ZA Bank

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ZA Bank Limited

Regulatory Disclosure Statement

For the six months ended

30 June 2023

ZA Bank Limited

Regulatory Disclosure Statement

Introduction

Purpose

The information contained in this document is for ZA Bank Limited (“the Bank”), and prepared in accordance with the Banking (Disclosure) Rules (“BDR”) and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

This regulatory disclosure statement is governed by the Bank’s disclosure policy, which has been approved by the Board of Directors. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the regulatory disclosure statement is not required to be externally audited, the document has been subject to independent review in accordance with the Bank’s disclosure policy.

The numbers in this document are expressed in thousands of Hong Kong Dollars, unless otherwise stated.

Basis of preparation

The capital adequacy ratio (“CAR”) was compiled in accordance with the Banking (Capital) Rules (“BCR”) issued by the HKMA. In calculating the risk weighted assets (“RWA”), the Bank adopted the Standardized (Credit Risk) Approach and the Standardized (Market Risk) Approach for credit risk and market risk respectively. For operational risk, the capital requirement is calculated using the basic indicator approach.

Basis of consolidation

As at 30 June 2023, the Bank does not have any subsidiaries to consolidate the financial information in this Regulatory Disclosure Statement.

Part I: Key prudential ratios and overview of RWA

KM1 - Key prudential ratios

	(HK$ '000)	(a) 30-Jun-23	(b) 31-Mar-23	(c) 31-Dec-22	(d) 30-Sep-22	(e) 30-Jun-22
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	2,008,526	2,116,422	2,113,732	2,214,724	2,221,368
2	Tier 1	2,008,526	2,116,422	2,113,732	2,214,724	2,221,368
3	Total capital	2,057,874	2,158,851	2,155,675	2,264,911	2,263,026
	RWA (amount)					
4	Total RWA	8,817,596	8,997,843	8,526,667	8,375,878	8,246,868
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	22.8%	23.5%	24.8%	26.4%	26.9%
6	Tier 1 ratio (%)	22.8%	23.5%	24.8%	26.4%	26.9%
7	Total capital ratio (%)	23.3%	24.0%	25.3%	27.0%	27.4%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.7%	0.7%	0.7%	0.7%	0.7%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total AI-specific CET1 buffer requirements (%)	3.2%	3.2%	3.2%	3.2%	3.2%
12	CET1 available after meeting the AI’s minimum capital requirements (%)	15.3%	16.0%	17.3%	19.0%	19.4%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	13,028,614	12,466,984	11,601,539	10,637,846	10,717,324
14	LR (%)	15.4%	17.0%	18.2%	20.8%	20.7%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)[1]	78.3%	86.3%	76.9%	74.7%	71.6%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

The capital ratios and LMR remained above the minimum regulatory requirements.

[1] The LMR disclosed above represent the arithmetic mean of the average value of its LMR for each calendar month within the quarter.

OV1: Overview of RWA

The following table provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 30 June 2023 and 31 March 2023 respectively:

		(a)	(b)	(c)
		RWA		Minimum capital requirements
(HK$ '000)		30-Jun-23	31-Mar-23	30-Jun-23
1	**Credit risk for non-securitization exposures**	**8,432,446**	**8,658,093**	**674,596**
2	Of which STC approach	8,432,446	8,658,093	674,596
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	**Counterparty default risk and default fund contributions**	-	-	-
7	Of which SA-CCR approach	-	-	-
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	-	-	-
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme (CIS) exposures - LTA	N/A	N/A	N/A
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	**Securitization exposures in banking book**	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	**Market risk**	**1,425**	**75**	**114**
21	Of which STM approach	1,425	75	114
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	**Operational risk**	**383,725**	**339,675**	**30,698**
24a	**Sovereign concentration risk**	N/A	N/A	N/A
25	**Amounts below the thresholds for deduction (subject to 250% RW)**	-	-	-
26	**Capital floor adjustment**	-	-	-
26a	**Deduction to RWA**	-	-	-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	**Total**	**8,817,596**	**8,997,843**	**705,408**

Increase in market risk RWA as at 30 June 2023 was mainly due to the increase in the net foreign exchange exposures.

