

**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 2021**

**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 six months ended |                         |
|--|------|--------------------------|-------------------------|
|  |      | 30 Jun 2021<br>HK\$'000  | 30 Jun 2020<br>HK\$'000 |
| Interest Income  |      | 325,806                  | 573,134                 |
| Interest Expense   |      | (129,583)                | (527,675)               |
| Other operating income   |      |                          |                         |
| - Gains less losses arising from trading in foreign currencies |      | 16,135                   | 126,181                 |
| - Gains less losses on securities held for trading purposes    |      | (256)                    | 590                     |
| - Gains less losses from other trading activities              |      | 18,150                   | (1,917)                 |
| - Net fees and commission income                               | 1    | 80,812                   | 58,964                  |
| - Others   |      | 59,214                   | 24,368                  |
| <b>Total operating income</b>                                  |      | <b>370,278</b>           | <b>253,645</b>          |
| Operating expenses   |      |                          |                         |
| - Staff expenses   |      | (212,318)                | (195,225)               |
| - Rental expenses  |      | (18,239)                 | (18,822)                |
| - Other expenses   |      | (96,617)                 | (84,743)                |
| Charge for impairment allowances for loans and receivables     |      | (14,092)                 | (8,481)                 |
| <b>Total operating expenses</b>                                |      | <b>(341,266)</b>         | <b>(307,271)</b>        |
| <b>Profit/(Loss) before taxation</b>                           |      | <b>29,012</b>            | <b>(53,626)</b>         |
| Tax expenses   |      | (17,500)                 | (500)                   |
| <b>Profit/(Loss) after taxation</b>                            |      | <b>11,512</b>            | <b>(54,126)</b>         |

**Unaudited Balance Sheet**

|  | Note | 30 Jun 2021<br>HK\$'000 | 31 Dec 2020<br>HK\$'000 |
|--|------|-------------------------|-------------------------|
| <b>ASSETS</b>  |      |                         |                         |
| Cash and balances with banks (except those included in amount due from overseas offices)   |      | 1,828,680               | 2,272,215               |
| Due from Exchange Fund   |      | 16,778                  | 25,575                  |
| 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) |      | 2,681,211               | 4,800,229               |
| Amount due from overseas offices   |      | 35,706,424              | 22,308,508              |
| Trade bills  |      | 6,704,387               | 4,205,425               |
| Securities held for trading purposes   |      | 4,699,909               | -                       |
| Loans and receivables and other accounts   | 2    | 41,264,281              | 27,821,997              |
| Investment securities  |      | 7,394,811               | 12,821,986              |
| Property, plant and equipment  |      | 62,984                  | 78,109                  |
| <b>TOTAL ASSETS</b>  |      | <b>100,359,465</b>      | <b>74,334,044</b>       |
| <b>LIABILITIES</b>   |      |                         |                         |
| Deposits and balances from banks (except those included in amount due to overseas offices)   |      | 6,564,295               | 1,545,735               |
| Due to Exchange Fund   |      | 5,839,694               | -                       |
| Deposits from customers  |      |                         |                         |
| - demand deposits and current accounts   |      | 426,368                 | 237,452                 |
| - savings deposits   |      | 663,376                 | 1,055,073               |
| - time, call and notice deposits   |      | 2,688,497               | 1,459,562               |
| Amount due to overseas offices   |      | 73,244,705              | 54,231,918              |
| Certificates of deposit issued   |      | 1,164,833               | 9,504,020               |
| Accrued interest, other liabilities and provisions   |      | 9,767,697               | 6,300,284               |
| <b>TOTAL LIABILITIES</b>   |      | <b>100,359,465</b>      | <b>74,334,044</b>       |

**Unaudited Supplementary Information**
**1. Net fees and commission income**

|                                    | <b>For the six months ended</b> |                    |
|------------------------------------|---------------------------------|--------------------|
|                                    | <b>30 Jun 2021</b>              | <b>30 Jun 2020</b> |
|                                    | HK\$'000                        | HK\$'000           |
| Gross fees and commission income   | 108,926                         | 79,642             |
| Gross fees and commission expenses | (28,114)                        | (20,678)           |
|                                    | <hr/>                           | <hr/>              |
| Net fees and commission income     | <u>80,812</u>                   | <u>58,964</u>      |

**2. Loans and receivables and other accounts**

|  | <b>30 Jun 2021</b> | <b>31 Dec 2020</b> |
|--|--------------------|--------------------|
|  | HK\$'000           | HK\$'000           |
| Loans and advances to customers (note 8) | 32,697,378         | 23,090,903         |
| Accrued interest and other accounts      | 8,615,680          | 4,765,315          |
|  | <hr/>              | <hr/>              |
|  | 41,313,058         | 27,856,218         |
| Impairment allowances                    |                    |                    |
| - Stage 1                                | (6,601)            | (10,131)           |
| - Stage 2                                | (42,176)           | (24,090)           |
|  | <hr/>              | <hr/>              |
|  | <u>41,264,281</u>  | <u>27,821,997</u>  |

**3. Impaired loans and advances**

There were no impaired loans and advances to customers or banks as at 30 June 2021 and 31 December 2020.

