

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 2022

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 2022 HK\$'000	30 Jun 2021 HK\$'000
Interest Income		390,436	325,806
Interest Expense		(211,756)	(129,583)
Other operating income			
- Gains less losses arising from trading in foreign currencies		110,661	16,135
- Gains less losses on securities held for trading purposes		675	(256)
- Gains less losses from other trading activities		(49,148)	18,150
- Net fees and commission income	1	72,614	80,812
- Loss from disposal of property, plant and equipment		-	(51)
- Others		90,411	59,265
Total operating income		403,893	370,278
Operating expenses			
- Staff expenses		(219,835)	(212,318)
- Rental expenses		(17,408)	(18,239)
- Other expenses		(145,117)	(96,617)
Reversal/(Charge) for impairment allowances for loans and other exposures		353	(14,092)
Total operating expenses		(382,007)	(341,266)
Profit before taxation		21,886	29,012
Tax expenses		(12,856)	(17,500)
Profit after taxation		9,030	11,512

Unaudited Balance Sheet

	Note	30 Jun 2022 HK\$'000	31 Dec 2021 HK\$'000
ASSETS			
Cash and balances with banks (except those included in amount due from overseas offices)		856,443	592,285
Due from Exchange Fund		14,006	1,524,329
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)		523,901	578,406
Amount due from overseas offices		25,699,139	30,522,582
Trade bills		8,886,678	3,227,770
Securities held for trading purposes		4,953,384	-
Loans and receivables and other accounts	2	41,180,250	28,130,640
Investment securities		8,260,928	9,811,362
Property, plant and equipment		112,862	48,557
TOTAL ASSETS		90,487,591	74,435,931
LIABILITIES			
Deposits and balances from banks (except those included in amount due to overseas offices)		4,771,503	1,159,330
Due to Exchange Fund		-	-
Deposits from customers			
- demand deposits and current accounts		86,274	598,703
- savings deposits		4,728,122	4,016,364
- time, call and notice deposits		7,357,133	5,480,414
Amount due to overseas offices		50,022,819	52,242,378
Certificates of deposit issued		7,712,075	-
Accrued interest, other liabilities and provisions		15,809,665	10,938,742
TOTAL LIABILITIES		90,487,591	74,435,931

Unaudited Supplementary Information
1. Net fees and commission income

	For the six months ended	
	30 Jun 2022	30 Jun 2021
	HK\$'000	HK\$'000
Gross fees and commission income	108,465	108,926
Gross fees and commission expenses	(35,851)	(28,114)
	<u>72,614</u>	<u>80,812</u>
Net fees and commission income	<u><u>72,614</u></u>	<u><u>80,812</u></u>

2. Loans and receivables and other accounts

	30 Jun 2022	31 Dec 2021
	HK\$'000	HK\$'000
Loans and advances to customers (note 8)	26,930,457	20,101,423
Accrued interest and other accounts	14,290,747	8,070,849
	<u>41,221,204</u>	<u>28,172,272</u>
Impairment allowances		
- Stage 1	(8,580)	(8,511)
- Stage 2	(32,374)	(33,121)
	<u>41,180,250</u>	<u>28,130,640</u>

3. Impaired loans and advances

There were no impaired loans and advances to customers or banks as at 30 June 2022 and 31 December 2021.

4. Derivative transactions

	30 Jun 2022	31 Dec 2021
	HK\$'000	HK\$'000
Nominal amounts		
- Exchange rate-related derivative contracts	513,625,162	372,160,497
- Interest rate derivative contracts	136,200,418	81,302,150

Unaudited Supplementary Information (Continued)

4. Derivative transactions (continued)	30 Jun 2022	31 Dec 2021
	HK\$'000	HK\$'000
Fair value assets		
- Exchange rate-related derivative contracts	11,059,152	6,993,898
- Interest rate derivative contracts	2,892,555	883,887
Fair value liabilities		
- Exchange rate-related derivative contracts	10,816,048	7,226,992
- Interest rate derivative contracts	2,668,154	925,128

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 2022	31 Dec 2021
	HK\$'000	HK\$'000
Contractual amounts		
- Direct credit substitutes	2,220,054	1,623,622
- Transaction-related contingencies	2,960,009	2,861,703
- Trade-related contingencies	9,387,710	3,763,398
- Other commitments	45,311,768	58,350,983
- Others (forward forward deposits placed)	7,318,713	-

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. The basis of geographical segments and individual countries is in accordance with the definitions set out in the Banking (Disclosure) Rules and the “Return of International Banking Statistics” issued by the Hong Kong Monetary Authority (“HKMA”). Only countries constituting 10% or more of our total international claims are disclosed as follows:

HK\$ million	Banks	Non-bank private sector			Others	Total
		Official sector	Non-bank financial institutions	Non-financial private sector		
As at 30 Jun 2022						
Developed countries	27,328	7,056	-	2,556	-	36,940
<i>Of which: Spain</i>	26,173	-	-	1	-	26,174
<i>Of which: Japan</i>	2	7,056	-	-	-	7,058
Offshore centres	533	1,299	1,178	14,208	-	17,218
<i>Of which: Hong Kong</i>	529	-	1,178	11,934	-	13,641
Developing Asia and Pacific	7,433	-	1,982	5,134	-	14,549
<i>Of which: China</i>	7,204	-	1,982	5,134	-	14,320

