

**PING AN BANK CO., LTD.,
HONG KONG BRANCH**

**Annual Financial Disclosure Statement 2023
(Unaudited)**

Contents

In compliance with the disclosure standards set out in the Banking (Disclosure) Rules, the following key financial information (unaudited) is presented as follows, which is also available at the office of Ping An Bank Co., Ltd., Hong Kong Branch (the "Branch") (42/F, One Exchange Square, Central, Hong Kong) and the official website of the Hong Kong Monetary Authority (the "HKMA"), (www.hkma.gov.hk) and Ping An Bank Co., Ltd. (bank.pingan.com).

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Income Statement

For the year ended 31 December 2023

	For the year ended 31 December 2023	For the year ended 31 December 2022
	HK\$'000	HK\$'000
Interest income	2,797,873	1,443,718
Interest expense	(2,549,302)	(1,077,544)
Net interest income	248,571	366,174
Gains less losses from dealing in foreign currencies	23,105	46,865
Gains less losses from other trading activities	43,895	592,957
Gains less losses on securities held for trading	505	341
Income from non-trading investments	(20,550)	(602,545)
Net fee and commission income	166,375	160,628
- <i>Fee and commission income</i>	170,588	168,042
- <i>Fee and commission expenses</i>	(4,213)	(7,414)
Other operating income	105,017	135,484
Operating income	566,918	699,904
Staff expenses	(270,265)	(256,151)
Rental expenses	(48,331)	(34,457)
Other operating expenses	(37,963)	(30,810)
Operating expenses	(356,559)	(321,418)
Operating profit before impairment	210,359	378,486
Net charge for impairment allowances	231,004	(477,460)
Profit / (Loss) before taxation	441,363	(98,974)
Taxation	(32,625)	(61,654)
Profit / (Loss) for the period	408,738	(160,628)

Balance Sheet

31 December 2023

	31 December	30 June 2023
	2023	
	<u>HK\$'000</u>	<u>HK\$'000</u>
Assets		
Cash and balances with banks	9,210,651	3,420,681
Due from exchange fund	93,354	132,801
Placements with banks maturing in 1 to 12 months	2,150,135	4,008,711
Amount due from head office	55,951	2,461,157
Certificates of deposit held	2,555,298	3,875,842
Investment securities	11,996,319	11,632,857
Securities held for trading	130,290	-
Derivative assets	232,555	281,361
Loan and receivables		
- Loan and advances to customers	36,277,667	29,629,895
- Accrued interest and other accounts	147,957	126,000
- Expected credit loss provision (Stage 1)	(501,392)	(654,144)
Right-of-use assets	97,741	63,307
Fixed assets	27,354	32,506
Other assets	38,900	56,528
Total Assets	<u>62,512,780</u>	<u>55,067,502</u>
Reserves and Liabilities		
Deposits and balances from banks	9,639,598	10,360,737
Deposits from customers		
- Demand deposits and current accounts	40,210	61,880
- Saving deposits	779,984	1,840,173
- Time, call and notice deposits	40,006,893	29,142,991
Amount due to head office	8,199,302	8,605,545
Certificates of deposit issued	3,246,451	4,801,971
Derivative liabilities	42,342	80,037
Right of use liabilities	102,609	67,769
Other liabilities	235,176	241,226
Total Liabilities	<u>62,292,565</u>	<u>55,202,329</u>
Reserves		
Other reserves	(188,523)	(294,498)
Profit for the period	408,738	159,671
Total Reserves and Liabilities	<u>62,512,780</u>	<u>55,067,502</u>

Supplementary Information

31 December 2023

1) Impaired loans and advances to customers and banks

As at 31 December 2023 and 30 June 2023, the Branch has no stage 2 and 3 impaired loans and advances to customers and banks.

Supplementary Information

31 December 2023

2) Loan and advances to customers

(a) Breakdown by industry sectors

	31 December 2023		30 June 2023	
	<u>% covered</u>		<u>% covered</u>	
	<u>HK\$'000</u>	<u>by collateral</u>	<u>HK\$'000</u>	<u>by collateral</u>
Industrial, commercial and financial				
Manufacturing	548,305	7.71%	789,143	9.93%
Property development	4,089,787	-	2,423,600	-
Property investment	500,000	-	980,000	-
Civil engineering works	3,080,000	-	900,000	-
Electricity and gas	2,065,892	-	976,660	-
Wholesale and retail trade	168,678	-	188,027	-
Transport and Transport Equipment	4,540,016	-	-	-
Information technology	487,809	-	422,229	-
Financial concerns	4,127,070	-	7,920,063	-
Stockbrokers	1,507,056	-	3,092,500	-
Others	4,092,747	10.11%	1,566,894	50.00%
Loans for use in Hong Kong	25,207,360	1.81%	19,259,116	4.47%
Loan for use outside Hong Kong	11,070,307	11.93%	10,370,779	22.36%
	<u>36,277,667</u>	<u>4.90%</u>	<u>29,629,895</u>	<u>10.73%</u>