Part IIA: Composition of regulatory capital
CC1: Composition of regulatory capital

As at 30 June 2023		(a) Amount (HK$ '000)	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	4,100,000	(3)
2	Retained earnings	(1,789,681)	(4)
3	Disclosed reserves	(259,485)	(5)
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	N/A	
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	**2,050,834**	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	(1)
9	Other intangible assets (net of associated deferred tax liabilities)	42,308	(2)
10	Deferred tax assets (net of associated deferred tax liabilities)	-	
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	N/A	N/A
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A
22	Amount exceeding the 15% threshold	N/A	N/A
23	of which: significant investments in the ordinary share of financial sector entities	N/A	N/A
24	of which: mortgage servicing rights	N/A	N/A
25	of which: deferred tax assets arising from temporary differences	N/A	N/A
26	National specific regulatory adjustments applied to CET1 capital	-	

CC1: Composition of regulatory capital (continued)

As at 30 June 2023		(a) **Amount (HK$ '000)**	(b) **Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	-	
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient Additional Tier 1 (AT1) capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	**42,308**	
29	**CET1 capital**	**2,008,526**	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
36	**AT1 capital before regulatory deductions**	-	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	-	
44	**AT1 capital**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**2,008,526**	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	

CC1: Composition of regulatory capital (continued)

As at 30 June 2023		(a) Amount (HK$ '000)	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	49,348	
51	**Tier 2 capital before regulatory deductions**	**49,348**	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	**49,348**	
59	**Total regulatory capital (TC = T1 + T2)**	**2,057,874**	
60	**Total RWA**	**8,817,596**	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	**22.8%**	
62	**Tier 1 capital ratio**	**22.8%**	
63	**Total capital ratio**	**23.3%**	

CC1: Composition of regulatory capital (continued)

		(a)	(b)
	As at 30 June 2023	**Amount (HK$ '000)**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	**3.2%**	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical capital buffer requirement	0.7%	
67	of which: higher loss absorbency requirement	0.0%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	**15.3%**	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	N/A	N/A
70	National Tier 1 minimum ratio	N/A	N/A
71	National Total capital minimum ratio	N/A	N/A
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	-	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	N/A	N/A
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	-	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	-	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 capital instruments subject to phase-out arrangements*	N/A	N/A
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	N/A	N/A
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

CC1: Composition of regulatory capital (continued)

Notes to the Template:

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

	Description	Hong Kong basis (HK$ '000)	Basel III basis (HK$ '000)
9	**Other intangible assets (net of associated deferred tax liabilities)**	42,308	42,308
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	**Deferred tax assets (net of associated deferred tax liabilities)**	-	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realised are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	**Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

CC1: Composition of regulatory capital (continued)

Notes to the Template (continued)

	Description	Hong Kong basis (HK$ '000)	Basel III basis (HK$ '000)
19	**Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
39	**Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	**Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
Remarks:	The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.		

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

CC2: Reconciliation of regulatory capital to balance sheet

There is no difference between the balances reported under balance sheet in published financial statements and under regulatory scope of consolidation.

(HK$ '000)	(a) & (b) **Balance sheet as in published financial statements (a) & Under regulatory scope of consolidation (b)** 30 June 2023	(c) **Cross-referenced to Table CC1**
Assets		
Cash and balances with banks	1,163,712	
Placements with and advances to banks	242,296	
Loans and advances to customers	4,856,172	
Investment securities measured at fair value through other comprehensive income	6,611,649	
Goodwill and intangible assets	42,308	
of which: goodwill	-	(1)
intangible assets	42,308	(2)
Fixed assets	783	
Other assets	113,308	
Total assets	**13,030,228**	
Liabilities		
Deposits from customers	10,712,056	
Other accounts and accruals	267,338	
Total liabilities	**10,979,394**	
Shareholders' Equity		
Paid-in share capital	4,100,000	
of which: amount eligible for CET1	4,100,000	(3)
Accumulated losses	(1,789,681)	(4)
Reserves	(259,485)	(5)
Total shareholders' equity	**2,050,834**	
Total liabilities and shareholders' equity	**13,030,228**	

