

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

**Annual Financial Disclosure Statement 2021
(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 2021

	For the year ended 31 December 2021	For the year ended 31 December 2020
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest income	653,474	323,468
Interest expense	(302,249)	(197,273)
Net interest income	351,225	126,195
Gains less losses from dealing in foreign currencies	35,638	17,388
Gains less losses from other trading activities	88,727	(38)
Gains less losses on securities held for trading	128	701
Income from non-trading investments	13,673	-
Net fee and commission income	59,174	22,156
- <i>Fee and commission income</i>	64,596	24,703
- <i>Fee and commission expenses</i>	(5,422)	(2,547)
Other operating income	133,803	110,294
Operating income	682,368	276,696
Staff expenses	(201,300)	(155,001)
Rental expenses	(24,887)	(28,404)
Other operating expenses	(30,637)	(27,945)
Operating expenses	(256,824)	(211,350)
Operating profit before impairment	425,544	65,346
Net charge for impairment allowances	(204,553)	(131,475)
Profit / (loss) before taxation	220,991	(66,129)
Taxation	(70,778)	(3,370)
Profit / (loss) for the period	150,213	(69,499)

Balance Sheet

31 December 2021

	31 December 2021	30 June 2021
	<u>HK\$'000</u>	<u>HK\$'000</u>
Assets		
Cash and balances with banks	11,606,300	7,190,414
Due from exchange fund	7,616	470,128
Placements with banks maturing in 1 to 12 months	9,664,343	7,412,896
Amount due from head office	65,884	913,011
Certificates of deposit held	1,257,539	2,489,715
Investment securities	14,268,446	12,586,052
Securities held for trading	-	-
Loan and receivables		
- Loan and advances to customers	18,505,503	13,754,839
- Accrued interest and other accounts	31,913	17,243
- Expected credit loss provision (Stage 1)	(267,589)	(222,231)
Fixed assets	19,600	22,655
Other assets	258,946	329,100
Total Assets	55,418,501	44,963,822
Reserves and Liabilities		
Deposits and balances from banks	11,763,893	2,670,288
Deposits from customers		
- Demand deposits and current accounts	18,299	7,659
- Saving deposits	3,320,893	1,185,328
- Time, call and notice deposits	25,562,698	29,790,765
Amount due to head office	8,007,646	5,632,903
Certificates of deposit issued	6,428,411	5,263,436
Other liabilities	350,804	516,191
Total Liabilities	55,452,644	45,066,570
Reserves		
Other reserves	(184,356)	(112,114)
Profit for the period	150,213	9,366
Total Reserves and Liabilities	55,418,501	44,963,822

Supplementary Information

31 December 2021

1) Impaired loans and advances to customers

As at 31 December 2021 and 30 June 2021, the Branch has no stage 2 and 3 impaired loans and advances to customers.

2) Loan and advances to customers

(a) Breakdown by industry sectors

	31 December 2021		30 June 2021	
	<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	187,115	-	-	-
Property development	545,000	-	-	-
Civil engineering works	546,792	100%	-	-
Information technology	142,500	-	-	-
Financial concerns	1,867,381	0.01%	1,590,860	-
Stockbrokers	2,293,144	-	2,060,137	-
Loans for use in Hong Kong	5,581,932	9.80%	3,650,997	-
Loan for use outside Hong Kong	12,923,571	43.99%	10,103,842	25.25%
	<u>18,505,503</u>	<u>33.68%</u>	<u>13,754,839</u>	<u>18.55%</u>

(b) Breakdown by geographical segments

	31 December 2021	30 June 2021
	<u>HK\$'000</u>	<u>HK\$'000</u>
Hong Kong	13,055,349	9,326,102
Mainland China	4,080,303	4,285,910
Other	1,369,851	142,827
	<u>18,505,503</u>	<u>13,754,839</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 2021

3) Overdue and rescheduled advances, repossessed assets

As at 31 December 2021 and 30 June 2021, the Branch has no overdue or rescheduled loans and advances to customers, and no repossessed assets.

