

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

**Annual Financial Disclosure Statement 2020
(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. (<http://bank.pingan.com>).

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Income Statement

For the year ended 31 December 2020

	For the year ended 31 December 2020	For the period 16 - 31 December 2019
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest income	323,468	889
Interest expense	(197,273)	(2,334)
Net interest income	126,195	(1,445)
Gains less losses from dealing in foreign currencies	17,388	-
Gains less losses from other trading activities	(38)	(3)
Gains less losses on securities held for trading	701	-
Net fee and commission income	22,156	-
- <i>Fee and commission income</i>	24,703	-
- <i>Fee and commission expenses</i>	(2,547)	-
Other operating income	110,294	-
Operating income	276,696	(1,448)
Staff expenses	(155,001)	(37,823)
Rental expenses	(28,404)	(290)
Other operating expenses	(27,945)	(1,382)
Operating expenses	(211,350)	(39,495)
Operating profit / (loss) before impairment	65,346	(40,943)
Net charge for impairment allowances	(131,475)	(17,918)
Loss before taxation	(66,129)	(58,861)
Taxation	(3,370)	-
Loss for the period	(69,499)	(58,861)

The Branch commenced the business on 16 December 2019.

Balance Sheet

31 December 2020

	31 December 2020	30 June 2020
	<u>HK\$'000</u>	<u>HK\$'000</u>
Assets		
Cash and balances with banks	4,333,275	5,167,899
Placements with banks maturing in 1 to 12 months	1,566,039	1,065,837
Amount due from head office	110,294	-
Certificates of deposit held	175,184	-
Investment securities	9,850,465	5,736,734
Securities held for trading	-	-
Loan and receivables		
- Loan and advances to customers	9,067,677	6,024,622
- Accrued interest and other accounts	7,072	11,090
- Collectively assessed impairment allowances	(101,109)	(101,279)
- Individually assessed impairment allowances	-	-
Fixed assets	26,653	26,964
Other assets	168,371	59,179
Total Assets	25,203,921	17,991,046
Reserves and Liabilities		
Deposits and balances from banks	5,529,001	5,756,097
Deposits from customers		
- Demand deposits and current accounts	-	-
- Saving deposits	891,047	1,007,373
- Time, call and notice deposits	13,092,479	8,124,752
Amount due to head office	3,940,938	3,172,250
Certificates of deposit issued	1,432,058	-
Other liabilities	319,327	71,101
Total Liabilities	25,204,850	18,131,573
Reserves		
Other reserves	68,570	24,452
Loss for the period	(69,499)	(164,979)
Total Reserves and Liabilities	25,203,921	17,991,046

Supplementary Information

31 December 2020

1) Impaired loans and advances to customers

As at 31 December 2020 and 30 June 2020, the Branch has no impaired loans and advances to customers.

2) Loan and advances to customers

(a) Breakdown by industry sectors

	31 December 2020		30 June 2020	
	<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				
Property investment	-	-	232,505	-
Financial concerns	620,142	-	-	-
Stockbrokers	649,382	-	500,000	-
Others	-	-	116,253	-
Loans for use in Hong Kong	1,269,524	-	848,758	-
Loan for use outside Hong Kong	7,798,153	32.24%	5,175,864	-
	9,067,677	27.73%	6,024,622	-

(b) Breakdown by geographical segments

	31 December 2020		30 June 2020	
	<u>HK\$'000</u>		<u>HK\$'000</u>	
Hong Kong	4,972,214		848,758	
Mainland China	4,012,189		5,175,864	
Other	83,274		-	
	9,067,677		6,024,622	

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

As at 31 December 2020 and 30 June 2020, the Branch has no overdue or rescheduled loans and advances to customers, and no repossessed assets.

Supplementary Information

31 December 2020

4) International claims

	31 December 2020				Total
	Banks	Official sector		Non-bank private sector	
		Official sector	Non-bank financial institutions		
Developing Asia Pacific					
Mainland China	5,434	132	4,643	5,873	13,142
Offshore Centres					
Hong Kong	208	120	967	3,268	4,563

	30 June 2020				Total
	Banks	Official sector		Non-bank private sector	
		Official sector	Non-bank financial institutions		
Developing Asia Pacific					
Mainland China	4,446	-	3,061	5,793	13,300
Offshore Centres					
Hong Kong	223	219	244	993	1,679

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 2020

5) Non-bank Mainland exposures

	31 December 2020			
	<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)	4,310,340	66,444	4,376,784	-
2. Local government, local government owned entities and their subsidiaries and JVs	4,419,407	-	4,419,407	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	5,167,324	452,658	5,619,982	-
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	1,581,408	-	1,581,408	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-	-
Total	15,478,479	519,102	15,997,581	-
Total assets after provisions	25,203,901			
On-Balance Sheet exposure as % of total assets	61.41%			

Supplementary Information

31 December 2020

5) Non-bank Mainland exposures (continued)

