

Banco Santander, S.A.
Hong Kong Branch

(A public limited liability company incorporated in Spain)

Financial Disclosure Statement

For the six months ended 30 June 2020

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

CONTENTS

Branch Information	Page
Unaudited Income Statement	3
Unaudited Balance Sheet	4
Unaudited Supplementary Information	5
Bank Information	
Group Consolidated Financial Information	14
Statement of Compliance	15

Unaudited Income Statement

	Note	For the six months ended	
		30 Jun 2020 HK\$'000	30 Jun 2019 HK\$'000
Interest Income		573,134	577,507
Interest Expense		(527,675)	(693,973)
Other operating income			
- Gains less losses arising from trading in foreign currencies		126,181	339,796
- Gains less losses on securities held for trading purposes		590	-
- Gains less losses from other trading activities		(1,917)	(15,857)
- Net fees and commission income	1	58,964	46,102
- Others		24,368	6,533
Total operating income		253,645	260,108
Operating expenses			
- Staff expenses		(195,225)	(184,231)
- Rental expenses		(18,822)	(18,833)
- Other expenses		(84,743)	(63,105)
Charge for impairment allowances for loans and receivables		(8,481)	(1,771)
Total operating expenses		(307,271)	(267,940)
Loss before taxation		(53,626)	(7,832)
Tax expenses		(500)	(6,575)
Loss after taxation		(54,126)	(14,407)

Unaudited Balance Sheet

	Note	30 Jun 2020 HK\$'000	31 Dec 2019 HK\$'000
ASSETS			
Cash and balances with banks (except those included in amount due from overseas offices)		3,862,248	1,787,726
Due from Exchange Fund		7,460	21,820
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)		8,388,642	5,023,122
Amount due from overseas offices		18,483,833	18,242,276
Trade bills		3,311,385	1,192,872
Securities held for trading purposes		4,327,807	-
Loans and receivables	2	40,986,234	23,405,179
Investment securities		6,196,455	9,704,692
Property, plant and equipment		93,718	108,210
TOTAL ASSETS		85,657,782	59,485,897
LIABILITIES			
Deposits and balances from banks (except those included in amount due to overseas offices)		7,853,867	4,740,798
Due to Exchange Fund		3,100,180	-
Deposits from customers			
- demand deposits and current accounts		14,027	12,643
- savings deposits		467,341	338,809
- time, call and notice deposits		2,163,395	38,932
Amount due to overseas offices		44,043,623	50,077,832
Certificates of deposit issued		23,251,350	-
Accrued interest, other liabilities and provisions		4,763,999	4,276,883
TOTAL LIABILITIES		85,657,782	59,485,897

Unaudited Supplementary Information
1. Net fees and commission income

	For the six months ended	
	30 Jun 2020	30 Jun 2019
	HK\$'000	HK\$'000
Gross fees and commission income	79,642	64,240
Gross fees and commission expenses	(20,678)	(18,138)
	<hr/>	<hr/>
Net fees and commission income	<u>58,964</u>	<u>46,102</u>

2. Loans and receivables

	30 Jun 2020	31 Dec 2019
	HK\$'000	HK\$'000
Loans and advances to customers (note 8)	37,475,136	20,289,609
Accrued interest and other accounts	3,525,497	3,122,189
	<hr/>	<hr/>
	41,000,633	23,411,798
Impairment Allowances		
- Stage 1	(14,399)	(6,619)
	<hr/>	<hr/>
	<u>40,986,234</u>	<u>23,405,179</u>

3. Impaired loans and advances

There were no impaired loans and advances to customers or banks as at 30 June 2020 and 31 December 2019.

4. Derivative transactions

	30 Jun 2020	31 Dec 2019
	HK\$'000	HK\$'000
Nominal amounts		
- Exchange rate-related derivative contracts	485,204,913	373,133,850
- Interest rate derivative contracts	51,975,949	82,542,538

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

	30 Jun 2020	31 Dec 2019
	HK\$'000	HK\$'000
Fair value assets		
- Exchange rate-related derivative contracts	2,111,808	2,572,203
- Interest rate derivative contracts	1,070,273	471,235
Fair value liabilities		
- Exchange rate-related derivative contracts	2,121,322	2,123,959
- Interest rate derivative contracts	1,107,190	516,617

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

	30 Jun 2020	31 Dec 2019
	HK\$'000	HK\$'000
Contractual amounts		
- Direct credit substitutes	1,853,245	1,880,005
- Transaction-related contingencies	1,219,191	1,036,009
- Trade-related contingencies	2,617,820	2,446,593
- Other commitments	33,005,484	39,137,546
- Others (forward forward deposits placed)	2,293,444	-

