

ZA BANK LIMITED

REPORT OF DIRECTORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

ZA BANK LIMITED

**REPORT OF DIRECTORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

CONTENTS	PAGES
REPORT OF DIRECTORS	1 - 4
INDEPENDENT AUDITOR'S REPORT	5 - 7
STATEMENT OF COMPREHENSIVE INCOME	8
STATEMENT OF FINANCIAL POSITION	9
STATEMENT OF CHANGES IN EQUITY	10
STATEMENT OF CASH FLOWS	11 - 12
NOTES TO THE FINANCIAL STATEMENTS	13 - 76

ZA BANK LIMITED

REPORT OF DIRECTORS

The directors have pleasure to present their report together with the audited financial statements of ZA Bank Limited (the "Bank") for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Bank is a licensed digital bank authorized under the Banking Ordinance in Hong Kong. The principal activities of the Bank are to provide banking and related financial services in Hong Kong.

BUSINESS REVIEW

Full-Year Profitability Trusted by One Million Users

ZA Bank delivered sustainable growth with full-year profitability, earning the trust of over one million users. Revenue growth was balanced across interest and fee income, net interest income rose 37%, reaching HK\$669 million, while non-interest income reached HK\$223 million, up 278% year on year. Net Interest Margin ("NIM") expanded by 28 bps to 2.69% and remained above the industry average, supported by a product-led strategy and prudent balance sheet management. Total assets increased 11% year on year to HK\$24,853 million.

One-Stop Wealth as Growth Engine

Fee income rose 57% to HK\$235 million, with wealth management as a key driver, reflecting the Bank's strengthened one-stop wealth management platform. Through a single app, users can now access US equities, funds and cryptocurrencies, alongside newly launched Hong Kong equities trading. Innovation also supported engagement, which was well demonstrated by the Bank's launch of the StockBack x ZA Card, Hong Kong's first card payment product offering stock rewards on eligible spending.

Technology-Powered Scale and Security

On the other hand, technology remained central to the Bank's operating model. Continued investment in systems, automation and targeted AI enhanced operating efficiency, supporting disciplined operating expense growth as the business scaled. Cost efficiency improved with the cost-to-income ratio improving from 109% in the prior-year period to 78%. In parallel, ongoing upgrades and the Bank's dual-cloud architecture provided a strong foundation for resilience, reliability and security. The Bank also expanded anti-scam education and public awareness initiatives to promote safer banking practices and help protect users on and off the platform. During the year, these initiatives achieved over half a million omnichannel reach, demonstrating strong public uptake of practical anti-scam guidance.

ZA BANK LIMITED

REPORT OF DIRECTORS (Continued)

BUSINESS REVIEW (Continued)

Global Recognition

The Bank's performance was recognized through international awards across digital banking, Web3 and customer protection. At The Asset Triple A Digital Awards 2025, the Bank was honoured for a third consecutive year and received NextGen Digital Bank of the Year. The Bank also received Best Retail Cryptocurrency Service at the International Finance Awards 2025 and was named Best Digital Bank – Hong Kong by both International Finance and The Digital Banker. Recognition for user experience and trust included the iF Design Award 2025, the Privacy-Friendly Awards 2025 Outstanding Gold Award, and multiple commendations from the Hong Kong Police Force for anti-scam and real-time monitoring efforts.

RESULTS AND APPROPRIATIONS

The results of the Bank for the year are set out in the statement of comprehensive income on page 8.

SHARE CAPITAL

Details of the shares during the year ended 31 December 2025 are set out in note 22 to the financial statements.

ZA BANK LIMITED

REPORT OF DIRECTORS (Continued)

DIRECTORS

The directors, including executive director ("ED"), non-executive directors ("NED") and independent non-executive directors ("INED") of the Bank during the year and up to the date of this report were:

OU Yaping (NED) - Chairman

NG Chung Ho (ED) - Chief Executive

IU Man Chung

(appointed as Chief Executive on 27 March 2025)

(resigned as ED and ceased as Chief Executive on 27 March 2025)[#]

OU Jin Yi Hugo (NED)

XIAO Feng (NED)

XU Wei (NED)

ZHANG Shengman (INED)

CHEN Jianghe (INED)

(appointed as INED on 27 March 2025)

LO Kin Ching, Joseph (INED)

ZHU Qi (INED)

[#] IU Man Chung has stepped down as Chief Executive and Executive Director of the Bank due to personal reason. The Board has no disagreement on the resignation of IU Man Chung.

There being no provision to the Bank's Articles of Association for retirement by rotation, all existing directors continue in office.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE BANK'S BUSINESS

No transactions, arrangements or contracts to which the Bank, any of its parent company, subsidiary undertakings of its parent company was a party and in which a director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK OR ANY SPECIFIED UNDERTAKING OF THE BANK

ZhongAn Technologies International Group Limited ("ZATI"), the sole shareholder of ZhongAn Financial Services Limited (the "parent company"), and certain subsidiaries of ZATI maintain share schemes or plans which subsisted at the end of the year or at any time during the year, under which eligible participants of the Bank may be granted share options/restricted share units for acquisition of shares of the respective companies concerned.

Apart from the above, at no time during the year was the Bank, any of its parent company, subsidiary undertakings of its parent company a party to any arrangement to enable the directors of the Bank (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

ZA BANK LIMITED

REPORT OF DIRECTORS (Continued)

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Bank were entered into or existed during the year.

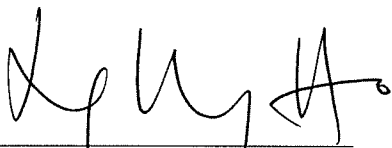
PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Bank is currently in force and was in force throughout the year.

AUDITOR

Deloitte Touche Tohmatsu was first appointed as the auditor of the Bank in 2025 upon the retirement of PricewaterhouseCoopers. The financial statements have been audited by Deloitte Touche Tohmatsu who shall retire and being eligible, offer themselves for re-appointment.

On behalf of the Board



NG Chung Ho
Director and Chief Executive
Hong Kong
30 April 2026

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF ZA BANK LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of ZA Bank Limited (the "Bank") set out on pages 8 to 76, which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF ZA BANK LIMITED - continued
(incorporated in Hong Kong with limited liability)

Other Matter

The financial statements of the Bank for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2025.

Responsibilities of Directors and the Audit Committee for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF ZA BANK LIMITED - continued
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements - continued

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is CHAN, Wo Mi (practising certificate number: P05133).