CCA: Main features of regulatory capital instruments

		CET 1 Capital HKD Ordinary Shares[2]
1	Issuer	ZA Bank Limited
2	Unique identifier - ISIN	N/A
3	Governing law(s) of the instrument	Hong Kong
	Regulatory treatment	
4	Transitional Basel III rules[3]	N/A
5	Post-transitional Basel III rules[4]	CET1
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$4,100 Million
9	Par value of instrument	N/A
10	Accounting classification	Equity
11	Original date of issuance	8 August 2018: 100 ordinary shares 24 August 2018: 999,999,900 ordinary shares 8 October 2019: 500,000,000 ordinary shares 16 November 2020: 600,000,000 ordinary shares 4 May 2021: 500,000,000 ordinary shares 17 Aug 2021: 300,000,000 ordinary shares 20 Dec 2021: 700,000,000 ordinary shares 25 May 2022: 250,000,000 ordinary shares 20 September 2022: 200,000,000 ordinary shares 30 December 2022: 50,000,000 ordinary shares
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Full discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

[2] Terms and conditions of the capital instruments issued can be found in the link Terms and conditions - Ordinary share capital.
[3] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.
[4] Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

Part IIB: Macroprudential supervisory measures

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

The following table presents the geographical breakdown of RWA in relation to private sector credit exposures as at 30 June 2023:

		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	**Applicable JCCyB ratio in effect**	**RWA used in computation of CCyB ratio**	**AI-specific CCyB ratio**	**CCyB amount**
		(%)	**(HK$ '000)**	**(%)**	**(HK$ '000)**
1	Hong Kong	1.0%	5,384,034		
2	Sum		5,384,034		
3	Total		7,428,722	0.7%	53,840

The geographical allocation of private sector credit exposures to the jurisdiction is determined based on the ultimate risk basis where the risk ultimately lies to the best of the knowledge and information obtained by the Bank.

Increase in RWA used in computation of CCyB ratio and CCyB amount as at 30 June 2023 was mainly due to the increase in RWA arising from the increase in loans and advances to customers.

Part IIC: Leverage ratio

LR1: Summary comparison of accounting assets against Leverage Ratio ("LR") exposure measure

		As at 30 June 2023
	Item	**Value under the LR framework (HK$ '000)**
1	Total consolidated assets as per published financial statements	13,030,228
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	-
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet (OBS) items (i.e. conversion to credit equivalent amounts of OBS exposures)	42,308
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(43,922)
8	**Leverage ratio exposure measure**	**13,028,614**

The differences between the total balance sheet assets as reported in the financial statements and the on-balance sheet exposures set out in LR2 are being the regulatory deduction and adjustment for OBS items.

LR2: Leverage ratio ("LR")

		(HK$ '000)	
		30-Jun-23	**31-Mar-23**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	13,090,233	12,522,331
2	Less: Asset amounts deducted in determining Tier 1 capital	(42,308)	(42,820)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	13,047,925	12,479,511
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	**Total exposures arising from derivative contracts**	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	423,083	338,868
18	Less: Adjustments for conversion to credit equivalent amounts	(380,775)	(299,181)
19	**Off-balance sheet items**	42,308	39,687
Capital and total exposures			
20	**Tier 1 capital**	2,008,526	2,116,422
20a	**Total exposures before adjustments for specific and collective provisions**	13,090,233	12,519,198
20b	**Adjustments for specific and collective provisions**	(61,619)	(52,214)
21	**Total exposures after adjustments for specific and collective provisions**	13,028,614	12,466,984
Leverage ratio			
22	**Leverage ratio**	**15.4%**	**17.0%**

Part III: Credit risk for non-securitization exposures
CR1: Credit quality of exposures

The table below provides an overview of the credit quality of on- and off-balance sheet exposures as at 30 June 2023. Loans include loans and advances to customers and related accrued interest receivables.

A credit exposure is defined as defaulted if any one of the following events have taken place:

1. Borrower is considered to be unlikely to pay its credit obligations in full, without the Bank taking action.
2. Borrower is more than 90 days past due on any credit obligation to the Bank.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / Impairments (d)+(e)	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
	(HK$ '000)	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	28,111	4,888,060	59,999	12,271	47,728	-	4,856,172
2	Debt securities	36,164	6,612,866	37,382	31,338	6,044	-	6,611,648
3	Off-balance sheet exposures	-	-	-	-	-	-	-
4	**Total**	**64,275**	**11,500,926**	**97,381**	**43,609**	**53,772**	**-**	**11,467,820**

CR2: Changes in defaulted loans and debt securities

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as at 30 June 2023:

(HK$ '000)		(a) Amount
1	**Defaulted loans and debt securities at end of the previous reporting period (31 December 2022)**	**45,840**
2	Loans and debt securities that have defaulted since the last reporting period	38,274
3	Returned to non-defaulted status	-
4	Amounts written off	(15,831)
5	Other changes*	(4,008)
6	**Defaulted loans and debt securities at end of the current reporting period (30 June 2023)**	**64,275**

* Other changes include loan repayment, disposal of the impaired loans, change in market value and exchange rate difference.