(b) Breakdown by geographical segments

	31 December 2023	30 June 2023
	<u>HK\$'000</u>	<u>HK\$'000</u>
Hong Kong	25,119,338	21,666,040
Mainland China	6,108,977	4,717,401
Other	5,049,352	3,246,454
	<u>36,277,667</u>	<u>29,629,895</u>

The above analysis is based on the location of the counterparties after taking into account the transfer of risk. In general, the transfer of risk applies when an advance is guaranteed by a party in a country different from that of the counterparty.

Supplementary Information

31 December 2023

3) Overdue and rescheduled advances, repossessed assets

As at 31 December 2023 and 30 June 2023, the Branch has no overdue or rescheduled loans and advances to customers, and no repossessed assets.

4) International claims

	31 December 2023				Total
	Banks	Official sector	Non-bank Financial institutions	Non-financial private sector	
Developing Asia Pacific					
of which Mainland China	16,005	165	4,482	4,315	24,967
Offshore Centres					
of which Hong Kong	929	283	3,490	12,050	16,752

	30 June 2023				Total
	Banks	Official sector	Non-bank Financial institutions	Non-financial private sector	
Developing Asia Pacific					
of which Mainland China	12,786	-	4,588	2,411	19,785
Offshore Centres					
of which Hong Kong	399	279	5,487	10,138	16,303

The information on international claims discloses exposures to foreign counterparties of which the location of the ultimate risk is determined after taking into account any risk transfer. In general, a transfer of risk takes place if a claim is guaranteed by a party in a country different from that of the counterparty, or a claim is on an overseas branch of a bank whose head office is located in another country. Only regions constituting 10% or more of the aggregate international claims are disclosed.

Supplementary Information

31 December 2023

5) Non-bank Mainland exposures

	31 December 2023			Individually assessed impairment allowances
	<u>HK\$'000</u>			
	On-balance sheet exposures	Off-balance sheet exposures	Total	
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	12,104,569	1,390,458	13,495,027	-
2. Local government, local government owned entities and their subsidiaries and JVs	12,200,190	418,348	12,618,538	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	6,182,390	242,032	6,424,422	-
4. Other entities of central government not reported in item 1 above	-	-	-	-
5. Other entities of central government not reported in item 2 above	70,029	-	70,029	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	4,528,212	-	4,528,212	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	754,646	-	754,646	-
Total	35,840,036	2,050,838	37,890,874	-
Total assets after provisions	62,512,780			
On-Balance Sheet exposure as % of total assets	57.33%			

Supplementary Information

31 December 2023

5) Non-bank Mainland exposures (continued)

	30 June 2023			
	<u>HK\$'000</u>			
	On-balance sheet exposures	Off-balance sheet exposures	Total	Individually assessed impairment allowances
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	8,339,820	-	8,339,820	-
2. Local government, local government owned entities and their subsidiaries and JVs	6,723,017	-	6,723,017	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	7,683,859	783,447	8,467,306	-
4. Other entities of central government not reported in item 1 above	-	-	-	-
5. Other entities of central government not reported in item 2 above	137,261	-	137,261	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5,231,807	-	5,231,807	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	527,171	-	527,171	-
Total	28,642,935	783,447	29,426,382	-
Total assets after provisions	55,067,502			
On-Balance Sheet exposure as % of total assets	52.01%			

Supplementary Information

31 December 2023

6) Currency risk

	31 December 2023			
	<u>HK\$ millions</u>			
	<u>USD</u>	<u>CNY</u>	<u>EUR</u>	<u>Total</u>
Spot assets	33,245	9,539	2,452	45,236
Spot liabilities	(32,537)	(12,979)	(4,190)	(49,706)
Forward purchases	5,925	3,816	1,924	11,665
Forward sales	(6,180)	(313)	-	(6,493)
Net options position	-	-	-	-
Net long (short) position	<u>453</u>	<u>63</u>	<u>186</u>	<u>702</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	30 June 2023			
	<u>HK\$ millions</u>			
	<u>USD</u>	<u>CNY</u>	<u>EUR</u>	<u>Total</u>
Spot assets	28,860	9,004	2,722	40,586
Spot liabilities	(30,980)	(9,165)	(1,004)	(41,149)
Forward purchases	3,260	385	-	3,645
Forward sales	(797)	(147)	(1,563)	(2,507)
Net options position	-	-	-	-
Net long (short) position	<u>343</u>	<u>77</u>	<u>155</u>	<u>575</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The net position in particular foreign currency is disclosed if the net position (in absolute terms) constitutes 10% or more of the total net position in all foreign currencies. The net options position is calculated using the delta equivalent approach.