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 April 2026

ZA BANK LIMITED
FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2025	Year ended 31 December 2024
Interest income	5	1,092,159	978,991
Interest expense	5	(423,501)	(490,038)
Net interest income		<u>668,658</u>	<u>488,953</u>
Fee and commission income	6	235,376	150,288
Fee and commission expense	6	(73,356)	(62,569)
Net fee and commission income		<u>162,020</u>	<u>87,719</u>
Net gain/(loss) from other financial instruments	7	56,038	(39,981)
Other income		4,991	11,284
Operating expenses	8	(692,943)	(599,259)
Operating profit/(loss) before impairment losses		<u>198,764</u>	<u>(51,284)</u>
Credit impairment losses on loans and advances to customers		(180,919)	(183,414)
Net charge for impairment losses on other financial assets		1,205	2,495
Other impairment		(1,774)	-
Profit/(loss) before income tax		<u>17,276</u>	<u>(232,203)</u>
Income tax	10	-	-
Net profit/(loss) for the year		<u>17,276</u>	<u>(232,203)</u>
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 fair value changes through other comprehensive income ("FVOCI"), net of tax and impairment losses		<u>71,579</u>	<u>115,317</u>
Total comprehensive income/(loss) for the year		<u><u>88,855</u></u>	<u><u>(116,886)</u></u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

ZA BANK LIMITED
FINANCIAL STATEMENTS

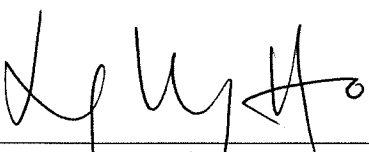
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	2025	2024
ASSETS			
Cash and balances with banks	12	2,330,881	2,201,264
Placements with and advances to banks	13	89,189	366,782
Loans and advances to customers	14	5,554,332	5,621,086
Investment securities measured at FVOCI	15	16,546,429	13,943,690
Intangible assets	16	17,708	28,203
Fixed assets	17	1,413	415
Other assets	18	312,695	174,750
Total assets		<u>24,852,647</u>	<u>22,336,190</u>
LIABILITIES			
Repurchase agreement	19	-	600,000
Deposits from customers	20	22,244,947	19,399,414
Other accounts and accruals	21	473,453	293,964
Total liabilities		<u>22,718,400</u>	<u>20,293,378</u>
EQUITY			
Share capital	22	4,300,000	4,300,000
Reserves		38,021	(36,138)
Accumulated losses		(2,203,774)	(2,221,050)
Total equity		<u>2,134,247</u>	<u>2,042,812</u>
Total liabilities and equity		<u>24,852,647</u>	<u>22,336,190</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 8 to 76 were approved by the board of directors on 30 April 2026 and were signed on its behalf.



 NG Chung Ho
 Director and Chief Executive



 XU Wei
 Director

ZA BANK LIMITED
FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	Share capital	Financial assets at FVOCI reserve	Share-based payment reserve	Accumulated losses	Total equity
Balance at 1 January 2024		4,100,000	(191,570)	30,558	(1,988,847)	1,950,141
Issue of ordinary shares	22	200,000	-	-	-	200,000
Net loss for the year		-	-	-	(232,203)	(232,203)
Share-based payment expenses	9, 23	-	-	9,557	-	9,557
Other comprehensive income						
- Change in the fair value of debt instruments measured at FVOCI, net of tax and impairment losses		-	115,317	-	-	115,317
Balance at 31 December 2024 and 1 January 2025		4,300,000	(76,253)	40,115	(2,221,050)	2,042,812
Net profit for the year		-	-	-	17,276	17,276
Share-based payment expenses	9, 23	-	-	2,580	-	2,580
Other comprehensive income						
- Change in the fair value of debt instruments measured at FVOCI, net of tax and impairment losses		-	71,579	-	-	71,579
Balance at 31 December 2025		<u>4,300,000</u>	<u>(4,674)</u>	<u>42,695</u>	<u>(2,203,774)</u>	<u>2,134,247</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

ZA BANK LIMITED
FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2025	Year ended 31 December 2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		17,276	(232,203)
Adjustments for:			
Depreciation and amortization expenses	8	10,443	13,686
Interest income from investment securities measured at FVOCI		(612,189)	(526,780)
Interest expense arising from lease liabilities	11	20	29
Change in expected credit losses		179,714	180,919
Change in other impairment		1,774	-
Share-based payment expenses	9	2,580	9,557
Net (gain)/loss from other financial instruments		(257)	9,992
Change in operating assets and liabilities:			
Increase in other assets		(137,477)	(34,260)
Increase in loans and advances to customers		(114,025)	(485,899)
(Decrease)/increase in repurchase agreement		(600,000)	600,000
Increase in deposits from customers		2,845,533	7,704,094
Increase in other accounts and accruals		178,706	10,402
Net cash from operating activities		1,772,098	7,249,537
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities measured at FVOCI		(122,610,634)	(105,855,561)
Proceeds from disposal and maturity of investment securities at FVOCI		120,659,064	99,862,158
Purchase for intangible assets	16	-	(1,104)
Purchase of fixed assets	17	(1,418)	(387)
Interest received from investment securities measured at FVOCI		100,317	94,976
Net cash used in investing activities		(1,852,671)	(5,899,918)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares	22	-	200,000
Principal and interest elements of lease payments	11	(1,113)	(1,017)
Net cash (used in)/from financing activities		(1,113)	198,983
Net (decrease)/increase in cash and cash equivalents		(81,686)	1,548,602
Cash and cash equivalents at the beginning of the financial year		2,568,049	956,584
Effect of exchange rate changes on cash and cash equivalents		(66,289)	62,863
Cash and cash equivalents at end of year		2,420,074	2,568,049

ZA BANK LIMITED
FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2025	Year ended 31 December 2024
Cash and cash equivalents comprise:			
Cash and balances with banks	12	2,330,882	2,201,266
Placements with and advances to banks with original maturity of 3 months or less	13	89,192	366,783
		<u>2,420,074</u>	<u>2,568,049</u>
Cashflows from operating activities include:			
Interest paid		(442,179)	(454,177)
Interest received		<u>462,616</u>	<u>406,012</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

1. GENERAL INFORMATION

The Bank was officially launched on 24 March 2020 with principal activities of providing banking services to its customers. It is incorporated in Hong Kong as a limited company under the Hong Kong Companies Ordinance (Cap. 622) ("HKCO") and a licensed digital bank registered under the Hong Kong Banking Ordinance. The address of its registered office is Unit 1301, Level 13, IT Street, Cyberport 3, 100 Cyberport Road, Hong Kong. The Bank provides banking services.