4) International claims

	31 December 2021				
	<u>HK\$ millions</u>				
	Banks	Official sector	Non-bank Financial institutions	Non-financial private sector	Total
Developing Asia Pacific					
of which Mainland China	14,348	214	6,980	4,791	26,333
Offshore Centres					
of which Hong Kong	1,237	-	2,677	8,576	12,490
	30 June 2021				
	<u>HK\$ millions</u>				
	Banks	Official sector	Non-bank Financial institutions	Non-financial private sector	Total
Developing Asia Pacific					
of which Mainland China	15,346	195	8,505	5,771	29,817
Offshore Centres					
of which Hong Kong	3,415	-	1,552	5,207	10,174

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 2021

5) Non-bank Mainland exposures

	31 December 2021			
	<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)	6,810,418	-	6,810,418	-
2. Local government, local government owned entities and their subsidiaries and JVs	6,282,775	3,622,675	9,905,450	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	7,484,187	218,301	7,702,488	-
4. Other entities of central government not reported in item 1 above	-	-	-	-
5. Other entities of central government 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	5,275,306	-	5,275,306	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	545,777	-	545,777	-
Total	26,398,463	3,840,976	30,239,439	-
Total assets after provisions	55,418,501			
On-Balance Sheet exposure as % of total assets	47.63%			

Supplementary Information

31 December 2021

5) Non-bank Mainland exposures (continued)

	30 June 2021			
	<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)	6,583,552	-	6,583,552	-
2. Local government, local government owned entities and their subsidiaries and JVs	5,422,965	-	5,422,965	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	5,579,534	295,973	5,875,507	-
4. Other entities of central government not reported in item 1 above	-	-	-	-
5. Other entities of central government not reported in item 2 above	460,405	-	460,405	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,887,638	-	2,887,638	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-	-
Total	20,934,094	295,973	21,230,067	-
Total assets after provisions	44,963,822			
On-Balance Sheet exposure as % of total assets	46.56%			

Supplementary Information

31 December 2021

6) Currency risk

	31 December 2021		
	<u>HK\$ millions</u>		
	<u>USD</u>	<u>CNY</u>	<u>Total</u>
Spot assets	36,931	3,674	40,605
Spot liabilities	(39,362)	(3,635)	(42,997)
Forward purchases	4,478	-	4,478
Forward sales	(1,559)	-	(1,559)
Net options position	-	-	-
Net long (short) position	<u>488</u>	<u>39</u>	<u>527</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>

	30 June 2021		
	<u>HK\$ millions</u>		
	<u>USD</u>	<u>CNY</u>	<u>Total</u>
Spot assets	29,382	6,434	35,816
Spot liabilities	(26,409)	(6,911)	(33,320)
Forward purchases	1,081	720	1,801
Forward sales	(3,636)	(240)	(3,876)
Net options position	-	-	-
Net long (short) position	<u>418</u>	<u>3</u>	<u>421</u>
Net structural position	<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 2021

7) Off-balance Sheet exposures

(a) Contingent liabilities and commitments

	31 December 2021	30 June 2021
	<u>HK\$'000</u>	<u>HK\$'000</u>
Direct credit substitutes	-	-
Trade-related contingencies	-	-
Other commitments	5,002,322	484,968
Others	-	-

(b) Derivatives

	31 December 2021	30 June 2021
	<u>HK\$'000</u>	<u>HK\$'000</u>
Contract amount		
- Exchange rate contracts	6,031,751	4,713,114
- Interest rate contracts	8,095,754	4,870,940
Fair value		
- Exchange rate contracts	(8,605)	17,469
- Interest rate contracts	96,733	24,378

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

Supplementary Information

31 December 2021

8) Liquidity

	For the quarter ended 31 December 2021	For the quarter ended 31 December 2020
Average liquidity maintenance ratio	89.57%	95.04%

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 2021

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 2021	31 December 2020
	<u>% of total liabilities</u>	<u>% of total liabilities</u>
Deposits and balances from banks	21%	22%
Deposits from customers	52%	55%
Amount due to head office	14%	16%
Certificates of deposit issued	12%	6%
Others	1%	1%
Total liabilities	100%	100%

Supplementary Information

31 December 2021

8) Liquidity (continued)

Cash Flow Maturity Mismatch Analysis

	As at 31 December 2021 (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	3,339,192	5,483,734	11,438,066	8,640,898	-	-	-
Amount payable arising from derivatives contracts	-	4,458,595	1,360,565	285,195	157,736	-	-
Deposits and balances from banks	948,304	10,984,249	6,239,026	1,599,961	-	-	-
Debt securities & prescribed instruments outstanding	-	-	1,559,850	4,874,144	-	-	-
Other liabilities	-	105,684	-	-	-	-	215,725
Capital and reserves	-	-	-	-	-	-	(34,143)
Total on-balance sheet liabilities	4,287,496	21,032,262	20,597,507	15,400,198	157,736	-	181,582
Total off-balance sheet obligations	-	4,006,850	-	-	-	-	-
	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	-	4,451,260	1,351,239	270,581	281,683	-	-
Due from MA for a/c of Exchange Fund	7,616	-	-	-	-	-	-
Balances and placements with banks	4,748,351	6,944,955	2,704,895	6,965,839	-	-	-
Debt securities & prescribed instruments held	15,582,974	-	-	-	-	-	-
Loans and advances to customers	-	2,217,352	321,328	1,259,049	14,739,629	-	-
Other assets	-	-	-	-	-	-	166,606
Total on-balance sheet assets	20,338,941	13,613,567	4,377,462	8,495,469	15,021,312	-	166,606
Total off-balance sheet claims	-	-	-	-	-	-	5,000,000
Contractual Maturity Mismatch	16,051,445	(11,425,545)	(16,220,045)	(6,904,729)	14,863,576	-	-
Cumulative Contractual Maturity Mismatch	16,051,445	4,625,900	(11,594,145)	(18,498,874)	(3,635,298)	(3,635,298)	-

