

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 2023



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 2023 HK\$'000	30 Jun 2022 HK\$'000
Interest income		1,304,729	390,436
Interest expense		(1,338,847)	(211,756)
Other operating income			
- Gains less losses arising from trading in foreign currencies		303,564	110,661
- Gains less losses arising from securities held for trading purposes		(1,805)	675
- Gains less losses from other trading activities		94,219	(49,148)
- Net fees and commission income	1	52,533	72,614
- Others		137,934	90,411
Total operating income		552,327	403,893
Operating expenses			
- Staff expenses		(235,788)	(219,835)
- Rental expenses		(17,489)	(17,408)
- Other expenses		(173,180)	(145,117)
Reversal for impairment allowances for loans and receivables		10,171	353
Total operating expenses		(416,286)	(382,007)
Profit before taxation		136,041	21,886
Tax expense		(30,868)	(12,856)
Profit after taxation		105,173	9,030

Unaudited Balance Sheet

	Note	30 Jun 2023 HK\$'000	31 Dec 2022 HK\$'000
ASSETS			
Cash and balances with banks (except those included in amount due from overseas offices)		1,111,706	1,756,746
Due from Exchange Fund		1,047,091	727,752
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)		506,940	388,237
Amount due from overseas offices		24,508,990	41,596,328
Trade bills		1,425,437	5,888,789
Securities held for trading purposes		7,452,476	-
Loans and receivables and other accounts	2	38,960,367	41,012,627
Investment securities		6,968,943	11,489,283
Property, plant and equipment		83,460	98,508
TOTAL ASSETS		82,065,410	102,958,270
LIABILITIES			
Deposits and balances from banks (except those included in amount due to overseas offices)		4,223,032	10,605,764
Due to Exchange Fund		7,836,250	-
Deposits from customers			
- demand deposits and current accounts		240,697	130,348
- savings deposits		1,086,178	7,854,975
- time, call and notice deposits		12,743,914	11,116,236
Amount due to overseas offices		35,142,012	51,018,998
Certificates of deposit issued		4,420,406	5,081,350
Accrued interest, other liabilities and provisions		16,372,921	17,150,599
TOTAL LIABILITIES		82,065,410	102,958,270

Unaudited Supplementary Information
1. Net fees and commission income

	For the six months ended	
	30 Jun 2023	30 Jun 2022
	HK\$'000	HK\$'000
Gross fees and commission income	98,456	108,465
Gross fees and commission expenses	(45,923)	(35,851)
	<u>52,533</u>	<u>72,614</u>

2. Loans and receivables and other accounts

	30 Jun 2023	31 Dec 2022
	HK\$'000	HK\$'000
Loans and advances to customers (note 8)	23,033,676	25,716,096
Accrued interest and other accounts	15,955,386	15,334,867
	<u>38,989,062</u>	<u>41,050,963</u>
Impairment allowances		
- Stage 1	(5,477)	(10,436)
- Stage 2	(23,218)	(27,900)
	<u>38,960,367</u>	<u>41,012,627</u>

3. Impaired loans and advances

There were no impaired loans and advances to customers or banks as at 30 June 2023 and 31 December 2022.

4. Derivative transactions

	30 Jun 2023	31 Dec 2022
	HK\$'000	HK\$'000
Nominal amounts		
- Exchange rate-related derivative contracts	608,567,243	497,601,710
- Interest rate derivative contracts	308,262,797	152,497,745

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

	30 Jun 2023	31 Dec 2022
	HK\$'000	HK\$'000
Fair value assets		
- Exchange rate-related derivative contracts	9,755,121	10,047,193
- Interest rate derivative contracts	5,508,943	4,761,180
Fair value liabilities		
- Exchange rate-related derivative contracts	9,024,244	10,505,411
- Interest rate derivative contracts	4,894,632	4,426,429

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 2023	31 Dec 2022
	HK\$'000	HK\$'000
Contractual amounts		
- Direct credit substitutes	2,114,717	2,208,365
- Transaction-related contingencies	8,281,229	4,448,818
- Trade-related contingencies	4,469,281	4,379,502
- Other commitments	56,763,387	61,785,819
- Others (forward forward deposits placed)	140,523	290,922

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	Official sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
As at 30 Jun 2023						
Developed countries	25,580	5,016	182	1,919	-	32,697
<i>Of which: Spain</i>	<i>24,710</i>	-	-	<i>79</i>	-	<i>24,789</i>
Offshore centres	586	2,059	3,895	10,567	-	17,107
<i>Of which: Hong Kong</i>	<i>578</i>	-	<i>3,895</i>	<i>7,626</i>	-	<i>12,099</i>
Developing Asia and Pacific	57	2,520	-	5,532	-	8,109
<i>Of which: China</i>	<i>57</i>	<i>2,520</i>	-	<i>4,748</i>	-	<i>7,325</i>