The increase in defaulted loans and debts securities during the first half of 2023 was mainly due to downgrade of retail and corporate exposures.

CR3: Overview of recognised credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognised CRM as at 30 June 2023:

		(a)	(b1)	(b)	(d)	(f)
(HK$ '000)		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
1	Loans	2,590,491	2,265,681	1,742,372	523,310	-
2	Debt securities	6,611,648	-	-	-	-
3	**Total**	9,202,139	2,265,681	1,742,372	523,310	-
4	Of which defaulted	4,826	15,840	15,840	-	-

Increase in the secured exposures on loans as at 30 June 2023 was mainly due to more secured loans was granted in the wholesale loan portfolio.

CR4: Credit risk exposures and effects of recognised credit risk mitigation – for STC approach

The following table illustrates the effect of any recognised CRM (including recognised collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as at 30 June 2023:

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		**Exposures post-CCF and post-CRM**		**RWA and RWA density**	
	Exposure Classes	On-balance sheet amount (HK$ ‘000)	Off-balance sheet amount (HK$ ‘000)	On-balance sheet amount (HK$ ‘000)	Off-balance sheet amount (HK$ ‘000)	RWA (HK$ ‘000)	RWA density
1	Sovereign exposures	760,386	-	1,283,888	-	-	-
2	PSE exposures	192	-	-	-	-	-
2a	Of which: domestic PSEs	192	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	3,100,848	-	3,100,848	-	1,003,724	32.4%
5	Securities firm exposures	-	-	-	-	-	-
6	Corporate exposures	6,124,150	137,608	5,829,254	-	5,184,045	88.9%
7	CIS exposures	-	-	-	-	-	-
8	Cash items	65	-	65	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10	Regulatory retail exposures	2,462,066	285,475	2,233,653	-	1,675,240	75.0%
11	Residential mortgage loans	559,719	-	559,719	-	535,517	95.7%
12	Other exposures which are not past due exposures	16,839	-	16,839	-	16,839	100.0%
13	Past due exposures	11,387	-	11,387	-	17,081	150.0%
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	**Total**	**13,035,652**	**423,083**	**13,035,653**		**8,432,446**	**64.7%**

Increase in credit risk exposures as at 30 June 2023 was mainly due to the increase in bank exposures, residential mortgage loans and past due exposures driven from investments, and loans and advances to customers.

CR5: Credit risk exposures by asset classes and by risk weights – for STC approach

The following table presents a breakdown of credit risk exposures under STC approach by asset classes and by risk weights as at 30 June 2023:

	(HK$ '000)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	Exposure Class / Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	1,283,888	-	-	-	-	-	-	-	-	-	1,283,888
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	1,822,334	-	1,278,514	-	-	-	-	-	3,100,848
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	1,290,417	-	4,538,837	-	-	-	5,829,254
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	65	-	-	-	-	-	-	-	-	-	65
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	2,233,653	-	-	-	-	2,233,653
11	Residential mortgage loans	-	-	-	16,648	-	53,526	489,545	-	-	-	559,719
12	Other exposures which are not past due exposures	-	-	-	-	-	-	16,839	-	-	-	16,839
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	11,387	-	-	11,387
15	**Total**	**1,283,953**	**-**	**1,822,334**	**16,648**	**2,568,931**	**2,287,179**	**5,045,221**	**11,387**	**-**	**-**	**13,035,653**

Increase in credit risk exposures as at 30 June 2023 was mainly due to the increase in bank exposures, residential mortgage loans and past due exposures driven from investments, and loans and advances to customers.

Part IV: Counterparty credit risk

As at 30 June 2023, the Bank does not have counterparty default risk exposure and credit-related derivative contracts.