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 30 Jun 2020						
Developed countries	20,816	7,835	-	943	-	29,594
<i>Of which: Spain</i>	19,188	-	-	-	-	19,188
<i> Japan</i>	265	7,835	-	-	-	8,100
Offshore centres	1,326	556	8,086	17,262	-	27,230
<i>Of which: Hong Kong</i>	933	-	8,086	14,119	-	23,138
Developing Asia and Pacific	11,751	34	5,559	5,358	-	22,702
<i>Of which: China</i>	11,751	34	5,559	5,358	-	22,702

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

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 2020		31 Dec 2019	
	HK\$'000	% to total advances to customers	HK\$'000	% to total advances to customers
Gross amount of advances				
- Hong Kong	22,215,127	59.28%	9,618,455	47.41%
- China	10,897,499	29.08%	6,066,609	29.90%
- Others	4,362,510	11.64%	4,604,545	22.69%
	<u>37,475,136</u>	<u>100.00%</u>	<u>20,289,609</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:

	30 Jun 2020		31 Dec 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	1,456,490	-	322,292	-
- Manufacturing	496,922	-	716,354	-
- Others	852,549	-	389,322	-
	<u>2,805,961</u>		<u>1,427,968</u>	
Trade finance	9,893,962	0.28%	1,659,560	1.00%
Loans and advances for use outside Hong Kong	<u>24,775,213</u>	0.61%	<u>17,202,081</u>	0.90%
Gross loans and advances to customers (note 2)	<u><u>37,475,136</u></u>		<u><u>20,289,609</u></u>	

9. Overdue or rescheduled assets

As at 30 June 2020 and 31 December 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 30 June 2020 and 31 December 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 30 Jun 2020			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	31,149	2,985	34,134
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,457	17	1,474
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	506	351	857
4. Other entities of central government not reported in item 1 above	1,115	214	1,329
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	34,227	3,567	37,794
Total assets after provision	85,656		
On-balance sheet exposures as percentage of total assets	39.96%		

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 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)
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	USD	Others	Total
As at 30 Jun 2020				
Spot assets	1,168	52,677	29,556	83,401
Spot liabilities	(133)	(65,913)	(19,232)	(85,278)
Forward purchases	90,720	210,382	101,700	402,802
Forward sales	(91,866)	(196,455)	(112,035)	(400,356)
Net option position	-	-	-	-
	=====	=====	=====	=====
Net long (short) position	(111)	691	(11)	569
	=====	=====	=====	=====
Net structural position	-	6	-	6
	=====	=====	=====	=====
HK\$ million	CNY	USD	Others	Total
As at 31 Dec 2019				
Spot assets	914	28,388	27,686	56,988
Spot liabilities	(103)	(48,649)	(10,606)	(59,358)
Forward purchases	61,594	181,198	93,103	335,895
Forward sales	(62,444)	(160,784)	(110,188)	(333,416)
Net option position	-	-	-	-
	=====	=====	=====	=====
Net long (short) position	(39)	153	(5)	109
	=====	=====	=====	=====
Net structural position	-	5	-	5
	=====	=====	=====	=====

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

Unaudited Supplementary Information (Continued)**13. Liquidity information disclosures**

	For the quarter ended	
	30 Jun 2020	30 Jun 2019
Average liquidity maintenance ratio for the financial period	76.30%	41.77%

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.

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

	30 Jun 2020	31 Dec 2019
Capital ratio (Basel III)		
CET1 capital ratio	11.84%	11.65%
Tier 1 capital ratio	13.48%	13.14%
Total capital ratio	15.48%	15.05%

EUR Million EUR Million

Total equity	91,859	110,659
--------------	--------	---------

Other financial information

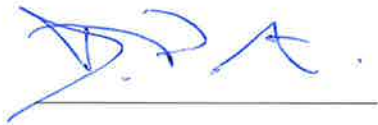
	30 Jun 2020	31 Dec 2019
	EUR Million	EUR Million
Total assets	1,572,881	1,522,695
Total liabilities	1,481,022	1,412,036
Total advances to customers	934,796	942,218
Total customer deposits	846,832	824,365

For the six months ended
30 Jun 2020 **30 Jun 2019**
 EUR Million EUR Million

Pre-tax profit / (loss)	(6,410)	6,531
-------------------------	---------	-------

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)