HK\$ million	Banks	Official sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
As at 31 Dec 2022						
Developed countries	42,854	6,643	2	2,923	-	52,422
<i>Of which: Spain</i>	<i>41,781</i>	-	-	-	-	<i>41,781</i>
Offshore centres	1,014	-	2,072	14,755	-	17,841
<i>Of which: Hong Kong</i>	<i>995</i>	-	<i>2,072</i>	<i>8,780</i>	-	<i>11,847</i>
Developing Asia and Pacific	4,085	-	-	4,337	-	8,422

Unaudited Supplementary Information (Continued)
8. Sector information

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

	30 Jun 2023		31 Dec 2022	
	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	249,757	-	68,000	-
- Wholesale and retail trade	342,068	-	333,218	-
- Manufacturing	2,145,912	-	2,176,538	-
- Others	545,413	-	1,428,262	-
	<u>3,283,150</u>		<u>4,006,018</u>	
Trade Finance	8,603,430	0.69%	14,171,300	-
Loans and advances for use outside Hong Kong	11,147,096	2.34%	7,538,778	3.44%
	<u>23,033,676</u>		<u>25,716,096</u>	

9. Overdue or rescheduled assets

As at 30 June 2023 and 31 December 2022, 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 2023 and 31 December 2022.

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 the “Return of Mainland Activities” issued by the HKMA.

Types of Counterparties	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	Total HK\$ million
As at 30 Jun 2023			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	11,273	5,637	16,910
2. Local governments, local government-owned entities and their subsidiaries and JVs	387	-	387
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,841	1,368	6,209
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	17	-	17
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	16,518	7,005	23,523
Total assets after provision	82,062		
On-balance sheet exposures as percentage of total assets	20.13%		

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 2022			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	10,080	4,011	14,091
2. Local governments, local government-owned entities and their subsidiaries and JVs	543	-	543
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	5,522	2,070	7,592
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	143	-	143
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	16,288	6,081	22,369
Total assets after provision	102,956		
On-balance sheet exposures as percentage of total assets	15.82%		

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 2023				
Spot assets	3,872	48,986	22,446	75,304
Spot liabilities	(1,622)	(61,971)	(9,296)	(72,889)
Forward purchases	154,869	264,159	78,832	497,860
Forward sales	(157,989)	(250,334)	(91,903)	(500,226)
Net options position	-	-	-	-
	=====	=====	=====	=====
Net long/ (short) position	(870)	840	79	49
	=====	=====	=====	=====
Net structural position	-	3	-	3
	=====	=====	=====	=====

HK\$ million	CNY	USD	Others	Total
As at 31 Dec 2022				
Spot assets	1,018	48,380	44,588	93,986
Spot liabilities	(1,163)	(77,550)	(16,804)	(95,517)
Forward purchases	137,853	243,336	70,179	451,368
Forward sales	(137,203)	(214,650)	(97,914)	(449,767)
Net option position	-	-	-	-
	=====	=====	=====	=====
Net long/ (short) position	505	(484)	49	70
	=====	=====	=====	=====
Net structural position	-	4	-	4
	=====	=====	=====	=====

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

13. Liquidity information disclosures

	For the quarter ended	
	30 Jun 2023	30 Jun 2022
Average LMR for the financial period	49.21%	54.46%

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.

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 2022 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 2023	31 Dec 2022
Capital ratio (Basel III)		
CET1 capital ratio	12.3%	12.2%
Tier 1 capital ratio	13.7%	13.6%
Total capital ratio	16.0%	16.0%

EUR Million EUR Million

Total equity	102,044	97,585
--------------	---------	--------

Other financial information

	30 Jun 2023	31 Dec 2022
	EUR Million	EUR Million
Total assets	1,780,493	1,734,659
Total liabilities	1,678,449	1,637,074
Total loans and advances to customers	1,045,044	1,036,004
Total customer deposits	1,013,778	1,009,722 *

For the six months ended
30 Jun 2023 **30 Jun 2022**
 EUR Million EUR Million

Pre-tax profit	8,090	7,915
----------------	-------	-------

* The Total customer deposits as of 31 Dec 2022 are stated as per the final Q2 2023 Pillar 3 disclosures report

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.

**Marcelo Ricardo Scenna**

Alternate Chief Executive

Banco Santander, S.A. Hong Kong Branch

(A public limited liability company incorporated in Spain)