Part V: Securitization exposures

As at 30 June 2023, the Bank does not have any securitization exposures.

Part VI: Market risk

As at 30 June 2023, the Bank only has currency risk exposure. Refer to Section Currency Risk in page 22 for more details in relation to currency risk exposure.

MR1: Market risk under STM approach

The following table discloses the components of the market risk capital requirements calculated using the standardized (market risk) approach (STM approach) as at 30 June 2023:

		(a)
(HK$ ‘000)		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	-
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	1,425
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitisation exposures	-
9	**Total**	**1,425**

Increase in foreign exchange exposures as at 30 June 2023 was mainly due to the increase in the net long position in RMB.

Part VII: Others

Loans and advances to customers

a) Sector information

The analysis of gross loans and advances to customers by industry sectors are based on the categories and definitions stated in the MA(BS)2A "Quarterly Analysis of Loans and Advances and Provisions".

(HK$000)	As at 30 June 2023	
	Gross loans and advances to customers	% of gross loans and advances covered by collateral or other security
Loans for use in Hong Kong		
Industrial, commercial and financial		
Property development	484,710	28%
Property investment	988,456	100%
Wholesale and retail trade	761,799	84%
Manufacturing	267,977	83%
Transport and transport equipment	68,724	81%
Information technology	3,000	80%
Others	278,368	83%
Individuals		
Others	2,015,427	-
Loans for use outside Hong Kong	28,000	-
Total	4,896,461	46%

The analysis of impaired and overdue loans and advances, impairment allowances for industry sector which constitutes not less than 10% of the Bank's total amount of loans and advances.

	As at 30 June 2023			Six-month ended 30 June 2023	
(HK$000)	Impaired loans and advances	Collective provision	Specific provision	New provisions charged to profit and loss	Amounts written off
Loans for use in Hong Kong					
Industrial, commercial and financial					
Wholesale and retail trade	18,602	-	3,182	3,308	-
Individuals					
Others	8,552	-	8,552	18,879	(15,831)

Loans and advances to customers (continued)

a) Sector information (continued)

Overdue information of loans to individuals are as follows:

Past due period	Gross loans and advances to customers (HK$'000)
Over 3 months but up to 6 months	5,787
Over 6 months but up to 1 year	225
Over 1 year	149
Total	6,161

b) Overdue and rescheduled loans and advances to customers

(i) The analysis of overdue loans and advances to customers are as follows:

Past due period	Gross loans and advances to customers (HK$'000)	% to gross loans and advances to customers	Specific provisions (HK$'000)
Over 3 months but up to 6 months	18,392	0.4%	7,066
Over 6 months but up to 1 year	226	0.0%	226
Over 1 year	150	0.0%	150
Total	18,768	0.4%	7,442
Market value of collateral	16,080		

Collateral held with respect to overdue loans and advances are properties. Where collateral values are greater than the gross loans and advances amount, only the amount of collateral up to the gross loans and advances is included.

(ii) Restructured exposures as at 30 June 2023

Except for those that have been disclosed under (i) above, the Bank does not hold any other rescheduled loans and advances to customers.

c) Geographical areas

The following table shows the gross loans and advances to customers by country or geographical area in accordance with the location of counterparties after taking into account any risk transfers. Risk transfers in relation to loans and advances to customers means that the loans and advances are guaranteed by a person different from that of the customer. Major geographical segment constitutes not less than 10% of the Bank's total amount of loans and advances to customers after taking into account any recognized risk transfer.

	Gross loans and advances to customers HK$'000	Impaired loans and advances to customers HK$'000	Overdue loans and advances to customers for over 3 months HK$'000	Specific provisions HK$'000	Collective provisions HK$'000
30 June 2023					
Hong Kong	4,894,401	27,154	18,131	(11,734)	(47,435)
	4,894,401	27,154	18,131	(11,734)	(47,435)

Loans and advances to banks

No loans and advances to banks has been overdue as at 30 June 2023. No rescheduled loans and advances to banks as at 30 June 2023.

Other assets

Other than overdue debt securities disclosed below, no other assets has been overdue for more than 3 months as at 30 June 2023.

Debt securities

Past due period	Gross carrying amounts (HK$'000)	Specific provisions (HK$'000)
Over 6 months but up to 1 year	36,164	31,338

Repossessed assets

The Bank does not hold any other repossessed assets as at 30 June 2023.

