



ZA Bank Limited

Interim Financial Disclosure Statement
For the six months ended
30 June 2022

ZA Bank Limited

Interim Financial Disclosure Statement

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ZA Bank Limited

Interim Financial Disclosure Statement

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2022 (unaudited) HK\$'000	Six months ended 30 June 2021 (unaudited) HK\$'000
Interest income	2	110,723	69,430
Interest expense	2	(21,565)	(34,706)
Net interest income		89,158	34,724
Fee and commission income	3	71,957	28,529
Fee and commission expense	3	(29,174)	(5,440)
Net fee and commission income		42,783	23,089
Net gains/(losses) from disposal of investment securities at fair value through other comprehensive income ("FVOCI")		153	(11,851)
Other income		2,083	7,820
Operating expenses	4	(361,463)	(300,843)
Operating loss before impairment losses		(227,286)	(247,061)
Credit impairment losses on loans and advances to customers		(17,652)	(9,505)
Credit impairment losses on other financial assets		(12,166)	4,470
Loss before income tax		(257,104)	(252,096)
Income tax	6	-	-
Net loss for the period		(257,104)	(252,096)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
- Changes in the fair value of debt instruments measured at FVOCI, net of tax		(219,178)	(26,722)
Total comprehensive loss for the period		(476,282)	(278,818)

CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
ASSETS			
Cash and balances with banks	8	954,362	1,240,395
Placements with and advances to banks	9	317,081	1,076,224
Loans and advances to customers	10	4,220,770	2,512,897
Investment securities measured at FVOCI	11	5,031,647	4,824,163
Intangible assets	12	37,401	13,850
Fixed assets	13	2,261	3,085
Other assets	14	151,635	133,002
Total assets		<u>10,715,157</u>	<u>9,803,616</u>
LIABILITIES			
Deposits from customers	15	8,202,896	7,062,217
Other accounts and accruals	16	253,492	261,684
Total liabilities		<u>8,456,388</u>	<u>7,323,901</u>
EQUITY			
Share capital	17	3,850,000	3,600,000
Reserves		(242,925)	(29,083)
Accumulated losses		(1,348,306)	(1,091,202)
Total equity		<u>2,258,769</u>	<u>2,479,715</u>
Total liabilities and equity		<u>10,715,157</u>	<u>9,803,616</u>

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Share-based payment	Accumulated losses	Total equity
Balance at 1 January 2021	2,100,000	1,077	-	(539,696)	1,561,381
Issue of ordinary shares	500,000	-	-	-	500,000
Net loss for the period	-	-	-	(252,096)	(252,096)
Other comprehensive income (net of tax)					
- Change in the fair value of debt instruments measured at FVOCI	-	(26,722)	-	-	(26,722)
Balance at 30 June 2021 (unaudited)	<u>2,600,000</u>	<u>(25,645)</u>	<u>-</u>	<u>(791,792)</u>	<u>1,782,563</u>
Balance at 1 July 2021	2,600,000	(25,645)	-	(791,792)	1,782,563
Issue of ordinary shares	1,000,000	-	-	-	1,000,000
Net loss for the period	-	-	-	(299,410)	(299,410)
Share-based payment expenses	-	-	1,223	-	1,223
Other comprehensive income (net of tax)					
- Change in the fair value of debt instruments measured at FVOCI	-	(4,661)	-	-	(4,661)
Balance at 31 December 2021 (audited)	<u>3,600,000</u>	<u>(30,306)</u>	<u>1,223</u>	<u>(1,091,202)</u>	<u>2,479,715</u>
Balance at 1 January 2022	3,600,000	(30,306)	1,223	(1,091,202)	2,479,715
Issue of ordinary shares	250,000	-	-	-	250,000
Net loss for the period	-	-	-	(257,104)	(257,104)
Share-based payment expenses	-	-	5,336	-	5,336
Other comprehensive income (net of tax)					
- Change in the fair value of debt instruments measured at FVOCI	-	(219,178)	-	-	(219,178)
Balance at 30 June 2022 (unaudited)	<u>3,850,000</u>	<u>(249,484)</u>	<u>6,559</u>	<u>(1,348,306)</u>	<u>2,258,769</u>