**4. Derivative transactions**

|  | <b>30 Jun 2021</b> | <b>31 Dec 2020</b> |
|--|--------------------|--------------------|
|  | HK\$'000           | HK\$'000           |
| Nominal amounts                              |                    |                    |
| - Exchange rate-related derivative contracts | 608,162,187        | 373,222,853        |
| - Interest rate derivative contracts         | 37,958,687         | 42,216,268         |

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

|  | <b>30 Jun 2021</b> | <b>31 Dec 2020</b> |
|--|--------------------|--------------------|
|  | HK\$'000           | HK\$'000           |
| Fair value assets                            |                    |                    |
| - Exchange rate-related derivative contracts | 7,763,133          | 3,807,262          |
| - Interest rate derivative contracts         | 657,700            | 849,397            |
| Fair value liabilities                       |                    |                    |
| - Exchange rate-related derivative contracts | 7,465,530          | 3,819,699          |
| - Interest rate derivative contracts         | 707,585            | 889,205            |

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**

|                                     | <b>30 Jun 2021</b> | <b>31 Dec 2020</b> |
|-------------------------------------|--------------------|--------------------|
|                                     | HK\$'000           | HK\$'000           |
| Contractual amounts                 |                    |                    |
| - Direct credit substitutes         | 1,630,575          | 1,850,182          |
| - Transaction-related contingencies | 2,058,760          | 1,461,795          |
| - Trade-related contingencies       | 2,201,864          | 2,417,549          |
| - Other commitments                 | 39,650,644         | 44,626,719         |

**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 2021</b>    |        |                 |                                 |                              |        |        |
| Developed countries         | 37,550 | 4,075           | -                               | 1,673                        | -      | 43,298 |
| <i>Of which: Spain</i>      | 35,853 | -               | -                               | -                            | -      | 35,853 |
| Offshore centres            | 1,059  | 3,159           | 5,050                           | 14,982                       | -      | 24,250 |
| <i>Of which: Hong Kong</i>  | 604    | -               | 5,049                           | 11,710                       | -      | 17,363 |
| Developing Asia and Pacific | 7,832  | -               | 2,594                           | 7,534                        | -      | 17,960 |
| <i>Of which: China</i>      | 7,824  | -               | 2,594                           | 7,534                        | -      | 17,952 |

| HK\$ million                | Banks  | Official sector | Non-bank private sector         |                              | Others | Total  |
|-----------------------------|--------|-----------------|---------------------------------|------------------------------|--------|--------|
|                             |        |                 | Non-bank financial institutions | Non-financial private sector |        |        |
| <b>As at 31 Dec 2020</b>    |        |                 |                                 |                              |        |        |
| Developed countries         | 22,771 | 10,722          | -                               | 1,444                        | -      | 34,937 |
| <i>Of which: Spain</i>      | 22,432 | -               | -                               | -                            | -      | 22,432 |
| <i>Japan</i>                | 7      | 10,722          | -                               | -                            | -      | 10,729 |
| Offshore centres            | 501    | -               | 2,455                           | 13,804                       | -      | 16,760 |
| <i>Of which: Hong Kong</i>  | 497    | -               | 2,455                           | 10,799                       | -      | 13,751 |
| Developing Asia and Pacific | 9,948  | -               | 1,964                           | 2,742                        | -      | 14,654 |
| <i>Of which: China</i>      | 9,946  | -               | 1,964                           | 2,742                        | -      | 14,652 |

**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:

|                           | <b>30 Jun 2021</b> |  | <b>31 Dec 2020</b> |  |
|---------------------------|--------------------|--|--------------------|--|
|                           | HK\$'000           | % to total<br>advances to<br>customers | HK\$'000           | % to total<br>advances to<br>customers |
| Gross amount of advances  |                    |  |                    |  |
| - Hong Kong               | 17,369,734         | 53.12%                                 | 13,480,753         | 58.38%                                 |
| - China                   | 10,089,248         | 30.86%                                 | 4,692,151          | 20.32%                                 |
| - Others                  | 5,238,396          | 16.02%                                 | 4,917,999          | 21.30%                                 |
|                           | <u>32,697,378</u>  | <u>100.00%</u>                         | <u>23,090,903</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 2021       |   | 31 Dec 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                         | 1,553,110         | 80.00%  | 1,240,536         | 100%  |
| - Wholesale and retail trade                 | -                 | -   | 1,046,512         | -   |
| - Manufacturing                              | -                 | -   | 211,615           | -   |
| - Others                                     | 1,504,211         | -   | 560,134           | -   |
|  | <u>3,057,321</u>  |   | <u>3,058,797</u>  |   |
| Trade Finance                                | 13,156,371        | 0.20%   | 8,657,358         | 3.78%   |
| Loans and advances for use outside Hong Kong | 16,483,686        | 0.99%   | 11,374,748        | -   |
|  | <u>32,697,378</u> |   | <u>23,090,903</u> |   |