Supplementary Information

31 December 2023

7) Off-balance Sheet exposures

(a) Contingent liabilities and commitments

	31 December 2023	30 June 2023
	<u>HK\$'000</u>	<u>HK\$'000</u>
Direct credit substitutes	-	-
Trade-related contingencies	-	-
Other commitments	6,741,451	2,752,634
Others	-	-

(b) Derivatives

	31 December 2023	30 June 2022
	<u>HK\$'000</u>	<u>HK\$'000</u>
Contract amount		
- Exchange rate contracts	11,842,362	4,080,837
- Interest rate contracts	9,981,668	12,437,997
Fair value		
- Exchange rate contracts	60,199	(8,107)
- Interest rate contracts	144,131	236,588

The above exposures do not take into account the effects of bilateral netting arrangements.

Supplementary Information

31 December 2023

8) Liquidity

	For the quarter ended 31 December 2023	For the quarter ended 31 December 2022
Average liquidity maintenance ratio	89.22%	88.47%

The average liquidity maintenance ratio is calculated based on the arithmetic mean of the average values reported for each month during the quarter in the Return of Liquidity Position submitted by the Branch to the HKMA pursuant to Section 63 of the Banking Ordinance.

Liquidity Risk Management

Governance

Liquidity risk refers to the risk that a Branch cannot obtain sufficient funds at a reasonable cost for timely debt repayments, fulfilling payment obligations and funding business activities.

The Branch's liquidity risk management structure consists of the Asset and Liability Management Committee ("ALCO"), Finance and Planning Department, Risk Management Department, business units and other relevant departments. The ALCO is responsible for supervising the liquidity risk management, and the departments formulating and carrying out relevant policies and strategies for liquidity risk management.

The Branch adheres to a cautious liquidity risk management principle and a prudent management strategy, and determines a risk tolerance level through regular assessment of risk factors. The Branch establishes a reasonable and effective liquidity risk management mechanism to identify, measure, monitor and control liquidity risk, and ensures sufficient funds for the asset growth and the repayment of liabilities, in normal or stressed business environment.

Funding

The Branch's liquidity and funding positions is independently managed. Funding is mainly sourced from the head office, interbank borrowing, customer deposits and certificates of deposit issued. The ALCO regularly reviews the asset-liability portfolio, market conditions and other factors so as to improve the funding strategy. The Branch continues to exploit the funding opportunities and diversify the funding sources.

Supplementary Information

31 December 2023

8) Liquidity (continued)

Liquidity Stress Testing

The liquidity risk stress test is an important tool for the assessment on quantitative management of the liquidity risk. The Branch considers various factors and formulates stress scenarios on the liquidity risk in accordance with the characteristics of different assets, liabilities and off-balance sheet items. The Branch performs stress testing on a regular basis, which provides the basis for decision making on the formulation and revision of liquidity risk appetite, strategy and limits.

Liquidity Risk Mitigation

The ALCO regularly discusses strategies and plans to manage the liquidity risk of the Branch. To mitigate the risk, the Branch monitors and optimizes the asset and liability structure in a timely manner, through responsive liability management to achieve stable growth of the core liabilities. The Branch also manages the liquidity mismatch risk, and maintains diversified funding sources.

Contingency Funding Plan

To cater for potential or actual crisis, the branch has set up a contingency funding plan that established clear lines of responsibilities, a series of early warning indicators, procedures and contingent funding measures to handle and respond to liquidity crisis. The contingency funding plan is reviewed and the relevant drill is performed at least once a year in order to ensure its effectiveness and operational feasibility.