CONDENSED CASH FLOW STATEMENT

	Notes	Six months ended 30 June 2022 (unaudited) HK\$'000	Six months ended 30 June 2021 (unaudited) HK\$'000
OPERATING ACTIVITIES			
Loss before income tax		(257,103)	(252,096)
Adjustment for:			
Depreciation and amortization expense	4	6,219	3,960
Interest expense arising from lease liabilities	2	10	8
Change in expected credit losses		29,818	8,309
Net gain from disposal of investment securities at FVOCI		(153)	-
Share based payment expenses		5,336	-
Changes in operating assets and liabilities:			
Decrease/(increase) in placement with and advances to banks with original maturity beyond 3 months		497,341	(348,000)
Increase in other assets	14	(11,022)	(60,021)
Increase in loans and advances to customers	10	(1,725,525)	(692,869)
Increase in deposits from customers	15	1,140,679	1,694,843
(Decrease)/increase in other accounts and accruals	16	(32,638)	134,652
Net cash (outflow)/inflow from operating activities		(347,038)	488,786
INVESTING ACTIVITIES			
Purchase of investment securities measured at FVOCI		(1,495,009)	(2,201,212)
Proceeds from disposal and maturity of investment securities at FVOCI		1,071,718	3,046,572
Payments for intangible assets	12	(1,472)	-
Purchase of fixed assets	13	(629)	(2,932)
Net cash (outflow)/inflow from investing activities		(425,392)	842,428
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		250,000	500,000
Principal element of lease payments		(1,660)	(404)
Net cash inflow from financing activities		248,340	499,596
Net (Decrease)/increase in cash and cash equivalents		(524,090)	1,830,810
Cash and cash equivalents as at 1 January		1,769,395	1,565,999
Effect of exchange rate changes on cash and cash equivalents		(23,852)	5,345
Cash and cash equivalents as at 30 June		1,221,453	3,402,154
Cash and cash equivalents comprise:			
- Cash and balances with banks		954,363	2,527,931
- Placements of bank deposits with original maturity 3 months or less		267,090	874,223
		1,221,453	3,402,154

Notes to the unaudited financial disclosure statement

1. General information

(a) Review of activities

The Bank is incorporated in Hong Kong as a limited company under the Hong Kong Companies Ordinance (Cap. 622) with principal activities on providing banking services to its customers. The address of its registered office is Unit 1301, Level 13, IT Street, Cyberport 3, 100 Cyberport Road, Hong Kong.

The Bank is a wholly-owned subsidiary of ZhongAn Financial Services Limited (the “parent company”). The ultimate parent company of the Bank is ZhongAn Online P&C Insurance Co., Ltd. (the “ultimate parent company”), incorporated in the People’s Republic of China and listed on the Main Board of the Stock Exchange of Hong Kong.

As at 30 June 2022, the Bank has won the trust of over 600,000 customers, secured the leading position among Hong Kong’s virtual banks. Solid income growth was driven by more diverse income streams being launched, such as the introduction of our new bancassurance partnership with Generali Hong Kong; the growing traction of ZA Card which turned the customer engagement into monetization opportunities; and the strong growth in lending business. The Bank will continue to enrich our products and services to serve customers’ holistic financial needs from general banking services to wealth management.

As at 30 June 2022, total assets was HK\$10.7 billion which increased by HK\$0.9 billion compared to the position ended 31 December 2021. The increase was mainly driven by the increase in loans and advances to customers and offset by the decrease in placements with and advances to banks. Compared to 30 June 2021, the Bank’s loan balance surged to HK\$ 4.2 billion (+210%), driven by the growth of wholesale banking segments, capitalizing on the engagement nurtured and effective portfolio management. Increase in total liabilities were mainly driven by the increase in deposits from customers and capital injection. The net loss for the six months ended 30 June 2022 increased by HK\$5 million compared with the same period last year. The increase was mainly due to the Bank’s customer base increase, continuous effort to deepen customer engagement, and ongoing investment in talent and technology.

Notes to the unaudited financial disclosure statement

1. General information (continued)

(b) Basis of preparation

The accounting policies adopted in the preparation of the interim financial disclosure statement are consistent with those used in the preparation of the Bank's audited financial statements for the year ended 31 December 2021 except for the adoption of the HKFRSs and HKASs issued up to 30 June 2022 which are pertinent to the Bank's operations and relevant to these interim financial disclosure statement.

The unaudited interim financial disclosure statement does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements for the year ended 31 December 2021.

The preparation of unaudited interim financial disclosure statements requires management to exercise its judgment and make estimates and assumptions in the process of applying the Bank's accounting policies and reporting amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgments made by management were the same as those applied to the annual financial statements for the year ended 31 December 2021.

The financial information relating to the year ended 31 December 2021 that is included in the unaudited interim financial disclosure statements for the six months ended 30 June 2022 as comparative information does not constitute the Bank's statutory annual financial statements for the year ended 31 December 2021 but is derived from the audited financial statements for the year ended 31 December 2021. Further information related to the audited financial statements for the year ended 31 December 2021 disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies and has not done so.