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

Supplementary Information

31 December 2021

8) Liquidity (continued)

Cash Flow Maturity Mismatch Analysis (continued)

	As at 31 December 2020 (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	891,047	5,152,897	6,310,081	1,629,501	-	-	-
Amount payable arising from derivatives contracts	-	5,570,950	16,181	19,298	6,742	-	-
Deposits and balances from banks	24,307	2,420,976	2,720,269	4,304,388	-	-	-
Debt securities & prescribed instruments outstanding	-	-	-	1,434,299	-	-	-
Other liabilities	-	7,512	102,744	-	-	-	180,488
Capital and reserves	-	-	-	-	-	-	(929)
Total on-balance sheet liabilities	915,354	13,152,335	9,149,275	7,387,486	6,742	-	179,559
Total off-balance sheet obligations	-	764,251	-	-	-	-	-
	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	-	5,575,444	16,149	19,265	6,742	-	-
Due from MIA for a/c of Exchange Fund	77,780	-	-	-	-	-	-
Balances and placements with banks	507,823	3,862,510	620,837	946,842	-	-	-
Debt securities & prescribed instruments held	10,025,648	-	-	-	-	-	-
Loans and advances to customers	-	1,237,121	1,993	1,609,433	6,226,202	-	-
Other assets	-	-	-	-	-	-	166,339
Total on-balance sheet assets	10,611,251	10,675,075	638,979	2,575,540	6,232,944	-	166,339
Total off-balance sheet claims	-	-	-	-	-	-	5,000,000
Contractual Maturity Mismatch	9,695,897	(3,241,511)	(8,510,296)	(4,811,946)	6,226,202	-	-
Cumulative Contractual Maturity Mismatch	9,695,897	6,454,386	(2,055,910)	(6,867,856)	(641,654)	(641,654)	-

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 2021	30 June 2021
	<u>RMB millions</u>	<u>RMB millions</u>
Capital adequacy ratio	13.34%	12.58%
Shareholders' equity	395,448	377,193

The capital adequacy ratio above is calculated in accordance with the guidelines issued by the China Banking and Insurance Regulatory Commission, 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 2021	30 June 2021
	<u>RMB millions</u>	<u>RMB millions</u>
Total assets	4,921,380	4,723,520
Total liabilities	4,525,932	4,346,327
Total loans and advances	3,063,448	2,874,893
Total customer deposits	2,961,819	2,866,678

	Year ended	Year ended
	31 December 2021	31 December 2020
	<u>RMB millions</u>	<u>RMB millions</u>
Pre-tax profit	45,879	36,754

1 CNY = 1.1909 HKD at 31 December 2020

1 CNY = 1.2007 HKD at 30 June 2021

1 CNY = 1.2233 HKD at 31 December 2021

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.

Total value of remuneration awards to six senior management and key personnel for the year of 1 January 2021 to 31 December 2021

	Non-deferred	Deferred
	<u>HK\$'000</u>	<u>HK\$'000</u>
Fixed remuneration ⁽¹⁾		
● Cash-based	10,987	N/A
Variable remuneration ⁽²⁾		
● Cash-based	13,043	4,765

Remuneration

Total value of remuneration awards to four senior management and key personnel for the year of 1 January 2020 to 31 December 2020

	Non-deferred	Deferred
	<u>HK\$'000</u>	<u>HK\$'000</u>
Fixed remuneration ⁽¹⁾		
● Cash-based	8,178	N/A
Variable remuneration ⁽²⁾		
● Cash-based	5,677	3,785

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 2021 to 31 December 2021

Special payments	Guaranteed bonuses		Sign-on awards		Severance 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	1	329	N/A	N/A

There was no guaranteed bonuses, sign-on awards and severance payments for our senior management and key personnel for the year of 1 January 2020 to 31 December 2020.

Compliance Statement

The Ping An Bank Co., Ltd., Hong Kong Branch's 2021 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

27th April, 2022