk Management Policies and the Risk Tolerance are set at the Head Office level. This risk tolerance is transmitted to the Branch level by the setting of individual branch liquidity gap measures, other liquidity metrics, and controls.

Governance

The Santander approach to risk management is committee-based for all decisions. The Branch has a Finance Forum, responsible for the management of assets, liabilities, commitments and contingent liabilities of the Branch. Its role is to ensure that the management of the risk profile and liquidity profile of the Branch is carried on within the approved limits and policies. Finance Forum formulates and approves on a yearly basis a strategic funding plan for the Branch. The plan is regularly reviewed to take into account of projected balance sheet growth and liquidity sources. The Branch also has an Asia SCIB Executive Risk Committee (“APAC ERC”), responsible for approving risk documents and limits, including but not limited to, those related to liquidity. The support units assigned with to identify, measure and monitor risks are independent of the business origination functions. Asia Pacific Market & Structural Risk is responsible for the monitoring of liquidity risks. Accounting and Control area is responsible for the calculation of the liquidity maintenance ratios and provides all the relevant data on balance sheet in order to closely monitor the daily liquidity situations. Financial Management designs and executes funding strategies in accordance with the Branch Liquidity Risk Management Standards. The management of daily liquidity position is delegated to Global Market department.

Unaudited Supplementary Information (Continued)

13. Liquidity information disclosures (continued)

ii. Liquidity risk management (continued)

Liquidity metrics reporting

The Branch has put in place a set of metrics and monitoring tools to measure and identify its liquidity risk. Daily monitoring of LMR and LMR projections are done by the Accounting and Control area. In addition, Asia Pacific Market & Structural Risk team prepares daily and monthly liquidity monitoring reports including liquidity gap, liquidity stress testing, intraday liquidity stress testing, liquidity coverage ratio, and net stable funding ratio, etc. which are submitted for review in Finance Forum and APAC ERC.

Stress testing

Monthly stress tests are carried out in order to identify sources of potential liquidity strain, monitor liquidity exposures and assess impact of future liquidity stresses on the Branch's cash flows, liquidity position, profitability and solvency. These scenarios cover institution-specific, market-wide stress scenarios and a combination of both. The design of the stress test is adequate to the Branch business scope and funding structure and will be reviewed on a yearly basis along with the Liquidity Risk Management Manual to ensure its effectiveness.

Results of the stress tests are reported to APAC ERC and Finance Forum, and are considered in the Branch's strategic funding plan and the formulation of the Contingency Funding Plan.

Funding and market access

The aim is to maintain a self-funding posture to the greatest extent possible, as long as it contributes to greater efficiency of interest expense at Santander group level. However, as a full branch of Banco Santander S.A., the Head Office is always ready as a source of funding for the Branch in times of stress. The Branch actively pursues funding from different market sources and Finance Forum reviews the liabilities compositions monthly to ensure that funding concentrations are managed to a minimum with the constraints of the business model.

Maintenance of liquidity cushion

The Branch holds a liquidity cushion to cope with liquidity needs at all times, including during periods of stress. The composition of the Branch's liquidity cushion consists of cash and high quality marketable securities issued or guaranteed by sovereigns. Currently the Branch holds Hong Kong Exchange Fund Bills (HKD) and Japan Government Bond (JPY) for these purposes.

Contingency Funding Plan ("CFP")

The Branch maintains a framework to monitor and respond to potential liquidity problems. The objective is to define a series of liquidity risk triggers, critical events and the appropriate response by the Branch to these warnings. The CFP prescribes possible courses of action with defined roles and responsibilities to address any stress situations and prepare the Branch for additional funding pressures should they develop. The CFP will be reviewed on at least an annual basis by Finance Forum.