The Bank is a wholly-owned subsidiary of ZhongAn Financial Services Limited (the "parent company"). During the period from 1 January 2023 to 14 August 2023, the Bank was a subsidiary of ZhongAn Online P&C Insurance Co., Ltd. ("ZA Online"), incorporated in the People's Republic of China and listed on the Main Board of the Stock Exchange of Hong Kong. From 14 August 2023, the Bank is a jointly controlled entity of ZA Online and Z Fin Limited (former name: Sinolink Worldwide Holdings Limited), incorporated in Bermuda and listed on the Main Board of the Stock Exchange of Hong Kong.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of the material accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

The financial statements of the Bank have been prepared in accordance with HKFRSs and requirements of the HKCO.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for investment securities measured at FVOCI.

(iii) New standard and amended standard adopted by the Bank

An amended standard that is relevant to the Bank and became applicable for the accounting period beginning on 1 January 2025. The Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting this standard.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) New standard and amended standard adopted by the Bank (Continued)

Amendments to HKAS 21	Lack of Exchangeability
-----------------------	-------------------------

(iv) New standards and amendments to standards that have been issued but are not effective:

		Effective for accounting periods beginning
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027

The HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. The key amendments and new standard which are relevant to the Bank are Amendments to HKFRS 9 and HKFRS 7 - Amendments to the Classification and Measurement of Financial Instruments and HKFRS 18 - Presentation and Disclosure in Financial Statements.

The HKICPA issued targeted amendments to HKFRS 9 and HKFRS 7 to respond to recent questions arising in practice, and to include new requirements. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Bank is in the process of assessing the financial and disclosure impact on the adoption of the standard.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and amendments to standards that have been issued but are not effective (Continued)

HKFRS 18 will replace HKAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the financial statements. The Bank will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

2.2 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in Hong Kong dollar, which is the Bank's functional currency and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings and all other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Interest income

Interest income is recognized in the statement of comprehensive income for all financial assets carried at amortized cost ("AC") and FVOCI using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income recognized is calculated based on the gross carrying amount of the financial asset unless it is a purchased or originated credit impaired financial asset, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset; or the financial asset is credit-impaired (Stage 3), in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

2.4 Fee and commission income

Fee and commission income from service is recognized when the Bank fulfils its performance obligation, either over time or at a point in time on a basis when a customer obtains control of the service. When the terms of the contracts are modified and being substantially different to the original terms, the Bank will assess the modified contract scope, period and transaction price and recognize the fee and commission income according to the new contract terms.

Cards business related fee income

Cards business related fee income primarily comprises of interchange fee and various incentives from card company and transaction fee from cardholders which are either earned at a point in time or over time when the Bank has fully provided the relevant services to its customers:

(i) Interchange fee

For debit card interchange activities, the Bank provides card company with various card transaction handling and payment interchange services (the "Interchange Services") where it is entitled to an interchange fee for each transaction. The fees entitled by the Bank are earned at a point in time and are based on the actual volume of card transactions processed and fee rate prescribed by card company for each type of Interchange Services.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Fee and commission income (Continued)

(ii) Incentive

The Bank has entered into agreements with card company under which the Bank will be entitled to receive incentive fees based on the actual volume of the card transactions processed. Different types of card transactions will entitle the Bank to different amount of incentive fees determined at different charging basis.

The Bank has also entered into additional incentive arrangement with card company to receive incentive fees for different tranche of total card volume achieved over a specified contract period. The Bank recognizes the incentive fee over the contract period based on expected total volume achieved (i.e. based on an expected value approach). The Bank believes that the uncertainty associated with the variable consideration is low, and that it is highly probable that a significant reversal in the amount of cumulative incentive fees recognized will not occur. Please refer to Note 4 for key assumptions and inputs used.

(iii) Other transaction fees from cardholders

The Bank also receives other transaction fees from cardholders in relation to different card transactions processing or settlement services (e.g. currency conversion, cross-border settlement services etc.) it offers to cardholders. These fees are recognized at a point in time when relevant services have been delivered to cardholders.

The Bank has net off the other transaction fees derived from cardholders with relevant expenses relating to debit card reward programs to cardholders to the extent the relevant fees and expenses are arising from the same cardholders.

Agency fee

The agency fee is recognized at a point in time under transaction-based arrangements when services have been fully provided to customers as an agent, such as broking services. Otherwise, the fee is recognized over time as the Bank continuously fulfils its performance obligation. Any fee received upfront but with relevant performance obligations not yet fulfilled will be recognized under contract liabilities.

Others

Other fee income primarily includes loans related service fees and various account and banking services fee. Loan fees for servicing a loan are recognized as fee income. Fees on account and banking services are earned when relevant services are provided to customers. All these services are provided where the Bank's performance obligations are satisfied at a point in time. Fee income is recognized once control of the services is transferred to the customers. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Operating expenses

Operating expenses consist primarily of employee benefit expense and advertising and promotion expense which are associated with the general operation of the Bank. Accounting policies of employee benefit expense is disclosed in note 2.12. Advertising and promotion expense includes but not limited to costs incurred from promotion, branding, customers acquisition and debit card reward programs to cardholders which are recognized as incurred. Prior to 2024, the Bank recognized all the expenses relating to debit card reward programs to cardholders in gross under operating expenses on the ground that such expenses were immaterial. Starting from 2024, the Bank has net off the expenses relating to debit card reward programs to cardholders with the relevant debit card business related revenue arising from the same cardholders.

2.6 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.7 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Leases (Continued)

Lease payments are allocated between principal and finance cost.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Depreciation are calculated on the straight-line basis over the lease term.

2.8 Financial assets

(i) Recognition and derecognition

Financial assets are recognized when the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Bank commits to purchase or sell the asset.

(ii) Measurement

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Bank classifies its debt instruments:

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(ii) Measurement (Continued)

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.
- FVOCI: Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(iii) Impairment

The Bank assesses on a forward looking basis the expected credit losses associated with its balances with banks, placements with and advances to banks, loans and advances to customers, investment securities measured at FVOCI and other assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. At initial recognition, allowance is required for expected credit loss resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, allowance is required for expected credit loss resulting from all possible default events over the expected life of the financial instrument. For financial assets that are credit-impaired at the reporting date, the Bank measures the expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

(iv) Modification of financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value. If the terms are not substantially different, the renegotiation or modification does not result in derecognition, the financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification of gain or loss in profit or loss.

(v) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control. The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Bank:

- i. has no obligation to make payments unless it collects equivalent amounts from the assets;
- ii. is prohibited from selling or pledging the assets; and
- iii. has an obligation to remit any cash it collects from the assets without material delay.

Collateral furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions is not derecognized because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(vi) Write off

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

2.9 Financial liabilities

(i) Recognition and derecognition

Financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial liabilities are recognized on trade-date, the date on which the Bank commits to purchase or sell the liabilities.