Off-balance sheet exposures (other than derivative transactions)

The following table shows the nominal contract amounts and RWA of off-balance sheet exposures other than derivative transactions. The information is consistent with that in the Return of Capital Adequacy Ratio submitted to the HKMA.

HK$'000	30 June 2023
Commitments that are unconditionally cancellable without prior notice	423,083
Total	**423,083**
RWA	-

International claims

The following illustrates the major country or geographical segment breakdown of international claims by types of counterparties which the Bank is required to disclose, of which constitute not less than 10% of the Bank's total international claims after taking into account any recognized risk transfer. International claim refers to the sum of the cross-border claims in all currencies and local claims in foreign currencies determined in accordance with the calculation methodology specified in completion instructions for the Return of International Banking Statistics (MA(BS)21A and MA(BS)21B).

(HK$'millions) As at 30 June 2023	Banks	Official Sector	Non-bank private sector: Non-bank financial institutions	Non-bank private sector: Non-financial private sector	Others	Total
Developed countries	**382**	**-**	**-**	**-**	**-**	**382**
Offshore centres	**504**	**1**	**1,245**	**476**	**-**	**2,226**
of which: Hong Kong	504	1	1,153	476	-	2,134
Developing Asia-Pacific	**1,649**	**-**	**930**	**1,636**	**-**	**4,215**
of which: China	1,632	-	814	1,636	-	4,082

Currency risk

The Bank is exposed to foreign exchange risk, primarily United States dollar ("USD") and Renminbi ("RMB").

The Bank's exposure to foreign currency risk at the end of the reporting period, expressed in Hong Kong dollar, was as follows:

(HK$ millions)	30 June 2023 RMB	 USD	 Total
Spot assets	72	5,783	5,855
Spot liabilities	(71)	(1,064)	(1,135)
Forward purchases	-	-	-
Forward sales	-	-	-
Net options position	-	-	-
Net long position (i.e. sum of (a) to (e))	1	4,719	4,720
	RMB	USD	Total
Net structural position	-	-	-

Mainland activities

The following illustrates the disclosure the Bank is required to make under the prevailing Return of Mainland Activities (MA(BS)20) in respect of its Non-bank Mainland China exposures.

	As at 30 June 2023		
(HK$ '000)	On-balance sheet exposure	Off-balance sheet exposure	Total
Type of counterparties			
Central government, central government-owned entities and their subsidiaries and joint ventures	1,004,388	-	1,004,388
Local governments, local government-owned entities and their subsidiaries and joint ventures	1,786,936	-	1,786,936
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	838,764	-	838,764
Other entities of central government not reported in item 1 above	160,596	-	160,596
Other entities of local governments not reported in item 2 above	33,877	-	33,877
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	3,824,561	-	3,824,561
Total assets after provision	13,050,729		
On-balance sheet exposures as percentage of total assets	29.31%		

Asset under security

The Bank does not have any secured liabilities and assets used as security as at 30 June 2023.

Glossary

Abbreviations	Descriptions
AT1	Additional Tier 1
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BSC	Basic Approach
CAR	Capital Adequacy Ratio
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical capital buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Banks
DTA	Deferred Tax Asset
ECL	Expected Credit Loss
EL	Expected Loss
FBA	Fall-back Approach
G-SIB	Global Systemically Important Banks
HKMA	Hong Kong Monetary Authority
HONG KONG	The Hong Kong Special Administrative Region of the People's Republic of China
HQLA	High Quality Liquid Assets
IMM	Internal Models Method
IRB	Internal Ratings-Based
LAC	Loss-absorbing Capability
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look-through Approach
MBA	Mandate-based Approach
MSRs	Mortgage servicing rights
NSFR	Net Stable Funding Ratio
OBS	Off-balance sheet
PFE	Potential Future Exposure
PSE	Public Sector Entity
RW	Risk Weight
RWA	Risk Weighted Asset
SA-CCR	Standardised Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach

Abbreviations	Descriptions
SEC-FBA	Securitization Fall-back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-SA	Securitization Standardised Approach
SFT	Securities Financing Transaction
STC	Standardised (Credit Risk)
STM	Standardised (Market Risk)