

# **Banco Santander, S.A. Hong Kong Branch**

## **Financial Disclosure Statement**

**For the six months ended 30 June 2019**

**BANCO SANTANDER, S.A.  
HONG KONG BRANCH****CONTENTS**

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## Unaudited Income Statement

	Note	For the six months ended	
		30 Jun 2019 HK\$'000	30 Jun 2018 HK\$'000
Interest Income		577,507	473,072
Interest Expense		(693,973)	(500,015)
Other operating income			
- Gains less losses arising from trading in foreign currencies		339,796	204,826
- Gains less losses from other trading activities		(15,857)	16,099
- Net fees and commission income	1	46,102	47,235
- Others		6,533	6,892
<b>Total operating income</b>		<b>260,108</b>	<b>248,109</b>
Operating expenses			
- Staff expenses		(184,231)	(177,073)
- Rental expenses		(18,833)	(18,447)
- Other expenses		(63,105)	(49,906)
Charge for impairment allowances for loans and receivables		(1,771)	(5,067)
<b>Total operating expenses</b>		<b>(267,940)</b>	<b>(250,493)</b>
<b>Loss before taxation</b>		<b>(7,832)</b>	<b>(2,384)</b>
Tax expenses		(6,575)	(16,012)
<b>Loss after taxation</b>		<b>(14,407)</b>	<b>(18,396)</b>

## Unaudited Balance Sheet

	Note	30 Jun 2019 HK\$'000	31 Dec 2018 HK\$'000
<b>ASSETS</b>			
Cash and balances with banks (except those included in amount due from overseas offices)		2,838,286	1,578,704
Due from Exchange Fund		3,052	8,549
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)		7,821,665	8,829,626
Amount due from overseas offices		18,561,271	17,283,692
Trade Bills		2,700,504	2,133,029
Loans and receivables	2	25,837,306	19,478,213
Investment securities		15,506,162	15,405,581
Property, plant and equipment		33,758	5,776
<b>TOTAL ASSETS</b>		<b>73,302,004</b>	<b>64,723,170</b>
<b>LIABILITIES</b>			
Deposits and balances from banks (except those included in amount due to overseas offices)		25,854,778	32,882,325
Due to Exchange Fund		6,206,835	3,132,751
Deposits from customers			
- demand deposits and current accounts		6,811	89,212
- savings deposits		302,129	282,086
- time, call and notice deposits		250,000	525,032
Amount due to overseas offices		34,997,980	22,660,458
Certificates of deposit issued		800,000	728,319
Accrued interest, other liabilities and provisions		4,883,471	4,422,987
<b>TOTAL LIABILITIES</b>		<b>73,302,004</b>	<b>64,723,170</b>

## Unaudited Supplementary Information

### 1. Net fees and commission income

	<b>For the six months ended</b>	
	<b>30 Jun 2019</b>	<b>30 Jun 2018</b>
	HK\$'000	HK\$'000
Gross fees and commission income	64,240	60,402
Gross fees and commission expenses	(18,138)	(13,167)
	<u>46,102</u>	<u>47,235</u>

### 2. Loans and receivables

	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	HK\$'000	HK\$'000
Loans and advances to customers (note 8)	23,208,805	16,579,196
Accrued interest and other accounts	2,635,735	2,905,541
	<u>25,844,540</u>	<u>19,484,737</u>
Impairment Allowances		
- Stage 1	(7,234)	(6,524)
	<u>25,837,306</u>	<u>19,478,213</u>

### 3. Impaired loans and advances

There were no impaired loans and advances to customers or banks as at 30 June 2019 and 31 December 2018.

### 4. Derivative transactions

	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	HK\$'000	HK\$'000
Nominal amounts		
- Exchange rate-related derivative contracts	317,161,808	226,076,606
- Interest rate derivative contracts	66,735,185	60,347,277

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

	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	HK\$'000	HK\$'000
Fair value assets		
- Exchange rate-related derivative contracts	2,006,334	2,505,445
- Interest rate derivative contracts	464,539	206,520
Fair value liabilities		
- Exchange rate-related derivative contracts	2,061,485	2,536,539
- Interest rate derivative contracts	488,213	296,048

The above derivative assets and liabilities, being the positive or negative marked-to-market value of the respective derivative contracts, represent gross replacement costs. There is no bilateral netting arrangements for these derivative contracts.