Financial liabilities are derecognized when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expired and this is evaluated both qualitatively and quantitatively.

(ii) Classification and subsequent measurement

At initial recognition, the Bank measures a financial liability at its fair value, net of transaction costs incurred (if any) and subsequently at amortised cost using the effective interest method.

2.10 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

2.11 Share capital

Ordinary shares are classified in equity when there is not any obligation to transfer cash or other assets to the holders.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Employee benefit expense

(i) Short-term obligations

Liabilities for wages and salaries, including bonus and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Defined contribution schemes

The employees of the Bank participate in various defined contribution pension plans principally organized by municipal and provincial governments. Contributions to defined contribution schemes, such as the Mandatory Provident Fund ("MPF") Scheme, are expensed as incurred. The Bank has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

2.13 Share-based payments

Certain Bank's employees are entitled to take part in an equity-settled share-based compensation plan, under which the Bank receives services from employees as consideration for equity instruments of the intermediate holding company of the Bank. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted, which should take into account of the following where applicable:

- Impact of any market performance conditions; and
- Impact of any non-vesting conditions.

At the end of each reporting period, the Bank revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, at a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification over the remaining vesting period.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Share-based payments (Continued)

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

2.14 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

2.15 Other payables

These amounts represent other accruals for expenses incurred prior to the end of financial year which are unpaid. The amounts are unsecured. They are recognized initially at their fair value and subsequently measured using the effective interest method.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the Bank has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.17 Intangible assets

Expenditure on maintaining computer software is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Bank has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses. Other development expenditure is recognized as an expense in the period in which it is incurred. Other intangible assets that are acquired by the Bank are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses.

Amortization methods and periods

The Bank amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

- Software 3-5 years

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 2.6 above.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.18 Fixed assets

Equipment is stated at historical cost less depreciation. Depreciation is calculated on the straight-line basis over 3 years to write off the assets over their estimated useful lives.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 2.6 above.

3. FINANCIAL RISK MANAGEMENT

This note explains the Bank's exposure to financial risks and how these risks could affect the Bank's future financial performance.

3.1 Financial risk factors

The Bank conducts its business activities and operations by identifying, assessing, measuring, monitoring and reporting the key inherent risks. By effectively managing such risks, the Bank intends to strike a balance between the amount and types of risks the Bank is willing to take, and the level of return the Bank aims to achieve.

The Bank has a risk governance and management framework in place to ensure the risk inherent in the business activities is being managed properly, to comply with the regulatory requirement set out by the regulators and to assess the adequacy of internal capital accordingly. These objectives are delivered through means of properly defined risk appetite in accordance with the Bank's business strategies, risk policies that established controls and limits to identify, assess, monitor and remedy the risk and formulated through clear procedures for execution of these policies.

The governance structure covers three layers including the board of directors and its subordinate committees, the senior management and the functional committees and the three lines of defence formed from risk management units.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

The board of directors has the ultimate responsibility for overseeing the risk governance of the Bank and is responsible for ensuring an effective organizational risk management framework in place for both business and regulatory purposes. The Board has the final authority to determine the optimal risk appetite in the interest of shareholder and formulate the appropriate risk management strategy and enforce the correct risk culture within the organization. For effective management, the Board has delegated authority to several Board-level committees to carry out risk management tasks. The Board-level committees include Audit Committee, Nomination Committee, Remuneration Committee and Risk Committee ("RC"). RC is responsible for reviewing material issues escalated by management-level committee and to monitor the Bank's risk management strategies, key risk policies and risk appetite on a regular basis.

The Board has also established Executive Committee ("EXCO"), which is a management-level committee to review the overall business objectives of the Bank and business strategies and business plans. In addition, senior management also established several management-level committees under the committees delegated by the Board to oversee the governance of the Bank and provide oversight of various risk disciplines. The management-level committees include New Product Committee, Model Governance Committee ("MGC"), Disciplinary Committee, Technology and Cyber Resilience Committee, Asset & Liability Management Committee ("ALCO"), Regulatory and Financial Crime Compliance Committee, Credit Committee, Risk Management Committee ("RMC"), Wealth Management Committee and Bancassurance Committee. They are responsible for the risk management tasks including reviewing and approving policies in accordance with the regulatory requirement and business strategies regularly, initiating new risk management strategies and measures in response to the launch of new product and services, and regulatory change and providing advice on material risk-related activities to the Board-level committee.

The Bank implements a "three lines of defence" approach to ensure effective risk management across the Bank. Frontline business units act as the first line of defence for risk management and are responsible for soliciting business in compliance with the risk policies and procedures, assuring the risk level of their business within the internal risk limits.

Various risk management units represent the second line of defence which are independent of the business units and are responsible for day-to-day management tasks including identifying, assessing and monitoring the risk in the business, reporting the implementation of risk procedures and the risk profiles of the business to the functional committee and providing support to senior management for decision-making.

Internal audit acts as the third line of defence and is responsible for conducting independent checking on the adequacy of internal policies and the execution of the procedures and controls. They are also responsible for reporting to the senior management, providing recommendations to improve the internal policies and procedures.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

The Bank adopts the risk approach set out by the Hong Kong Monetary Authority ("HKMA") in managing risk with eight types of principle risks including credit risk, market risk, interest rate risk, liquidity risk, operational risk, technology risk, reputation risk, and strategic risk. The Bank establishes various risk limits and indicators in the risk appetite and reports it to the senior management and the Board regularly. Any breaches on these limits is reported to the senior management and the Board, and remediation actions are to be carried out accordingly.

Our risk culture is reflected in the risk tolerance level stipulated in Risk Appetite Statement ("RAS") which specifies the limits of major risk areas. RAS is approved by the board and fully communicated to the RC, EXCO and relevant management. Its daily enforcement is regularly reviewed by RMC.

Reports of risk management are regularly reported by the respective risk management and function units to the management-level committees, RMC, EXCO and RC for reviews. Hits of Early Warning Indicators ("EWI") and breaches of internal and/or external limit will lead to risk mitigation actions submitted to appropriate management level and board level committee for approvals.

Stress testing is an essential tool for the Bank's overall risk management. The Bank regularly applies stress testing techniques to assess the risk tolerance level of the Bank under stress scenarios on individual risk disciplines covering the Bank's major portfolios and applies risk mitigation strategy and contingency plans accordingly.

(i) Credit risk

Risk management

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations with agreed terms. Credit risk exists throughout the activities of the Bank, including in the banking book, and both on- and off-balance sheet transactions. The credit risk exposure principally arises from investment in debt securities, lending of personal loan, commercial loan and corporate loan.