### 9. Overdue or rescheduled assets

As at 30 June 2021 and 31 December 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 30 June 2021 and 31 December 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<br>exposures<br>HK\$ million | Off-balance<br>sheet exposures<br>HK\$ million | Total<br>HK\$ million |
|--|---|--|-----------------------|
| <b>As at 30 Jun 2021</b>   |   |  |                       |
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)   | 22,662  | 2,182  | 24,844                |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs   | 62  | 87   | 149                   |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs                            | 3,439   | 424  | 3,863                 |
| 4. Other entities of central government not reported in item 1 above   | 622   | 715  | 1,337                 |
| 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>26,785</b>                                 | <b>3,408</b>                                   | <b>30,193</b>         |
| Total assets after provision   | 100,357                                       |  |                       |
| On-balance sheet exposures as percentage of total assets   | 26.69%  |  |                       |

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

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”).

| <b>Types of Counterparties</b>   | <b>On-balance sheet exposures<br/>HK\$ million</b> | <b>Off-balance sheet exposures<br/>HK\$ million</b> | <b>Total<br/>HK\$ million</b> |
|--|--|---|-------------------------------|
| <b>As at 31 Dec 2020</b>   |  |   |                               |
| 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                        | -  | -   | -                             |
| <b>Total</b>   | <b>17,045</b>                                      | <b>3,564</b>  | <b>20,609</b>                 |
| Total assets after provision   | 74,330   |   |                               |
| On-balance sheet exposures as percentage of total assets   | 22.93%   |   |                               |

**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       | EUR      | Others   | Total     |
|---------------------------|----------|-----------|-----------|----------|----------|-----------|
| <b>As at 30 Jun 2021</b>  |          |           |           |          |          |           |
| Spot assets               | 5,677    | 48,327    | 4,254     | 27,771   | 6,983    | 93,012    |
| Spot liabilities          | (484)    | (76,072)  | (2,554)   | (14,422) | (3,776)  | (97,308)  |
| Forward purchases         | 69,454   | 303,445   | 114,602   | 47,036   | 20,814   | 555,351   |
| Forward sales             | (74,551) | (275,829) | (116,255) | (60,359) | (23,960) | (550,954) |
| Net option position       | -        | -         | -         | -        | -        | -         |
| Net long (short) position | 96       | (129)     | 47        | 26       | 61       | 101       |
| Net structural position   | -        | 5         | -         | -        | -        | 5         |
| <b>As at 31 Dec 2020</b>  |          |           |           |          |          |           |
| Spot assets               | 1,750    | 42,392    | 11,100    | 12,654   | 4,000    | 71,896    |
| Spot liabilities          | (322)    | (50,672)  | (10,720)  | (7,982)  | (3,619)  | (73,315)  |
| Forward purchases         | 68,735   | 174,165   | 15,809    | 30,618   | 6,914    | 296,241   |
| Forward sales             | (70,314) | (165,591) | (16,130)  | (35,282) | (7,367)  | (294,684) |
| Net option position       | -        | -         | -         | -        | -        | -         |
| Net long (short) position | (151)    | 294       | 59        | 8        | (72)     | 138       |
| Net structural position   | -        | 5         | -         | -        | -        | 5         |

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 2021</b>           | <b>30 Jun 2020</b> |
| Average LMR for the financial period | 77.74%                       | 76.30%             |

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

**Group Consolidated Financial Information**
**Capital and capital adequacy**

|                           | <b>30 Jun 2021</b> | <b>31 Dec 2020</b> |
|---------------------------|--------------------|--------------------|
| Capital ratio (Basel III) |                    |                    |
| CET1 capital ratio        | 12.11%             | 12.34%             |
| Tier 1 capital ratio      | 13.67%             | 13.95%             |
| Total capital ratio       | 15.82%             | 16.18%             |

|              | EUR Million | EUR Million |
|--------------|-------------|-------------|
| Total equity | 95,745      | 91,322      |

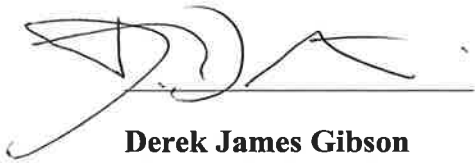
**Other financial information**

|                             | <b>30 Jun 2021</b> | <b>31 Dec 2020</b> |
|-----------------------------|--------------------|--------------------|
|                             | EUR Million        | EUR Million        |
| Total assets                | 1,568,636          | 1,508,250          |
| Total liabilities           | 1,472,891          | 1,416,928          |
| Total advances to customers | 954,518            | 916,199            |
| Total customer deposits     | 894,127            | 849,310            |

|                         | <b>For the six months ended</b> |                    |
|-------------------------|---------------------------------|--------------------|
|                         | <b>30 Jun 2021</b>              | <b>30 Jun 2020</b> |
|                         | EUR Million                     | EUR Million        |
| Pre-tax profit / (loss) | 6,914                           | (6,410)            |

**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)