Unaudited Supplementary Information (Continued)
iii. Liquidity gap

The table below analyses the on- and off-balance sheet items of the Branch, broken down into maturity buckets and the resultant liquidity gaps:

| HK\$ million | 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 amount |
|---|---------------|---------------|---------------|-------------------|-------------------------|--------------------------|------------------------|-----------------------|------------------------|------------------------|--------------|------------------|
| As at 31 Dec 2019 | | | | | | | | | | | | |
| Amount receivable arising from derivative contracts | 2,610 | 35,801 | 31,952 | 39,491 | 103,222 | 84,248 | 31,835 | 11,794 | 99 | 1,772 | 41 | - |
| Cash and due from banks | 25,102 | 9,249 | 2,277 | 4,847 | 2,629 | 4,772 | 779 | 78 | 471 | - | - | - |
| Trade bills | 1,193 | 4 | 28 | 442 | 491 | 203 | 25 | - | - | - | - | - |
| Debt securities held | 9,705 | 9,705 | - | - | - | - | - | - | - | - | - | - |
| Loans and advances to customers | 20,189 | 224 | 1,657 | 6,473 | 2,063 | 1,187 | 4,153 | 2,180 | 352 | 1,118 | 782 | - |
| Other assets | 136 | - | - | 9 | - | - | - | - | - | 9 | - | 118 |
| Total on-balance sheet assets | 58,935 | 54,983 | 35,914 | 51,262 | 108,405 | 90,410 | 36,792 | 14,052 | 922 | 2,899 | 823 | 118 |
| Total off-balance sheet claims | 35,649 | 20,076 | 15,573 | - | - | - | - | - | - | - | - | - |
| Deposits from customers | 390 | 351 | - | 39 | - | - | - | - | - | - | - | - |
| Amount payable arising from derivative contracts | 2,207 | 35,634 | 31,932 | 39,423 | 103,071 | 84,190 | 31,846 | 11,818 | 98 | 1,752 | 57 | - |
| Due to banks | 54,928 | 806 | 327 | 21,122 | 11,875 | 10,757 | 9,260 | - | 703 | - | 78 | - |
| Debt securities issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Other liabilities and reserves | 1,410 | - | 4 | 25 | 106 | 9 | 31 | 56 | 51 | 98 | - | 1,030 |
| Total on-balance sheet liabilities | 58,935 | 36,791 | 32,263 | 60,609 | 115,052 | 94,956 | 41,137 | 11,874 | 852 | 1,850 | 135 | 1,030 |
| Total off-balance sheet obligations | 34,246 | 455 | 16,612 | 12,301 | 1,942 | 3 | 12 | 5 | - | - | - | 2,916 |
| Contractual maturity mismatch | 37,813 | 37,813 | 2,612 | (21,648) | (8,589) | (4,549) | (4,357) | 2,173 | 70 | 1,049 | 688 | - |
| Cumulative contractual maturity mismatch | 37,813 | 37,813 | 40,425 | 18,777 | 10,188 | 5,639 | 1,282 | 3,455 | 3,525 | 4,574 | 5,262 | - |

Unaudited Supplementary Information (Continued)
iii. Liquidity gap (continued)