HK\$ million	Banks	Non-bank private sector			Others	Total
		Official sector	Non-bank financial institutions	Non-financial private sector		
As at 31 Dec 2021						
Developed countries	30,929	2,452	-	2,450	-	35,831
<i>Of which: Spain</i>	30,735	-	-	-	-	30,735
Offshore centres	334	-	1,361	6,951	-	8,646
<i>Of which: Hong Kong</i>	331	-	1,361	4,233	-	5,925
Developing Asia and Pacific	3,093	-	2,361	5,589	-	11,043
<i>Of which: China</i>	2,740	-	2,361	5,589	-	10,690

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

The analysis of gross amount of loans and advances to customers by major countries or geographical segments is 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 2022	
	HK\$'000	% to total advances to customers
Gross amount of advances		
- Hong Kong	14,088,452	52.31%
- China	7,365,679	27.35%
- Others	5,476,326	20.34%
	<u>26,930,457</u>	<u>100.00%</u>
Overdue or impaired loans	-	

	31 Dec 2021	
	HK\$'000	% to total advances to customers
Gross amount of advances		
- China	7,895,531	39.28%
- Hong Kong	6,721,272	33.44%
- Others	3,435,665	17.09%
- Cayman Island	2,048,955	10.19%
	<u>20,101,423</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 2022		31 Dec 2021	
	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				
- Electricity and gas	295,138	-	-	-
- Financial concerns	95,000	-	200,193	-
- Wholesale and retail trade	313,870	-	335,470	-
- Manufacturing	2,049,571	-	1,766,608	-
- Others	1,533,870	-	1,000,000	-
	<u>4,287,449</u>		<u>3,302,271</u>	
Trade Finance	14,005,048	7.01%	5,951,541	0.39%
Loans and advances for use outside Hong Kong	<u>8,637,960</u>	2.86%	<u>10,847,611</u>	-
Gross loans and advances to customers (note 2)	<u><u>26,930,457</u></u>		<u><u>20,101,423</u></u>	

9. Overdue or rescheduled assets

As at 30 June 2022 and 31 December 2021, 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 2022 and 31 December 2021.

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 HKMA.

Types of Counterparties	On-balance sheet exposures HK\$ million	Off-balance sheet exposures HK\$ million	Total HK\$ million
As at 30 Jun 2022			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	15,018	3,734	18,752
2. Local governments, local government-owned entities and their subsidiaries and JVs	314	-	314
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	5,475	3,121	8,596
4. Other entities of central government not reported in item 1 above	781	728	1,509
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	21,588	7,583	29,171
Total assets after provision	90,485		
On-balance sheet exposures as percentage of total assets	23.86%		

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

Types of Counterparties	On-balance sheet exposures HK\$ million	Off-balance sheet exposures HK\$ million	Total HK\$ million
As at 31 Dec 2021			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	9,161	2,283	11,444
2. Local governments, local government-owned entities and their subsidiaries and JVs	336	-	336
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,114	271	4,385
4. Other entities of central government not reported in item 1 above	-	720	720
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	13,611	3,274	16,885
Total assets after provision	74,138		
On-balance sheet exposures as percentage of total assets	18.36%		

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 2022				
Spot assets	2,503	53,154	26,596	82,253
Spot liabilities	(1,386)	(64,787)	(16,183)	(82,356)
Forward purchases	123,237	228,220	112,525	463,982
Forward sales	(124,455)	(215,874)	(122,889)	(463,218)
Net option position	-	-	-	-
	=====	=====	=====	=====
Net long (short) position	(101)	713	49	661
	=====	=====	=====	=====
Net structural position	-	5	-	5
	=====	=====	=====	=====

HK\$ million	CNY	USD	Others	Total
As at 31 Dec 2021				
Spot assets	4,398	30,425	27,308	62,131
Spot liabilities	(976)	(49,873)	(16,146)	(66,995)
Forward purchases	80,401	176,860	61,957	319,218
Forward sales	(83,206)	(157,630)	(73,117)	(313,953)
Net option position	-	-	-	-
	=====	=====	=====	=====
Net long (short) position	617	(218)	2	401
	=====	=====	=====	=====
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**

	For the quarter ended	
	30 Jun 2022	30 Jun 2021
Average LMR for the financial period	54.46%	77.74%

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 2021 Annual Report of Banco Santander, S.A. at <https://www.santander.com/en/shareholders-and-investors/financial-and-economic-information#annual-report> for details.

Should there be any discrepancy between the English and Chinese versions, the English version shall prevail.

Group Consolidated Financial Information

Capital and capital adequacy	30 Jun 2022	31 Dec 2021
Capital ratio (Basel III)		
CET1 capital ratio	12.25%	12.12%
Tier 1 capital ratio	13.71%	13.79%
Total capital ratio	16.18%	16.41%
	EUR Million	EUR Million
Total equity	97,462	97,053
 Other financial information	 30 Jun 2022	 31 Dec 2021
	EUR Million	EUR Million
Total assets	1,722,840	1,595,835
Total liabilities	1,625,378	1,498,782
Total advances to customers	1,037,721	972,682
Total customer deposits	973,787	918,344
	 For the six months ended	 30 Jun 2021
	30 Jun 2022	30 Jun 2021
	EUR Million	EUR Million
Pre-tax profit	7,915	6,914

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)