**5. Off-balance sheet exposures**

	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	HK\$'000	HK\$'000
Contractual amounts		
- Direct credit substitutes	1,905,837	2,838,245
- Transaction-related contingencies	1,646,429	1,492,292
- Trade-related contingencies	3,069,322	3,791,117
- Other commitments	30,674,358	26,453,345
- Others (forward forward deposits placed)	2,935,484	6,902

## 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		
<b>As at 30 Jun 2019</b>						
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

HK\$ million	Banks	Official sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
<b>As at 31 Dec 2018</b>						
Developed countries	18,295	13,408	-	1,054	-	32,757
<i>Of which: Spain</i>	18,136	-	-	-	-	18,136
<i>    Japan</i>	4	13,408	-	-	-	13,412
Offshore centres	4,299	-	1,524	6,804	-	12,627
<i>Of which: Hong Kong</i>	4,296	-	1,524	4,333	-	10,153
Developing Asia and Pacific	7,539	-	-	5,692	-	13,231
<i>Of which: China</i>	7,539	-	-	5,692	-	13,231

## 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:

	30 Jun 2019		31 Dec 2018	
	HK\$'000	% to total advances to customers	HK\$'000	% to total advances to customers
Gross amount of advances				
- Hong Kong	12,525,634	53.97%	6,313,769	38.08%
- China	5,999,568	25.85%	5,683,592	34.28%
- Others	4,683,603	20.18%	4,581,835	27.64%
	<u>23,208,805</u>	<u>100.00%</u>	<u>16,579,196</u>	<u>100.00%</u>
Overdue or impaired loans	-		-	



## Unaudited Supplementary Information (Continued)

### 8. Sector information

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

	30 Jun 2019		31 Dec 2018	
	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	594,353	-	-	-
- Manufacturing	1,108,425	-	720,533	-
- Others	1,789,073	-	1,283,187	-
	<u>3,491,851</u>		<u>2,003,720</u>	
Trade Finance	3,936,632	0.71%	1,259,926	2.29%
Loans and advances for use outside Hong Kong	15,780,322	0.68%	13,315,550	1.16%
	<u>23,208,805</u>		<u>16,579,196</u>	

### 9. Overdue or rescheduled assets

As at 30 June 2019 and 31 December 2018, 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 30 June 2019 and 31 December 2018.

## 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
<b>As at 30 Jun 2019</b>			
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	-	-	-
<b>Total</b>	<b>19,222</b>	<b>7,216</b>	<b>26,438</b>
Total assets after provision	73,301		
On-balance sheet exposures as percentage of total assets	<u>26.22%</u>		

## 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
<b>As at 31 Dec 2018</b>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	11,045	6,888	17,933
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	846	321	1,167
4. Other entities of central government not reported in item 1 above	1,112	-	1,112
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	-	-	-
<b>Total</b>	<b>13,003</b>	<b>7,209</b>	<b>20,212</b>
Total assets after provision	64,721		
On-balance sheet exposures as percentage of total assets	20.09%		

### 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	AUD	CNY	EUR	GBP	JPY	SGD	THB	USD	Others	Total
<b>As at 30 Jun 2019</b>										
Spot assets	612	898	18,913	2,038	13,502	816	-	33,589	2	70,370
Spot liabilities	(1)	(128)	(15,005)	(1,364)	(1,634)	-	-	(53,478)	-	(71,610)
Forward purchases	2,542	52,606	35,287	1,579	30,187	645	77	161,669	5,500	290,092
Forward sales	(3,162)	(53,229)	(39,197)	(2,245)	(42,094)	(1,459)	(74)	(141,871)	(5,502)	(288,833)
Net option position	-	-	-	-	-	-	-	-	-	-
Net long (short) position	(9)	147	(2)	8	(39)	2	3	(91)	-	19
Net structural position	-	-	-	-	-	-	-	6	-	6
<b>As at 30 Dec 2018</b>										
Spot assets	311	675	19,986	1,822	13,451	700	-	25,205	48	62,198
Spot liabilities	(1)	(474)	(3,067)	(274)	(6)	-	-	(60,238)	(7)	(64,067)
Forward purchases	319	49,670	23,093	732	7,659	11	24	125,180	6,499	213,187
Forward sales	(638)	(50,136)	(39,944)	(2,273)	(21,104)	(712)	(24)	(89,975)	(6,499)	(211,305)
Net option position	-	-	-	-	-	-	-	-	-	-
Net long (short) position	(9)	(265)	68	7	-	(1)	-	172	41	13
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

	<b>For the quarter ended</b>	
	<b>30 Jun 2019</b>	<b>30 Jun 2018</b>
Average liquidity maintenance ratio for the financial period	41.77%	42.35%

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](http://www.santander.com).

### 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 2018 Annual Report of Banco Santander, S.A. for details.

## Group Consolidated Financial Information

### Capital and capital adequacy

	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
Capital ratio (Basel III)		
CET1 capital ratio	11.30%	11.47%
Tier 1 capital ratio	12.87%	13.12%
Total capital ratio	14.83%	14.99%

EUR Million      EUR Million

Total equity	109,985	107,361
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### Other financial information

	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	EUR Million	EUR Million
Total assets	1,512,096	1,459,271
Total liabilities	1,402,111	1,351,910
Total advances to customers	908,235	882,921
Total customer deposits	814,751	780,496

**For the six months ended**  
**30 Jun 2019**      **30 Jun 2018**  
 EUR Million      EUR Million

Pre-tax profit	6,531	6,899
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### **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 Gibson**  
Alternate Chief Executive  
Banco Santander, S.A. Hong Kong Branch