| HK\$ million | 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 amount |
|---|---------------|---------------|----------------|-------------------|-------------------------|--------------------------|------------------------|-----------------------|------------------------|------------------------|----------------|------------------|
| As at 31 Dec 2018 | | | | | | | | | | | | |
| Amount receivable arising from derivative contracts | 2,325 | 32,409 | 20,383 | 20,122 | 20,127 | 52,674 | 5,277 | 6,054 | 6,361 | 45 | 768 | - |
| Cash and due from banks | 27,808 | 13,149 | 1,736 | 1,895 | 8,842 | 1,254 | 632 | 157 | - | 143 | - | - |
| Trade bills | 2,133 | 21 | 413 | 447 | 908 | 331 | 13 | - | - | - | - | - |
| Debt securities held | 15,406 | 15,406 | - | - | - | - | - | - | - | - | - | - |
| Loans and advances to customers | 16,514 | 49 | 30 | 4,768 | 2,990 | 253 | 3,303 | 582 | 2,650 | 1,024 | 865 | - |
| Other assets | 56 | - | - | 8 | 26 | 3 | 2 | 9 | - | - | - | 8 |
| Total on-balance sheet assets | 64,242 | 61,034 | 22,562 | 27,240 | 32,893 | 54,515 | 9,227 | 6,802 | 9,011 | 1,212 | 1,633 | 8 |
| Total off-balance sheet claims | 7 | - | - | 7 | - | - | - | - | - | - | - | - |
| Deposits from customers | 897 | 450 | - | 447 | - | - | - | - | - | - | - | - |
| Amount payable arising from derivative contracts | 2,446 | 32,397 | 20,538 | 19,935 | 20,224 | 52,764 | 5,250 | 6,045 | 6,355 | 41 | 6 | - |
| Due to banks | 58,852 | 13,780 | 3,060 | 16,758 | 21,236 | 3,940 | - | - | - | - | 78 | - |
| Debt securities issued | 730 | - | - | - | 650 | 80 | - | - | - | - | - | - |
| Other liabilities and reserves | 1,317 | - | - | 1 | 48 | 26 | 89 | 69 | 73 | - | - | 1,011 |
| Total on-balance sheet liabilities | 64,242 | 46,627 | 23,598 | 37,141 | 42,158 | 56,810 | 5,339 | 6,114 | 6,428 | 41 | 84 | 1,011 |
| Total off-balance sheet obligations | 15,030 | 491 | 6,906 | 791 | 2,509 | 2 | - | - | - | - | - | 4,331 |
| Contractual maturity mismatch | 13,916 | 13,916 | (7,942) | (10,685) | (11,774) | (2,297) | 3,888 | 688 | 2,583 | 1,171 | 1,549 | - |
| Cumulative contractual maturity mismatch | 13,916 | 13,916 | 5,974 | (4,711) | (16,485) | (18,782) | (14,894) | (14,206) | (11,623) | (10,452) | (8,903) | - |

Unaudited Supplementary Information (Continued)
14. Disclosure on remuneration

Pursuant to section 3 of Supervisory Policy Manual (CG-5) Guideline on a Sound Remuneration System issued by the HKMA, Banco Santander, S.A. Hong Kong Branch complies with the requirements and has adopted the remuneration systems of Banco Santander, S.A. Head Office. Please refer to the 2019 Annual Report of Banco Santander, S.A. for details.

Group Consolidated Financial Information
Capital and capital adequacy

| | 31 Dec 2019 | 30 Jun 2019 |
|---------------------------|--------------------|--------------------|
| Capital ratio (Basel III) | | |
| CET1 capital ratio | 11.65% | 11.30% |
| Tier 1 capital ratio | 13.14% | 12.87% |
| Total capital ratio | 15.05% | 14.83% |

EUR Million EUR Million

| | | |
|--------------|---------|---------|
| Total equity | 110,659 | 109,985 |
|--------------|---------|---------|

Other financial information

| | 31 Dec 2019 | 30 Jun 2019 |
|-----------------------------|--------------------|--------------------|
| | EUR Million | EUR Million |
| Total assets | 1,522,695 | 1,512,096 |
| Total liabilities | 1,412,036 | 1,402,111 |
| Total advances to customers | 942,218 | 908,235 |
| Total customer deposits | 824,365 | 814,751 |

For the year ended

| | 31 Dec 2019 | 31 Dec 2018 |
|----------------|--------------------|--------------------|
| | EUR Million | EUR Million |
| Pre-tax profit | 12,543 | 14,201 |

Statement of Compliance

This Disclosure Statement has been prepared in accordance with the Banking (Disclosure) Rules and the disclosure standards as stated in the Hong Kong Monetary Authority's Supervisory Policy Manual on "Guideline on the Application of the Banking (Disclosure) Rules". To the best of my knowledge, the disclosure is not false or misleading in any material respect.

**Derek James Gibson**

Alternate Chief Executive

Banco Santander, S.A. Hong Kong Branch

(A public limited liability company incorporated in Spain)