Santander 桑坦德銀行

Banco Santander, S.A.
Hong Kong Branch

(A public limited liability company incorporated in Spain)

Financial Disclosure Statement

For the year ended 31 December 2020

Santander 桑坦德銀行

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

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Santander 桑坦德銀行

Unaudited Income Statement

	Note	For the year ended 31 Dec 2020 HK$'000	31 Dec 2019 HK$'000
Interest income		903,107	1,213,924
Interest expense		(674,193)	(1,298,882)
Other operating income			
- Gains less losses arising from trading in foreign currencies		226,819	572,166
- Gains less losses arising on securities held for trading purposes		475	-
- Gains less losses from other trading activities		(689)	(18,091)
- Net fees and commission income	1	112,391	110,204
- Others		90,687	22,824
Total operating income		**658,597**	**602,145**
Operating expenses			
- Staff expenses		(413,494)	(393,894)
- Rental expenses		(37,294)	(37,896)
- Other expenses		(167,324)	(144,243)
(Charge) / Release of impairment allowances for loans and other exposures		(30,666)	194
Gains less losses from the disposal of property, plant and equipment		-	(3)
Total operating expenses		**(648,778)**	**(575,842)**
Profit before taxation		**9,819**	**26,303**
Tax expense		(16,220)	(19,527)
Profit / (loss) after taxation		**(6,401)**	**6,776**

Santander 桑坦德銀行

Unaudited Balance Sheet

	Note	31 Dec 2020 HK$'000	30 Jun 2020 HK$'000
ASSETS			
Cash and balances with banks (except those included in amount due from overseas offices)		2,272,215	3,862,248
Due from Exchange Fund		25,575	7,460
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)		4,800,229	8,388,642
Amount due from overseas offices		22,308,508	18,483,833
Trade bills		4,205,425	3,311,385
Securities held for trading purposes		-	4,327,807
Loans and receivables	2	27,821,997	40,986,234
Investment securities		12,821,986	6,196,455
Property, plant and equipment		78,109	93,718
TOTAL ASSETS		**74,334,044**	**85,657,782**
LIABILITIES			
Deposits and balances from banks (except those included in amount due to overseas offices)		1,545,735	7,853,867
Due to Exchange Fund		-	3,100,180
Deposits from customers			
- demand deposits and current accounts		237,452	14,027
- savings deposits		1,055,073	467,341
- time, call and notice deposits		1,459,562	2,163,395
Amount due to overseas offices		54,231,918	44,043,623
Certificates of deposit issued		9,504,020	23,251,350
Accrued interest, other liabilities and provisions		6,300,284	4,763,999
TOTAL LIABILITIES		**74,334,044**	**85,657,782**

Santander 桑坦德銀行

Unaudited Supplementary Information

1. Net fees and commission income

	For the year ended 31 Dec 2020 HK$'000	For the year ended 31 Dec 2019 HK$'000
Gross fees and commission income	159,383	153,082
Gross fees and commission expenses	(46,992)	(42,878)
Net fees and commission income	112,391	110,204

2. Loans and receivables

	31 Dec 2020 HK$'000	30 Jun 2020 HK$'000
Loans and advances to customers (note 8)	23,090,903	37,475,136
Accrued interest and other accounts	4,765,315	3,525,497
	27,856,218	41,000,633
Impairment allowances		
- Stage 1	(10,131)	(14,399)
- Stage 2	(24,090)	-
	27,821,997	40,986,234

3. Impaired loans and advances

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

4. Derivative transactions

	31 Dec 2020 HK$'000	30 Jun 2020 HK$'000
Nominal amounts		
- Exchange rate-related derivative contracts	373,222,853	485,204,913
- Interest rate derivative contracts	42,216,268	51,975,949

Unaudited Supplementary Information (Continued)

4. Derivative transactions (continued)

	31 Dec 2020 HK$'000	30 Jun 2020 HK$'000
Fair value assets		
- Exchange rate-related derivative contracts	3,807,262	2,111,808
- Interest rate derivative contracts	849,397	1,070,273
Fair value liabilities		
- Exchange rate-related derivative contracts	3,819,699	2,121,322
- Interest rate derivative contracts	889,205	1,107,190