The Bank has formulated a comprehensive set of policies and procedures that outlines the governance framework and appropriate credit limits to manage and monitor the credit risk that may arise from different credit portfolios in both portfolio level and individual level. The policies cover various areas including credit risk governance structure, customer selection criteria, customer acceptance criteria and post-approval monitoring. The principal objectives of such mechanism are:

- To analyse the credit risks of various credit portfolios, geographic locations of borrowers and types of loans, etc.;
- To forecast and monitor any changes in the credit rating and risk return dynamics in each credit portfolio;

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Risk management (Continued)

- To evaluate the components and allocations of the credit portfolios regularly and make timely adjustments in case of changes in the economic environment/industry situations; and
- To implement effective capital and resources allocation over different types of credit-related activities, mainly through the re-balancing and controlling of the portfolios and the migration of the overall portfolio's credit risk hedging.

The overall credit risk is managed through a hierarchy of approval authorities of the Bank.

The Bank has established a comprehensive monitoring process and intends to manage the risk level in the credit portfolio that aligns with the Bank's risk appetite and identify any early warning signal of credit deterioration. Various metrics are adopted to assess and monitor the quality of credit exposure in both acquisition stage and post-approval stage. Accounts are classified into different risk levels based on their latest credit status and history. Loan facilities that miss the scheduled payment are managed separately with proper follow-up action. In addition to the condition of the customers, the quality of credit exposure may deteriorate due to adverse economic environment.

The Bank monitors the performance of key macro-economic indicators. The Bank also applies stress testing technique periodically to assess the vulnerability of the credit portfolio under adverse market condition. Ad hoc stress assessment will also be conducted when market seems to deteriorate.

The quality of the overall credit portfolio is assessed and monitored monthly by a few key indicators including 30 days-past-due ratio and gross credit charge-off amount in a calendar year. Senior management of the Bank is alerted if the indicators breach the limit defined in risk appetite. Remedial action may be taken if necessary.

The Bank also aims at holding a credit portfolio that has diversified characteristics to minimize the concentration risk. The Bank identifies credit concentration risk by nature of products, geography, customer, counterparty and industry. The Bank aims to pursue a diversified credit portfolio, with no concentration on a single customer and industry.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Expected credit loss ("ECL") measurement

As explained in note 2.8 (iii), the Bank assesses on a forward-looking basis the ECL associated with its balances with banks, placements with and advances to banks, loans and advances to customers including commitments, investment securities measured at FVOCI and other assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Under HKFRS 9, ECL exposures are classified into three stages:

- Stage 1 applies when there is no significant increase in credit risk since initial recognition. 12-month ECL is required for assets classified in stage 1.
- Stage 2 applies when a significant increase in credit risk has occurred on an individual or collective basis since initial recognition, with no objective evidence of credit event. Lifetime ECL calculation is required for assets classified in stage 2.
- Stage 3 applies when there is objective evidence of credit impairment. Lifetime ECL calculation is required for assets classified in stage 3.

Significant credit deterioration criteria have to be defined for assessing significant increases in credit risk, primarily based on the key indicators summarized below:

- Risk of default occurring at reporting time is higher compared against that of initial recognition.
- Days past due exceeds 30 days.
- Credit exhibits a significant deterioration in repayment ability.
- Number of external rating notches downgraded three notches or more.
- When the borrower is reported as Special Mention according to the loan classification of the HKMA. The decision to classify the loans is based on the borrower's repayment ability and likelihood of individual counterparties defaulting.

When a financial instrument has objective evidence of impairment, such as default (considered to be default if it is 90 days past due), debt restructuring, inability of obtaining full repayment of principal on due date, bankruptcy of borrowers, it is classified as stage 3 exposure. Discounted cash flows model is conducted to estimate the expected credit loss of such exposures.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Calculation of ECL

The Bank has adopted to use the statistical model approach, under which stage 1 and stage 2 ECL is calculated as a function of probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD") and expected life. To recognize ECL for financial instruments and incorporate forward-looking elements into the model, historical, current and forward-looking data are used in ECL calculation model.

Point-in-Time ("PiT") PD is adopted in the ECL estimation. The Bank takes into account both qualitative and quantitative criteria while determining the approach for each product type.

LGD measures the loss severity in case of default, i.e. how much the Bank expects to lose as a percentage of EAD when an account goes into default. It considers both secured portion and unsecured portion of the facility.

EAD is the amount that an entity is exposed to at the time of a loan's default. Financial assets measured at amortized cost, fair value through other comprehensive income and loan commitment are subject to impairment under HKFRS 9. We categorized these exposures into: 1) On-balance sheet financial assets; 2) Undrawn exposures, which can be further separated into i) Irrevocable; ii) Revocable retail; and iii) Revocable non-retail. The value of credit conversion factor ("CCF") reflects the expected amount of undrawn amount to be drawn. In general, the Bank uses CCF of 50%, which is based on internal loss experience and expert judgment. For syndicated loan, due to expert judgement towards its committed nature, a higher CCF is expected and thus CCF of 100% is adopted.

The Bank has established three macroeconomic scenarios for the ECL estimation. The Bank continues to revisit and validate these macroeconomic scenarios in response to the changes of macro-environment. The final ECL is the probability weight-average result of these scenarios discounted to the date of the statement of financial position. The discount rate used is the effective interest rate.

Other assets are measured as either 12 months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Incorporation of forward-looking information into the ECL models

HKFRS 9 requires an estimate of forward-looking ECL which is typically obtained through the use of forecasted macroeconomic factors ("MEFs").

The Bank has developed three scenarios for macro-economic factors:

Scenario	Underlying assumptions of the scenario
Base	The base scenario is based on a set of macroeconomic forecasts which formulate a "base case" view of the most probable future direction of relevant economic variables.
Good	This scenario is determined by making reference to the "base" scenario and reflects positive uncertainties by incorporating upside variations to the "base" scenario macroeconomic forecasts.
Bad	This scenario is determined by making reference to the "base" scenario and reflects negative uncertainties by incorporating downside variations to the "base" scenario macroeconomic forecasts.