	30 June 2020			
	<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)	2,188,014	210,362	2,398,376	-
2. Local government, local government owned entities and their subsidiaries and JVs	2,423,560	-	2,423,560	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	6,541,995	192,252	6,734,247	-
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	-	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-	-
Total	11,153,569	402,614	11,556,183	-
Total assets after provisions	17,991,046			
On-Balance Sheet exposure as % of total assets	62.00%			

Supplementary Information

31 December 2020

6) Currency risk

	31 December 2020		
	<u>HK\$ millions</u>		
	<u>USD</u>	<u>CNY</u>	<u>Total</u>
Spot assets	16,052	4,005	20,057
Spot liabilities	(13,139)	(7,506)	(20,645)
Forward purchases	1,460	3,490	4,950
Forward sales	(4,098)	-	(4,098)
Net options position	-	-	-
Net long (short) position	<u>275</u>	<u>(11)</u>	<u>264</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>

	30 June 2020		
	<u>HK\$ millions</u>		
	<u>USD</u>	<u>CNY</u>	<u>Total</u>
Spot assets	11,994	2,800	14,794
Spot liabilities	(11,049)	(4,028)	(15,077)
Forward purchases	557	1,424	1,981
Forward sales	(1,415)	(219)	(1,634)
Net options position	-	-	-
Net long (short) position	<u>87</u>	<u>(23)</u>	<u>64</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 2020

7) Off-balance Sheet exposures

(a) Contingent liabilities and commitments

	31 December 2020	30 June 2020
	<u>HK\$'000</u>	<u>HK\$'000</u>
Direct credit substitutes	-	-
Trade-related contingencies	-	-
Other commitments	764,251	694,877
Others	-	387,509

(b) Derivatives

	31 December 2020	30 June 2020
	<u>HK\$'000</u>	<u>HK\$'000</u>
Contract amount		
- Exchange rate contracts	5,575,443	1,981,523
- Interest rate contracts	3,096,233	9,420,167
Fair value		
- Exchange rate contracts	4,239	9,389
- Interest rate contracts	(65)	(38)

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

Supplementary Information

31 December 2020

8) Liquidity

	For the quarter ended	For the period
	31 December 2020	16 - 31 December 2019
Average liquidity maintenance ratio	95.04%	664.05%

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 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. 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 will continue to actively exploit the funding opportunities and diversify the funding sources.

Supplementary Information

31 December 2020

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

The ALCO regularly discusses 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.

Contingency Funding Plan

To cater for potential or actual crisis, the branch has set up 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 relevant drill is performed at least once a year in order to ensure its effectiveness and operational feasibility.

Source of funding

	31 December 2020	31 December 2019
	<u>% of total liabilities</u>	<u>% of total liabilities</u>
Deposits and balances from banks	22%	6%
Deposits from customers	55%	60%
Amount due to head office	16%	28%
Certificates of deposit issued	6%	-
Others	1%	6%
Total liabilities	<u>100%</u>	<u>100%</u>

Supplementary Information

31 December 2020

8) Liquidity (continued)

Cash Flow Maturity Mismatch Analysis

	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 MA 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.

Supplementary Information

31 December 2020

8) Liquidity (continued)

Cash Flow Maturity Mismatch Analysis (continued)

	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	-	-	-	-
Deposits and balances from banks	-	261,302	1,168,901	-	-	-	-
Other liabilities	194,664	32,047	-	-	-	-	-
Capital and reserves	-	-	-	-	-	-	(56,274)
Total on-balance sheet liabilities	194,681	1,192,579	2,799,168	-	-	-	(56,274)
Total off-balance sheet obligations	-	-	-	-	-	-	-
	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	-	-	-	-	-	-
Balances and placements with banks	1,004,033	1,676,721	-	-	-	-	-
Debt securities & prescribed instruments held	-	-	-	-	466,414	-	-
Loans and advances to customers	-	-	-	778,767	-	-	-
Other assets	-	-	-	-	-	-	165
Total on-balance sheet assets	1,224,033	1,676,721	-	778,767	466,414	-	165
Total off-balance sheet claims	-	-	-	-	-	-	-
Contractual Maturity Mismatch	1,029,352	484,142	(2,799,168)	778,767	466,414	-	-
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.

Consolidated Financial Statements

Ping An Bank Co., Ltd.

(a) Capital adequacy ratio and shareholder's fund

	31 December 2020	30 June 2020
	<u>RMB millions</u>	<u>RMB millions</u>
Capital adequacy ratio	13.29%	13.96%
Shareholders' equity	364,131	351,397

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 2020	30 June 2020
	<u>RMB millions</u>	<u>RMB millions</u>
Total assets	4,468,514	4,178,622
Total liabilities	4,104,383	3,827,225
Total loans and advances	2,666,297	2,508,408
Total customer deposits	2,673,118	2,486,121

	Year ended	Year ended
	31 December 2020	31 December 2019
	<u>RMB millions</u>	<u>RMB millions</u>
Pre-tax profit	36,754	36,240

1 CNY = 1.1177 HKD at 31 December 2019

1 CNY = 1.0954 HKD at 30 June 2020

1 CNY = 1.1909 HKD at 31 December 2020

Compliance Statement

The Ping An Bank Co., Ltd., Hong Kong Branch's 2020 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

23 April 2021