

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

**Annual Financial Disclosure Statement 2019
(Unaudited)**

Contents

In compliance with the disclosure standards set out in the Banking (Disclosure) Rules issued by Hong Kong Monetary Authority (the "HKMA"), 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 HKMA (www.hkma.gov.hk) and Ping An Bank Co., Ltd. (bank.pingan.com).

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Income Statement

For the period ended 31 December 2019

	For the period from 16 December to 31 December 2019
	<u>HK\$'000</u>
Interest income	889
Interest expenses	(2,334)
Net interest income	<u>(1,445)</u>
Gains less losses from dealing in foreign currencies	-
Gains less losses from other trading activities	(3)
Gains less losses on securities held for trading	-
Gains less losses from non-trading investment	-
Net fee and commission income	-
- Fee and commission income	-
- Fee and commission expenses	-
Operating income	<u>(1,448)</u>
Staff expenses	(37,823)
Rental expenses	(290)
Other operating expenses	(1,382)
Operating expenses	<u>(39,495)</u>
Operating loss before impairment	(40,943)
Net charge for impairment allowances	(17,918)
Loss before taxation	<u>(58,861)</u>
Taxation	-
Loss for the period	<u>(58,861)</u>

The Branch commenced the business on 16 December 2019 and thus no comparative figures are available.

Balance Sheet

As at 31 December 2019

	31 December 2019
	<u>HK\$'000</u>
Assets	
Cash and balances with banks	2,900,510
Placements with banks maturing between 1 to 12 months	-
Amount due from head office	-
Certificates of deposit held	-
Investment securities	463,912
Securities held for trading	-
Loan and receivables	
- Loan and advances to customers	778,658
- Accrued interest and other accounts	3,020
- Collectively assessed impairment allowances	(15,946)
- Individually assessed impairment allowances	-
Total Assets	<u>4,130,154</u>
Reserves and Liabilities	
Deposits and balances from banks	253,597
Deposits from customers	
- Demand deposits and current accounts	-
- Saving deposits	17
- Time, call and notice deposits	2,528,190
Amount due to head office	1,175,601
Other accounts and provisions	
- Accrued interest and others provisions	229,023
Total Liabilities	<u>4,186,428</u>
Reserves	
- Other reserves	2,587
- Loss for the period	(58,861)
Total Reserves and Liabilities	<u>4,130,154</u>

Supplementary Information

As at 31 December 2019

1) Impaired loans and advances to customers

As at 31 December 2019, the Branch has no impaired loans and advances to customers.

2) Loan and advances to customers

(a) Breakdown by industry sectors

	31 December 2019	
	<u>HK\$'000</u>	<u>% covered by collateral</u>
Loans for use in Hong Kong	-	-
Trade Finance	-	-
Loan for use outside Hong Kong	778,658	-
	<u>778,658</u>	-

(b) Breakdown by geographical segments

	31 December 2019	
	<u>HK\$'000</u>	
Hong Kong	-	-
Mainland China	778,658	-
Others	-	-
	<u>778,658</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.

3) Overdue and rescheduled advances, repossessed assets

(a) Overdue loans and advances to customers

As at 31 December 2019, the Branch has no overdue loans and advances to customers.

(b) Rescheduled and repossessed assets

As at 31 December 2019, the Branch has no rescheduled advances, and no repossessed assets.

Supplementary Information

As at 31 December 2019

4) International claim

	31 December 2019				
	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non- financial private sector	
			HK\$ million	HK\$ million	
Developed countries					
of which United States	492	-	-	-	492
Developing Asia Pacific					
of which Mainland China	2,124	236	286	780	3,426
Offshore centres					
of which Hong Kong	64	-	-	-	64
	<u>2,680</u>	<u>236</u>	<u>286</u>	<u>780</u>	<u>3,982</u>

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.

Supplementary Information

As at 31 December 2019

5) Non-bank Mainland exposures

	31 December 2019			
	On-balance sheet exposures	Off- balance sheet exposures	Total	Individually assessed impairment allowances
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-	-
2. Local government, local government owned entities and their subsidiaries and JVs	356,622	-	356,622	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-	-
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	109,791	-	109,791	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	778,767	-	778,767	-
Total	1,245,180	-	1,245,180	-
Total assets after provisions	4,130,154			
On-Balance Sheet exposure as % of total assets	30.15%			

Supplementary Information

As at 31 December 2019

6) Currency risk

	USD	CNY	Total
	<u>HK\$ million</u>	<u>HK\$ million</u>	<u>HK\$ million</u>
Spot assets	1,738	2,188	3,926
Spot liabilities	(1,737)	(2,189)	(3,926)
Forward purchases	-	-	-
Forward sales	-	-	-
Net options position	-	-	-
Net long (short) position	<u>1</u>	<u>(1)</u>	<u>-</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.