The Bank has considered the current economic performance, the market forecast and the management judgment on the economic outlook and assigned probability weighting to Good, Base and Bad Scenarios:

	31 December 2025	31 December 2024
Good	30%	30%
Base	40%	40%
Bad	30%	30%

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Incorporation of forward-looking information into the ECL models (Continued)

At 31 December 2025

The significant assumptions used for ECL estimations for the retail exposures are as follows:

	<u>Scenario</u>	<u>2026 Forward-looking (Year end)</u>	<u>5 years' average (2026-2030)</u>
Hong Kong Forecast Factors			
Hong Kong Unemployment Rate (%)	Good	3.31	3.49
	Base	3.61	3.73
	Bad	4.97	4.39
Property Price Index - Private Retail (Base Year: 1999)	Good	364.84	396.50
	Base	344.26	362.62
	Bad	291.09	283.06

The significant assumptions used for ECL estimations for the wholesale exposures are as follows:

	<u>Scenario</u>	<u>2026 Forward-looking (Year end)</u>	<u>5 years' average (2026-2030)</u>
Hong Kong Forecast Factors			
Real Gross Domestic Product Growth Rate (%)	Good	5.20	3.49
	Base	3.40	2.48
	Bad	-3.50	0.13
Hong Kong Industrial Production: Manufacturing Index (Base Year: 2010)	Good	112.09	115.50
	Base	108.89	111.21
	Bad	100.90	100.03
Change in Hong Kong General Government Balance to GDP Ratio (%)	Good	3.99	1.79
	Base	0.99	0.73
	Bad	-4.63	-1.51

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Incorporation of forward-looking information into the ECL models (Continued)

At 31 December 2025 (Continued)

	<u>Scenario</u>	<u>2026 Forward-looking (Year end)</u>	<u>5 years' average (2026-2030)</u>
Mainland China Forecast Factors			
China Government Expenditure, Total (CNY Billion)	Good	53,074.30	61,895.56
	Base	52,116.81	59,081.99
	Bad	49,962.46	53,045.99
China Unemployment Rate (%)	Good	3.90	3.85
	Base	4.08	3.95
	Bad	4.46	4.15

At 31 December 2024

The significant assumptions used for ECL estimations for the retail exposures are as follows:

	<u>Scenario</u>	<u>2025 Forward-looking (Year end)</u>	<u>5 years' average (2025-2029)</u>
Hong Kong Forecast Factors			
Hong Kong Unemployment Rate (%)	Good	2.59	2.61
	Base	2.77	2.80
	Bad	3.77	3.45
Property Price Index - Private Retail (Base Year: 1999)	Good	451.81	526.37
	Base	429.19	453.80
	Bad	400.40	383.83

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Incorporation of forward-looking information into the ECL models (Continued)

At 31 December 2024 - continued

The significant assumptions used for ECL estimations for the wholesale exposures are as follows:

	<u>Scenario</u>	<u>2025 Forward-looking (Year end)</u>	<u>5 years' average (2025-2029)</u>
Hong Kong Forecast Factors			
Real Gross Domestic Product Growth Rate (%)	Good	7.99	5.03
	Base	4.50	2.91
	Bad	-3.99	0.06
Hong Kong Industrial Production:			
Manufacturing Index (Base Year: 2010)	Good	110.96	121.13
	Base	107.30	112.16
	Bad	96.52	95.56
Change in Hong Kong General Government			
Balance to GDP Ratio (%)	Good	2.23	5.50
	Base	-1.04	-0.90
	Bad	-5.53	-9.12
	<u>Scenario</u>	<u>2025 Forward-looking (Year end)</u>	<u>5 years' average (2025-2029)</u>
Mainland China Forecast Factors			
China Government Expenditure, Total (CNY Billion)	Good	51,387.90	60,914.29
	Base	49,724.74	55,881.75
	Bad	47,791.87	50,532.67
China Unemployment Rate (%)	Good	3.02	3.23
	Base	3.82	3.72
	Bad	4.48	4.21

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Management overlay

The Bank has applied management overlay in its ECL estimation to supplement the limitations of existing ECL models which may not be able to fully reflect the obligor specific circumstance and potential credit deterioration of certain loan exposures. As at 31 December 2025, the amount of the management overlay represented approximately 0.044% (2024: 0.05%) of the overall loan exposures and 0.004% (2024: 0.01%) of the overall debt securities exposures.

Sensitivity analysis

As at 31 December 2025 and 2024, sensitivity analysis is conducted for the impact of impairment allowance results against the forward-looking macroeconomic variables on the basis that (i) Good scenario weight increases by 10% and Base scenario weight is lowered by 10%; (ii) Bad scenario weight increases by 10% and Base scenario weight is lowered by 10%; as follows:

	<u>2025</u>	<u>2024</u>
Good +10% and base -10%	(1,109)	(823)
Bad +10% and base -10%	5,024	3,777

Credit Risk Grading

In order to fulfil the requirements of probability weighted forward-looking ECL, PiT PD is adopted in the ECL estimation. The Bank took into account both qualitative and quantitative criteria while determining the approach for each product type. Different approaches were developed to capture the specific risk characteristics of products:

Exposures other than retail loans:

The principle of risk factor approach is to convert through-the-cycle ("TTC") PD, i.e. historical long-term average transition matrix, to PiT PD, i.e. transition matrix in a particular year reflecting the current economic situation at that time.

- Z risk factor approach for treasury investments, corporate loans and commercial loans: Due to insufficient internal default data, the Bank built the PD model using external credit data i.e. transition matrix for treasury, corporate portfolios and commercial loans.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Credit Risk Grading (Continued)

Retail loans:

Based on external aggregated default data, point in time PD for each rating is calculated.

- Default curve extrapolation approach: Due to insufficient internal data in personal instalment loans and revolving facilities, the Bank leveraged the aggregated retail loan default rate data by rating and developed the PD model using the curve extrapolation approach for unsecured personal loans.

Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the years ended 31 December 2025 and 2024 were approximately HK\$189,278,000 and HK\$67,408,000 respectively. The Bank still seeks to recover amounts it is legally owned in full, but which have been partially written off due to no reasonable expectation of full recovery.

Credit risk exposure

As at 31 December 2025 and 2024, credit risk arises mainly from balance with banks, placements with and advances to banks, loans and advances to customers including commitments, investment securities measured at FVOCI, and other assets.