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 2020 HK$'000	30 Jun 2020 HK$'000
Contractual amounts		
- Direct credit substitutes	1,850,182	1,853,245
- Transaction-related contingencies	1,461,795	1,219,191
- Trade-related contingencies	2,417,549	2,617,820
- Other commitments	44,626,719	33,005,484
- 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: Non-bank financial institutions	Non-bank private sector: Non-financial private sector	Others	Total
As at 31 Dec 2020						
Developed countries	22,771	10,722	-	1,444	-	34,937
Of which: Spain	*22,432*	-	-	-	-	*22,432*
Japan	*7*	*10,722*	-	-	-	*10,729*
Offshore centres	501	-	2,455	13,804	-	16,760
Of which: Hong Kong	*497*	-	*2,455*	*10,799*	-	*13,751*
Developing Asia and Pacific	9,948	-	1,964	2,742	-	14,654
Of which: China	*9,946*	-	*1,964*	*2,742*	-	*14,652*

HK$ million	Banks	Official sector	Non-bank private sector: Non-bank financial institutions	Non-bank private sector: Non-financial private sector	Others	Total
As at 30 Jun 2020						
Developed countries	20,816	7,835	-	943	-	29,594
Of which: Spain	*19,188*	-	-	-	-	*19,188*
Japan	*265*	*7,835*	-	-	-	*8,100*
Offshore centres	1,326	556	8,086	17,262	-	27,230
Of which: Hong Kong	*933*	-	*8,086*	*14,119*	-	*23,138*
Developing Asia and Pacific	11,751	34	5,559	5,358	-	22,702
Of which: China	*11,751*	*34*	*5,559*	*5,358*	-	*22,702*

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 2020		30 Jun 2020	
	HK$'000	% to total advances to customers	HK$'000	% to total advances to customers
Gross amount of advances				
- Hong Kong	13,480,753	58.38%	22,215,127	59.28%
- China	4,692,151	20.32%	10,897,499	29.08%
- Others	4,917,999	21.30%	4,362,510	11.64%
	23,090,903	100.00%	37,475,136	100.00%
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:

	31 Dec 2020		30 Jun 2020	
	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				
- Financial concerns	1,240,536	100%	-	-
- Wholesale and retail trade	1,046,512	-	1,456,490	-
- Manufacturing	211,615	-	496,922	-
- Others	560,134	-	852,549	-
	3,058,797		2,805,961	
Trade Finance	8,657,358	3.78%	9,893,962	0.28%
Loans and advances for use outside Hong Kong	11,374,748	-	24,775,213	0.61%
Gross loans and advances to customers (note 2)	23,090,903		37,475,136	

9. Overdue or rescheduled assets

As at 31 December 2020 and 30 June 2020, 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 2020 and 30 June 2020.

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 2020			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	13,246	2,386	15,632
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,109	417	1,526
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,312	249	2,561
4. Other entities of central government not reported in item 1 above	378	512	890
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	17,045	3,564	20,609
Total assets after provision	74,330		
On-balance sheet exposures as percentage of total assets	22.93%		

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 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)

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	JPY	Others	Total
As at 31 Dec 2020					
Spot assets	1,750	42,392	11,100	16,654	71,896
Spot liabilities	(322)	(50,672)	(10,720)	(11,601)	(73,315)
Forward purchases	68,735	174,165	15,809	37,532	296,241
Forward sales	(70,314)	(165,591)	(16,130)	(42,649)	(294,684)
Net option position	-	-	-	-	-
Net long (short) position	(151)	294	59	(64)	138
Net structural position	-	5	-	-	5

HK$ million	CNY	USD	JPY	Others	Total
As at 30 Jun 2020					
Spot assets	1,168	52,677	7,892	21,664	83,401
Spot liabilities	(133)	(65,913)	(4,104)	(15,128)	(85,278)
Forward purchases	90,720	210,382	44,357	57,343	402,802
Forward sales	(91,866)	(196,455)	(48,146)	(63,889)	(400,356)
Net option position	-	-	-	-	-
Net long (short) position	(111)	691	(1)	(10)	569
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 2020	**31 Dec 2019**
Average LMR for the financial period	56.81%	45.83%

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 Forum ("APAC ERF"), 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.