7) Off-balance Sheet exposures

(a) Contingent liabilities and commitments

As at 31 December 2019, the Branch has no contingent liabilities and commitments.

(b) Derivatives

As at 31 December 2019, the Branch has no derivatives.

8) Liquidity

	For the period from
	16 December to
	31 December 2019
Average liquidity maintenance ratio	<u>664.05%</u>

The average liquidity maintenance ratio is the simple average of the liquidity maintenance ratio for the period as reported in the return relating to the Liquidity Position submitted by the Branch to HKMA pursuant to Section 63 of the Banking Ordinance in respect of the reporting period.

Supplementary Information

As at 31 December 2019

8) Liquidity (continued)

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, Legal and Compliance Department, business units and other relevant departments. The ALCO is responsible for implementing and organizing the liquidity risk management, as well as 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 to determine 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 any business environment.

Funding

The Branch's liquidity and funding positions is independently managed. In the initial stage when the Branch commences the business, the funding is mainly sourced from the head office, interbank borrowing and customer deposits. The ALCO regularly reviews the asset-liability portfolio, market conditions and other factors so as to improve the funding strategy. Going forward, the Branch will actively exploit the funding opportunities and diversify the funding sources.

Supplementary Information

As at 31 December 2019

8) Liquidity (continued)

Liquidity Stress Testing

The liquidity risk stress test is an important tool for analysis and assessment for quantitative management of liquidity risk. The Branch considers various factors and formulates stress scenarios on liquidity risk according to 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

ALCO members discuss strategies and plans to proactively 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 over core liabilities and robust liquidity risk limit management. The Branch also reasonably manages the liquidity mismatch risk, and target a diversified funding source.

Contingent Funding Measures

In the event of a potential or actual crisis, ALCO members will discuss the type or severity of the crisis and decide which contingent measures should be adopted, including but not limited to delaying the loan business, selling liquefiable debt securities and seeking support from head office.

Cash Flow Maturity Mismatch Analysis

	As at 31 December 2019 (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
Contractual Maturity Mismatch	1,029,352	484,142	(2,799,168)	778,767	466,414	0
Cumulative Contractual Maturity Mismatch	1,029,352	1,513,494	(1,285,674)	(506,907)	(40,493)	(40,493)

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

Source of funding

The Branch's source of finding is mainly from intragroup borrowings, which accounts for 81.50% of total liabilities as at 31 December 2019.

Supplementary Information

As at 31 December 2019

8) Liquidity (continued)

Liquidity Gap

	As at 31 December 2019 (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	17	899,230	1,630,267	0	0	0	0
Deposits and balances from banks	0	261,302	1,168,901	0	0	0	0
Other liabilities	194,664	32,047	0	0	0	0	0
Capital and reserves	0	0	0	0	0	0	(56,274)
Total on-balance sheet liabilities	194,681	1,192,579	2,799,168	0	0	0	(56,274)
Total off-balance sheet obligations	0	0	0	0	0	0	0
	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
Due from MA for a/c of Exchange Fund	220,000	0	0	0	0	0	0
Balances and placements with banks	1,004,033	1,676,721	0	0	0	0	0
Debt securities & prescribed instruments held	0	0	0	0	466,414	0	0
Loans and advances to customers	0	0	0	778,767	0	0	0
Other assets	0	0	0	0	0	0	165
Total on-balance sheet assets	1,224,033	1,676,721	0	778,767	466,414	0	165
Total off-balance sheet claims	0	0	0	0	0	0	0

Consolidated Financial Statements

Ping An Bank Co., Ltd.

(a) Capital adequacy ratio and shareholder's fund

31 December 2019

RMB million

Capital adequacy ratio	13.22%
Shareholders' equity	312,983

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 2019

RMB million

Total assets	3,939,070
Total liabilities	3,626,087
Total loans and advances	2,323,205
Total customer deposits	2,436,935

For the year ended

31 December 2019

RMB million

Pre-tax profit	36,240
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1 RMB = 1.1176619 HKD at 31 December 2019

Compliance Statement

The Ping An Bank Co., Ltd., Hong Kong Branch's 2019 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 Hong Kong Monetary Authority (the "HKMA").



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

24 April 2020