Maximum exposure to credit risk before collateral held or other credit enhancements

The following tables contain analysis of the credit risk exposure of financial instruments. The gross carrying amounts/exposures of financial assets below also represent the Bank's maximum exposures to credit risk on these assets.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Credit risk exposure (Continued)

Maximum exposures to credit risk before collateral held or other credit enhancements (Continued)

Financial assets subject to impairment

At 31 December 2025

	Gross carrying amount/exposure					
	<u>Pass</u>	<u>Special mention</u>	<u>Sub-standard or below</u>	<u>Total</u>	<u>ECL allowance</u>	<u>Net</u>
Loans and advances to customers						
- Stage 1	4,847,437	-	-	4,847,437	(62,183)	4,785,254
- Stage 2	200,024	212,421	-	412,445	(18,439)	394,006
- Stage 3	-	38,020	511,070	549,090	(174,018)	375,072
Investment securities measured at FVOCI						
- Stage 1	16,523,672	-	-	16,523,672	(1,375)	16,522,297
- Stage 2	29,676	-	-	29,676	(871)	28,805
- Stage 3	-	-	-	-	-	-
Cash and amounts due from banks						
- Stage 1	2,419,984	-	-	2,419,984	(4)	2,419,980
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Credit commitments						
- Stage 1	618,734	-	-	618,734	(1,556)	617,178
- Stage 2	-	339	-	339	(31)	308
- Stage 3	-	-	-	-	-	-
Other assets						
- Stage 1	298,212	-	-	298,212	(28)	298,184
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Total	24,937,739	250,780	511,070	25,699,589	(258,505)	25,441,084

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Credit risk exposure (Continued)

Maximum exposures to credit risk before collateral held or other credit enhancements (Continued)

Financial assets subject to impairment (Continued)

At 31 December 2024

	Gross carrying amount/exposure					
	<u>Pass</u>	<u>Special mention</u>	<u>Sub-standard or below</u>	<u>Total</u>	<u>ECL allowance</u>	<u>Net</u>
Loans and advances to customers						
- Stage 1	5,076,451	-	-	5,076,451	(58,123)	5,018,328
- Stage 2	-	293,448	-	293,448	(11,194)	282,254
- Stage 3	-	117,997	372,854	490,851	(170,347)	320,504
Investment securities measured at FVOCI						
- Stage 1	13,937,771	-	-	13,937,771	(2,245)	13,935,526
- Stage 2	55,480	30,168	-	85,648	(1,231)	84,417
- Stage 3	-	-	-	-	-	-
Cash and amounts due from banks						
- Stage 1	2,567,954	-	-	2,567,954	(3)	2,567,951
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Credit commitments						
- Stage 1	541,091	-	-	541,091	(1,375)	539,716
- Stage 2	-	653	-	653	(46)	607
- Stage 3	-	-	-	-	-	-
Other assets						
- Stage 1	165,461	-	-	165,461	(29)	165,432
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Total	<u>22,344,208</u>	<u>442,266</u>	<u>372,854</u>	<u>23,159,328</u>	<u>(244,593)</u>	<u>22,914,735</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these methods is the taking of collateral for funds advanced. The Bank has internal guidelines on the acceptability of specific classes of collateral for credit risk mitigation. Guideline is in place to govern the management of collateral acceptable by the Bank and the guideline is reviewed periodically.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over properties;
- Charges over land; and
- Charges over bank deposits.

In addition to the above, the Bank will also seek for guarantee where appropriate. To minimise credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances which are partially secured or unsecured.

Impaired loans and advances are partially covered by collateral. For the exposures of balances with central banks, placements with and advances to banks and investment securities measured at FVOCI, it is typically unsecured and uncollateralized. For loans and advances to customers as of 31 December 2025 and 31 December 2024, 40% and 47.7% of the exposures are covered by collateral and other security, respectively.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Loans and advances to customers

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 January 2024	56,694	12,101	42,929	111,724
Transfer to Stage 1	92	(84)	(8)	-
Transfer to Stage 2	(11,173)	11,173	-	-
Transfer to Stage 3	(128,489)	(8,944)	137,433	-
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	140,999	(3,052)	55,198	193,145
Write-offs	-	-	(67,408)	(67,408)
Recoveries	-	-	2,203	2,203
Loss allowance as at 31 December 2024 and 1 January 2025	58,123	11,194	170,347	239,664
Transfer to Stage 1	313	(101)	(212)	-
Transfer to Stage 2	(17,546)	17,808	(262)	-
Transfer to Stage 3	(52,440)	(3,703)	56,143	-
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	73,733	(6,759)	135,443	202,417
Write-offs	-	-	(189,278)	(189,278)
Recoveries	-	-	1,837	1,837
Loss allowance as at 31 December 2025	62,183	18,439	174,018	254,640

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Investment securities measured at FVOCI

	Stage 1 <u>12-month ECL</u>	Stage 2 <u>Lifetime ECL</u>	Stage 3 <u>Lifetime ECL</u>	<u>Total</u>
Loss allowance as at 1 January 2024	4,606	1,334	-	5,940
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(100)	100	-	-
Transfer to Stage 3	-	-	-	-
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	(2,261)	(203)	-	(2,464)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Loss allowance as at 31 December 2024 and 1 January 2025	2,245	1,231	-	3,476
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	(870)	(360)	-	(1,230)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Loss allowance as at 31 December 2025	<u>1,375</u>	<u>871</u>	<u>-</u>	<u>2,246</u>

For the purpose of this disclosure, ECL of financial assets measured at FVOCI is included in loss allowance.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

The following tables explain the changes in the gross exposure (gross carrying amount or exposure) between the beginning and the end of the annual period due to these factors:

Loans and advances to customers

	Stage 1 Gross exposure	Stage 2 Gross exposure	Stage 3 Gross exposure	Total
As at 1 January 2024	5,077,570	255,232	97,523	5,430,325
Transfer to Stage 1	1,273	(1,088)	(185)	-
Transfer to Stage 2	(299,185)	299,185	-	-
Transfer to Stage 3	(385,945)	(39,021)	424,966	-
Net change in exposures	682,738	(220,860)	35,955	497,833
Write-offs	-	-	(67,408)	(67,408)
As at 31 December 2024 and 1 January 2025	5,076,451	293,448	490,851	5,860,750
Transfer to Stage 1	7,005	(3,590)	(3,415)	-
Transfer to Stage 2	(406,626)	408,380	(1,754)	-
Transfer to Stage 3	(169,897)	(28,934)	198,831	-
Net change in exposures	340,504	(256,859)	53,855	137,500
Write-offs	-	-	(189,278)	(189,278)
As at 31 December 2025	4,847,437	412,445	549,090	5,808,972

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

The following tables explain the changes in the gross exposure (gross carrying amount or exposure) between the beginning and the end of the annual period due to these factors:

Investment securities measured at FVOCI

	Stage 1 Gross exposure	Stage 2 Gross exposure	Stage 3 Gross exposure	Total
As at 1 January 2024	7,551,225	80,237	-	7,631,462
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(43,198)	43,198	-	-
Transfer to Stage 3	-	-	-	-
Net change in exposures	6,429,744	(37,787)	-	6,391,957
Write-offs	-	-	-	-
As at 31 December 2024 and 1 January 2025	13,937,771	85,648	-	14,023,419
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net change in exposures	2,585,901	(55,972)	-	2,529,929
Write-offs	-	-	-	-
As at 31 December 2025	16,523,672	29,676	-	16,553,348

The management considers the loss allowance of credit commitments is insignificant. Cash and amounts due from banks and other financial institutions and other assets are classified in Stage 1 with no stage transition during the year.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Bank cannot meet its financial obligations when they fall due without incurring significant loss. This may be caused by market disruption or liquidity event whereby the Bank is unable to liquidate assets or to obtain funding to meet its liquidity needs. Liquidity risk arises from various areas including deposits withdrawal either on demand or at contractual maturity.