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 asset buffer, 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 ERF.

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 ERF 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 and liquidity management 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 and it is validated by Santander headquarters in order to ensure its consistency with other entities within the group.

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 2020												
Amount receivable arising from derivative contracts	4,204	546	54,347	28,427	173,439	26,182	27,898	6,107	1,037	3,351	160	-
Cash and due from banks	29,433	1,268	11,329	5,133	4,914	4,607	800	1,315	67	-	-	-
Trade bills	4,205	-	112	714	2,538	788	53	-	-	-	-	-
Debt securities held	12,822	12,822	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	22,969	204	94	5,536	8,765	2,720	2,631	755	1,467	148	649	-
Other assets	129	-	-	-	14	-	-	-	9	-	-	106
Total on-balance sheet assets	**73,762**	**14,840**	**65,882**	**39,810**	**189,670**	**34,297**	**31,382**	**8,177**	**2,580**	**3,499**	**809**	**106**
Total off-balance sheet claims	**23,260**	**7,753**	**15,507**	-	-	-	-	-	-	-	-	-
Deposits from customers	2,753	1,293	293	178	402	587	-	-	-	-	-	-
Amount payable arising from derivative contracts	4,256	494	54,324	28,432	173,423	26,259	27,902	6,179	1,038	3,352	171	-
Due to banks	55,778	1,100	5,574	10,391	25,828	12,069	-	739	-	-	77	-
Debt securities issued	9,504	-	-	3,101	6,403	-	-	-	-	-	-	-
Other liabilities and reserves	1,471	-	11	15	120	15	62	65	54	32	63	1,034
Total on-balance sheet liabilities	**73,762**	**2,887**	**60,202**	**42,117**	**206,176**	**38,930**	**27,964**	**6,983**	**1,092**	**3,384**	**311**	**1,034**
Total off-balance sheet obligations	**23,773**	-	**18,652**	**706**	**1,061**	**32**	-	-	-	-	-	**3,322**
Contractual maturity mismatch		**19,706**	**2,535**	**(3,013)**	**(17,567)**	**(4,665)**	**3,418**	**1,194**	**1,488**	**115**	**498**	
Cumulative contractual maturity mismatch		**19,706**	**22,241**	**19,228**	**1,661**	**(3,004)**	**414**	**1,608**	**3,096**	**3,211**	**3,709**	

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 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**	**2,612**	**(21,648)**	**(8,589)**	**(4,549)**	**(4,357)**	**2,173**	**70**	**1,049**	**688**	
Cumulative contractual maturity mismatch		**37,813**	**40,425**	**18,777**	**10,188**	**5,639**	**1,282**	**3,455**	**3,525**	**4,574**	**5,262**	

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 2020 Annual Report of Banco Santander, S.A. for details.

Group Consolidated Financial Information

Capital and capital adequacy

	31 Dec 2020	30 Jun 2020
Capital ratio (Basel III)		
CET1 capital ratio	12.34%	11.84%
Tier 1 capital ratio	13.95%	13.48%
Total capital ratio	16.18%	15.48%
	EUR Million	EUR Million
Total equity	91,322	91,859

Other financial information

	31 Dec 2020 EUR Million	30 Jun 2020 EUR Million
Total assets	1,508,250	1,572,881
Total liabilities	1,416,928	1,481,022
Total advances to customers	916,199	934,796
Total customer deposits	849,310	846,832

	For the year ended	
	31 Dec 2020 EUR Million	31 Dec 2019 EUR Million
Pre-tax profit / (loss)	(2,076)	12,543

Santander 桑坦德銀行

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)