Source of funding

	31 December 2023	31 December 2022
	<u>% of total liabilities</u>	<u>% of total liabilities</u>
Deposits and balances from banks	15%	23%
Deposits from customers	66%	55%
Amount due to head office	13%	12%
Certificates of deposit issued	5%	9%
Others	1%	1%
Total liabilities	<u>100%</u>	<u>100%</u>

Supplementary Information

31 December 2023

8) Liquidity (continued)

Cash Flow Maturity Mismatch Analysis

	As at 31 December 2023 (HKD'000)						
	Next day	2 days to 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue
Deposits from customers	1,208,713	13,172,651	12,404,652	14,041,071	-	-	-
Amount payable arising from derivatives contracts	1,184,292	9,164,440	1,082,646	1,040,286	472,711	-	-
Deposits and balances from banks	552,980	3,369,532	13,328,153	588,235	-	-	-
Debt securities & prescribed instruments outstanding	-	2,161,832	-	1,099,711	-	-	-
Other liabilities	-	10,868	-	-	-	-	326,916
Capital and reserves	-	-	-	-	-	-	220,215
Total on-balance sheet liabilities	2,945,985	27,879,323	26,815,451	16,769,303	472,711	-	547,131
Total off-balance sheet obligations	-	3,093,525	-	-	-	-	-
	Next day	2 days to 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue
Amount receivable arising from derivative contracts	1,185,460	9,227,943	1,097,272	1,130,127	505,048	-	-
Due from MA for a/c of Exchange Fund	93,354	-	-	-	-	-	-
Balances and placements with banks	3,630,244	5,651,454	1,756,236	393,898	-	-	-
Debt securities & prescribed instruments held	14,738,413	-	-	-	-	-	-
Loans and advances to customers	104,950	10,866,898	2,275,268	12,090,073	10,713,597	374,840	-
Other assets	-	-	-	-	-	-	179,084
Total on-balance sheet assets	19,752,421	25,746,295	5,128,776	13,614,098	11,218,645	374,840	179,084
Total off-balance sheet claims	-	-	-	-	-	-	5,000,000
Contractual Maturity Mismatch	16,806,436	(5,226,553)	(21,686,675)	(3,155,205)	10,745,934	374,840	
Cumulative Contractual Maturity Mismatch	16,806,436	11,579,883	(10,106,792)	(13,261,997)	(2,516,063)	(2,141,223)	

Positive indicates a position of liquidity surplus, while negative indicates a liquidity shortfall.

Supplementary Information

31 December 2023

8) Liquidity (continued)

Cash Flow Maturity Mismatch Analysis (continued)

	As at 31 December 2022 (HKD'000)						
	Next day	2 days to 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue
Deposits from customers	3,024,617	7,629,521	18,160,240	5,021,453	61,387	-	-
Amount payable arising from derivatives contracts	1,363,580	7,090,171	1,665,040	1,073,476	609,701	-	-
Deposits and balances from banks	1,966,106	7,633,383	8,912,060	3,331,803	-	-	-
Debt securities & prescribed instruments outstanding	-	350,890	1,169,633	3,917,840	-	-	-
Other liabilities	-	12,336	-	-	-	-	423,279
Capital and reserves	-	-	-	-	-	-	(374,425)
Total on-balance sheet liabilities	6,354,303	22,716,301	29,906,973	13,344,572	671,088	-	48,854
Total off-balance sheet obligations	-	2,851,196	-	-	-	-	-
	Next day	2 days to 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue
Amount receivable arising from derivative contracts	1,379,291	7,037,853	1,667,498	1,116,014	710,611	-	-
Due from MA for a/c of Exchange Fund	61,629	-	-	-	-	-	-
Balances and placements with banks	4,077,655	4,412,037	3,967,046	1,182,862	-	-	-
Debt securities & prescribed instruments held	14,230,267	-	-	-	-	-	-
Loans and advances to customers	637,036	8,348,300	3,584,653	9,807,359	11,016,594	389,877	-
Other assets	-	-	-	-	-	-	253,718
Total on-balance sheet assets	20,385,878	19,798,190	9,219,197	12,106,235	11,727,205	389,877	253,718
Total off-balance sheet claims	-	-	-	-	-	-	5,000,000
Contractual Maturity Mismatch	14,031,575	(5,769,307)	(20,687,776)	(1,238,337)	11,056,117	389,877	
Cumulative Contractual Maturity Mismatch	14,031,575	8,262,268	(12,425,508)	(13,663,845)	(2,607,728)	(2,217,851)	

Positive indicates a position of liquidity surplus, while negative indicates a liquidity shortfall.

Consolidated Financial Statements

Ping An Bank Co., Ltd.

(a) Capital adequacy ratio and shareholder's fund

	31 December 2023	30 June 2023
	<u>RMB millions</u>	<u>RMB million</u>
Capital adequacy ratio	13.43%	13.27%
Shareholders' equity	472,378	452,073

The capital adequacy ratio above is calculated in accordance with the guidelines issued by the National Administration of Financial Regulation, and is not calculated according to the documents as stated in Section 105(a) of the Banking (Disclosure) Rules.