The Bank's auditor has reported on the audited financial statements for the year ended 31 December 2021. The auditor's report was unqualified; did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. Net interest income

(a) Interest income

	Six months ended 30 June 2022 (unaudited) HK\$'000	Six months ended 30 June 2021 (unaudited) HK\$'000
Interest income arising from:		
- financial assets measured at amortized cost ("AC")	46,867	18,475
- financial assets measured at FVOCI	63,856	50,955
	<u>110,723</u>	<u>69,430</u>

(b) Interest expense

	Six months ended 30 June 2022 (unaudited) HK\$'000	Six months ended 30 June 2021 (unaudited) HK\$'000
Interest expense arising from:		
- financial liabilities measured at AC	21,555	34,698
- lease liabilities (note 7)	10	8
	<u>21,565</u>	<u>34,706</u>

3. Net fee and commission income

	Six months ended 30 June 2022 (unaudited) HK\$'000	Six months ended 30 June 2021 (unaudited) HK\$'000
Cards	60,684	23,634
Others	11,273	4,895
	<u>71,957</u>	<u>28,529</u>
Fee and commission income	71,957	28,529
Less: fee and commission expense	(29,174)	(5,440)
	<u>42,783</u>	<u>23,089</u>
Net fee and commission income	<u>42,783</u>	<u>23,089</u>

4. Operating expenses

	Six months ended 30 June 2022 (unaudited) HK\$'000	Six months ended 30 June 2021 (unaudited) HK\$'000
Employee benefit expense	178,978	139,872
Advertising and promotion expense	125,854	108,557
Rental expense	10,321	8,223
Legal and professional fees	13,755	6,506
Depreciation and amortisation expense	6,219	3,960
Auditors' remuneration	1,442	1,231
Others	24,894	32,494
	<u>361,463</u>	<u>300,843</u>

5. Employee benefit expense (including director's emolument)

	Six months ended 30 June 2022 (unaudited) HK\$'000	Six months ended 30 June 2021 (unaudited) HK\$'000
Salaries, staff welfare and insurance cost	172,467	139,060
Pension costs - defined contribution plans	1,175	812
Share-based payments	5,336	-
	<u>178,978</u>	<u>139,872</u>

6. Income tax

Hong Kong profits tax has been provided at the effective rate of 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Six months ended 30 June 2022 (unaudited) HK\$'000	Six months ended 30 June 2021 (unaudited) HK\$'000
Total current tax expense	<u>-</u>	<u>-</u>

7. Leases

This note provides information for leases where the Bank is a lessee.

(i) Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	As at 30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Right-of-use assets		
- Building	543	1,223
- Equipment	262	524
	<u>805</u>	<u>1,747</u>
	<u><u>805</u></u>	<u><u>1,747</u></u>
	As at 30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Lease liabilities		
- Current	314	1,964
- Non-current	-	-
	<u>314</u>	<u>1,964</u>
	<u><u>314</u></u>	<u><u>1,964</u></u>

(ii) Amounts recognized in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	Six months ended 30 June 2022 (unaudited) HK\$'000	Six months ended 30 June 2021 (unaudited) HK\$'000
Depreciation charge of right-of-use assets	942	944
Interest expense (note 2)	10	8
Expense relating to leases of low-value assets (included in operating expenses)	2,731	2,168

(ii) Supplementary information

	Six months ended 30 June 2022 (unaudited) HK\$'000	Six months ended 30 June 2021 (unaudited) HK\$'000
Additions to the right-of-use assets	-	-
Total cash outflow for leases	1,660	404

8. Cash and balances with banks

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Cash on hand	30	30
Balances with central bank	811,966	971,794
Balances with other banks	142,366	268,571
Less: expected credit loss allowances – stage 1	-	-
	<u>954,362</u>	<u>1,240,395</u>

As at 30 June 2022, there were no impaired, overdue or rescheduled balances with central bank (31 December 2021: nil).

9. Placements with and advances to banks

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Placements with and advances to banks maturing within one month	267,090	289,000
Placements with and advances to banks maturing between one and twelve months	50,000	787,341
Less: expected credit loss allowances – stage 1	(9)	(117)
	<u>317,081</u>	<u>1,076,224</u>

As at 30 June 2022, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2021: nil).

10. Loans and advances to customers

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Gross loans and advances to customers	4,269,274	2,547,561
Less: expected credit loss allowances		
- Stage 1	(39,238)	(29,750)
- Stage 2	(1,591)	(229)
- Stage 3	(7,675)	(4,685)
	<u>4,220,770</u>	<u>2,512,897</u>

11. Investment securities measured at FVOCI

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Debt securities	5,031,647	4,824,163
	<u>5,031,647</u>	<u>4,824,163</u>
	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Type of issuer		
- Sovereign	9,875	9,875
- Banks and other financial institutions	2,462,674	2,559,274
- Corporates	2,559,098	2,255,014
	<u>5,031,647</u>	<u>4,824,163</u>

12. Intangible assets

	Software HK\$'000	Total HK\$'000
Cost:		
At 1 January 2021	22,879	22,879
Additions	-	-
Exchange	13	13
	<u>22,892</u>	<u>22,892</u>
At 31 December 2021 (audited)	22,892	22,892
Additions	27,505	27,505
Exchange	121	121
	<u>50,518</u>	<u>50,518</u>
At 30 June 2022 (unaudited)	50,518	50,518
Accumulated amortisation:		
At 1 January 2021	4,281	4,281
Amortisation for the year	4,759	4,759
Exchange	2	2
	<u>9,042</u>	<u>9,042</u>
At 31 December 2021 (audited)	9,042	9,042
Amortisation for the period	3,824	3,824
Exchange	251	251
	<u>13,117</u>	<u>13,117</u>
At 30 June 2022 (unaudited)	13,117	13,117
Net book value at 31 December 2021 (audited)	<u>13,850</u>	<u>13,850</u>
Net book value at 30 June 2022 (unaudited)	<u>37,401</u>	<u>37,401</u>

The management of the Bank determines no impairment loss on the intangible assets.

13. Fixed assets

	Equipment HK\$'000	Total HK\$'000
Cost:		
At 1 January 2021	2,458	2,458
Transfer to ZhongAn Technologies International Group Limited ("ZATI")	(49)	(49)
Additions	3,132	3,132
	<hr/>	<hr/>
At 31 December 2021 (audited)	5,541	5,541
Additions	629	629
	<hr/>	<hr/>
At 30 June 2022 (unaudited)	6,170	6,170
	<hr/>	<hr/>
Accumulated depreciation:		
At 1 January 2021	513	513
Transfer to ZATI	(4)	(4)
Depreciation for the year	1,947	1,947
	<hr/>	<hr/>
At 31 December 2021 (audited)	2,456	2,456
Depreciation for the period	1,453	1,453
	<hr/>	<hr/>
At 30 June 2022 (unaudited)	3,909	3,909
	<hr/>	<hr/>
Net book value at 31 December 2021 (audited)	3,085	3,085
	<hr/> <hr/>	<hr/> <hr/>
Net book value at 30 June 2022 (unaudited)	2,261	2,261
	<hr/> <hr/>	<hr/> <hr/>

14. Other assets

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Deposits	78,782	78,791
Interest accruals	44,124	39,445
Prepaid expenses	12,702	4,959
Right-of-use assets (note 7)	805	1,747
Others	15,222	8,060
	<hr/>	<hr/>
	151,635	133,002
	<hr/> <hr/>	<hr/> <hr/>

15. Deposits from customers

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Saving deposits	3,687,786	5,125,243
Time deposits	4,515,110	1,936,974
	<u>8,202,896</u>	<u>7,062,217</u>

16. Other accounts and accruals

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Accounts payable and accruals	115,508	147,842
Amounts due to related party	64,336	83,238
Accruals for employee benefit	38,153	19,189
Interest payable	4,962	3,606
Lease liabilities	314	1,964
Others	30,219	5,845
	<u>253,492</u>	<u>261,684</u>

17. Share capital

	As at 30 June 2022 (unaudited) Shares	As at 31 December 2021 (audited) Shares	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Ordinary shares Fully Paid	3,850,000,000	3,600,000,000	3,850,000	3,600,000

On 25 May 2022, 250,000,000 ordinary shares were issued by the Bank to the parent company at HK\$250,000,000 for cash. All the cash was paid up on the date of issuance.

On 4 May 2021, 17 August 2021 and 20 December 2021, the Bank respectively issued 500,000,000 ordinary shares, 300,000,000 ordinary shares and 700,000,000 ordinary shares to the parent company at HK\$500,000,000, HK\$300,000,000 and HK\$700,000,000 for cash. All the cash was paid up on the date of issuance.

18. Fair value estimation

The following tables present the carrying value of the Bank's financial assets and financial liabilities recognized at fair value on a recurring basis, classified according to the fair value hierarchy.

	Level 1	Total
At 30 June 2022 (unaudited)		
Investment securities measured at FVOCI		
- Debt securities	5,031,647	5,031,647
	<u>5,031,647</u>	<u>5,031,647</u>
At 31 December 2021 (audited)		
Investment securities measured at FVOCI		
- Debt securities	4,824,163	4,824,163
	<u>4,824,163</u>	<u>4,824,163</u>

There were no significant transfers of financial assets or liabilities between level 1 and level 2 fair value hierarchy classifications.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

For financial assets and financial liabilities not carried at fair value on the financial statements, the Bank has ascertained that their fair values were the reasonable approximation of the carrying amounts at year end due to short-term nature.

19. Dividends

No dividend was paid or proposed for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).