(b) Other financial information

	31 December 2023	30 June 2023
	<u>RMB millions</u>	<u>RMB million</u>
Total assets	5,587,116	5,500,524
Total liabilities	5,114,788	5,048,451
Total loans and advances	3,407,509	3,439,131
Total customer deposits	3,407,295	3,381,534

	Year ended	Year ended
	31 December 2023	31 December 2022
	<u>RMB millions</u>	<u>RMB millions</u>
Pre-tax profit	57,718	57,253

1 CNY = 1.1195 HKD at 31 December 2022

1 CNY = 1.0759 HKD at 30 June 2023

1 CNY = 1.0997 HKD at 31 December 2023

Remuneration

Ping An Bank Co., Ltd., Hong Kong Branch's ("Hong Kong Branch") has adopted the remuneration policy and principles stipulated by Ping An Bank Company Limited ("Head Office"). The remuneration policy has been approved by the Head Office and is applicable to all levels of employees. The bank has fully complied with "Guideline on a Sound Remuneration System" issued by the HKMA to disclose information in relation to our remuneration and incentive mechanism. The following groups of employees have been identified as "Senior Management", including Chief Executive, Deputy Chief Executive and Assistant President, etc., who are responsible for overseeing the Branch-wide strategy or material business lines.

The fixed remuneration of the Hong Kong Branch is linked to multiple factors including market salary level, seniority, experience and competence, position value, etc. The variable remuneration of the Hong Kong Branch is based on both financial and non-financial performance, which hinged on the Branch's overall performance, and distributed to employees according to individual staff's contribution. In the event of misconduct, a reduction to, or elimination of, any variable remuneration may be reflected from the amount of remuneration.

In order to prevent excessive short-term gains generated by taking greater risks, and to encourage employees to take long-term value creation, time horizons of risk, potential business risks minimization and relevant losses into consideration, the variable remuneration of the Branch is subject to a deferral mechanism, as stipulated by Head Office. The impacts of deferral policy are vesting conditions, proportion and time line to employees depend on a number of factors, including employee's seniority, positions, risk association, etc.

For the years ended 31 December 2023 and 31 December 2022, remuneration of the Senior Management is disclosed below:

Total value of remuneration awards to eight senior management and key personnel for the year of 1 January 2023 to 31 December 2023

	Non-deferred	Deferred
	<u>HK\$'000</u>	<u>HK\$'000</u>
Fixed remuneration ⁽¹⁾		
● Cash-based	14,072	N/A
Variable remuneration ⁽²⁾		
● Cash-based	7,581	3,705

Remuneration

Total value of remuneration awards to seven senior management and key personnel for the year of 1 January 2022 to 31 December 2022

	Non-deferred	Deferred
	<u>HK\$'000</u>	<u>HK\$'000</u>
Fixed remuneration ⁽¹⁾		
● Cash-based	14,690	N/A
Variable remuneration ⁽²⁾		
● Cash-based	27,372	4,391

Remarks:

- 1) Fixed remuneration included basic salary and allowance only.
- 2) Variable remuneration includes performance bonus and incentives only, and subject to deferment according to the policy set out by Head Office.

Total value of guaranteed bonuses, sign-on awards and severance payments for our senior management and key personnel for the year of 1 January 2023 to 31 December 2023

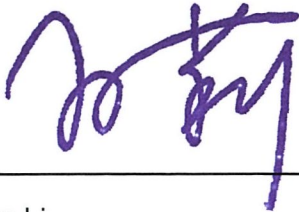
	Guaranteed bonuses		Sign-on awards		Severance payments	
Special payments	Number of employees	Total amount <u>HK\$'000</u>	Number of employees	Total amount <u>HK\$'000</u>	Number of employees	Total amount <u>HK\$'000</u>
Senior management and key personnel	N/A	N/A	N/A	N/A	N/A	N/A

Total value of guaranteed bonuses, sign-on awards and severance payments for our senior management and key personnel for the year of 1 January 2022 to 31 December 2022

	Guaranteed bonuses		Sign-on awards		Severance payments	
Special payments	Number of employees	Total amount <u>HK\$'000</u>	Number of employees	Total amount <u>HK\$'000</u>	Number of employees	Total amount <u>HK\$'000</u>
Senior management and key personnel	N/A	N/A	N/A	N/A	N/A	N/A

Compliance Statement

The Ping An Bank Co., Ltd., Hong Kong Branch's 2023 annual financial disclosure statements are prepared in full compliance with the requirements set out in the Banking (Disclosure) Rules and the Supervisory Policy Manual (SPM) module CA-D-1 "Guideline on the Application of the Banking (Disclosure) Rules" issued by the HKMA.



Sun Li
Chief Executive
Ping An Bank Co., Ltd., Hong Kong Branch

29th April, 2024