The Bank aims to maintain a diversified and stable funding sources with an appropriate mix of liabilities including customer deposits. Appropriate amount of high-quality liquid assets are held in order to obtain funding and the sources of liquefiable assets is diversified to avoid concentration on assets with similar natures. The Bank seeks to maintain a diversified and stable source of funding to avoid over-reliance on a funding category or a small group of fund providers through setting up monitoring on funding concentration and setting up appropriate funding strategy and structure in the budgeting process.

The Bank has formulated Liquidity Risk Management policy that outlines the liquidity risk management framework according to the requirements of HKMA's Supervisory Policy Manuals ("SPM") "Regulatory Framework for Supervision of Liquidity Risk (LM1)" and "Sound Systems and Controls for Liquidity Risk Management (LM2)". The purpose of the policy is to ensure sufficient cash flows to meet all financial obligation and to comply with regulatory requirement.

The Bank has established a governance framework to oversee the overall liquidity risk. The board of directors is ultimately responsible for ensuring an effective liquidity risk management framework. The RMC is set up to provide guidance on the Bank's liquidity risk related activities, reviewing the liquidity risk profile and risk appetite of the Bank. The ALCO is responsible for reviewing relevant liquidity reports regularly, reviewing changes to liquidity profile, overseeing the development and maintenance of Contingency Funding Plan ("CFP") and reviewing liquidity risk management controls such as limits and indicators in light of liquidity risk appetite of the Bank on a regular basis. The MGC is set up to review the material changes to model and assumptions.

Different functional departments work closely to implement liquidity risk management controls, to monitor the liquidity position of the Bank and to comply with regulatory requirement. Treasury is responsible for liquidity management but not limited to:

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

Management of liquidity risk (Continued)

- Manage liquidity risk including intraday liquidity and implement liquidity risk management strategies;
- Manage and control the funding in different currencies;
- Advise ALCO on latest market movement and expectation related to liquidity;
- Propose funding strategy and structure in the budget process for ALCO endorsement and approval; and
- Defining and implementing funds transfer pricing ("FTP") across all lines of business.

Finance Department is responsible for coordinating the liquidity risk disclosure process, liquidity risk reporting for senior management review and compiling regulatory reports of liquidity position of the Bank. Risk Management Department is responsible for measuring and monitoring liquidity risk and advising the Board in establishing limits and indicator.

The Bank has established a set of liquidity risk management limits and indicators to identify, assess, monitor and control liquidity risk, along with ongoing monitoring processes based on regulatory requirements and risk appetite. The Bank has also set up policies to govern such liquidity risk limits and indicators under regulatory requirements. The liquidity risk limits include statutory limits and internal risk limits and these limits are reviewed and approved by the Board.

The Bank applies cash flow analysis to assess the adequacy of the Bank's liquidity position under both normal and stress scenarios. The Bank seeks to maintain sufficient liquidity to cover the project cash outflow under various stress scenarios.

In case of any breaches to the statutory limits and internal risk limits, different authorized parties in the governance framework including ALCO, RMC, RC and the board of directors if necessary, will be informed and remedial action will be executed.

The intraday cash inflows and outflows are continuously being monitored during business day to ensure payment obligation can be met at all time. The Bank holds cash and other eligible securities as intra liquidity reserve.

The Bank has established a CFP which details clear strategies to identify the occurrence of a liquidity event and the operational procedures for addressing emergency funding situation so that the impact of such adverse situation to the Bank is minimized. The CFP is reviewed and approved by the Board and revised upon changing business and market conditions. The details of the implementation of the plan is documented including the procedures, action plans to estimate the potential funding capacity need and responsibilities of relevant parties. The plan sets out the deployable funding sources, funding measures, potential step to meet critical payment, operational procedures and the estimated time to monetarize assets.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

Management of liquidity risk (Continued)

Maturities of financial liabilities

The tables below analyze the Bank's financial liabilities into relevant maturity groupings based on their remaining contractual maturities.

<u>Remaining contractual maturities of financial liabilities</u>	<u>On demand to up to 6 months</u>	<u>More than 6 months but up to one year</u>	<u>More than one year</u>	<u>Total contractual cash flows</u>	<u>Carrying amount</u>
At 31 December 2025					
Repurchase agreement	-	-	-	-	-
Deposits from customers	21,254,536	1,040,308	-	22,294,844	22,244,947
Other accounts and accruals	468,283	-	-	468,283	468,283
Lease liabilities	345	345	1,772	2,462	2,460
Total	<u>21,723,164</u>	<u>1,040,653</u>	<u>1,772</u>	<u>22,765,589</u>	<u>22,715,690</u>
At 31 December 2024					
Repurchase agreement	600,000	-	-	600,000	600,000
Deposits from customers	18,843,174	616,303	-	19,459,477	19,399,414
Other accounts and accruals	289,173	-	-	289,173	289,173
Lease liabilities	508	508	847	1,863	1,842
Total	<u>19,732,855</u>	<u>616,811</u>	<u>847</u>	<u>20,350,513</u>	<u>20,290,429</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Market risk

Market risk is the risk of valuation loss or reduction in expected earnings stemming from adverse fluctuations in exchange rates, interest rates, credit spread, implied volatility and cross-currency basis spreads. The risk can exist in both non-trading and trading activities. Currently, the Bank does not involve in trading book business and market risk predominantly arises from the Bank's treasury activities. The major types of market risk come into three forms, interest rate risk, currency risk and price risk, and the risk mainly comes from the Bank's debt securities portfolio held as investment and/or liquidity management.

The Bank has formulated Market Risk Management Policy and Investment Management Policy that outlines the governance structure and measurements and controls of market risk in the Bank.

The policy details a clear strategy to manage different types of market risk that the Bank is exposed to. A market risk framework for different types of risk is established to clearly define risk profiles to ensure it is consistent with the overall risk appetite. Risk limits and Indicators are developed and reviewed, at least annually and monitored by the Risk Management Department in conjunction with the Treasury Department. Price risk in transactions and open positions is monitored by the risk limits established.

The board of directors is ultimately responsible for ensuring an appropriate organization structure is in place for managing market risk. Market risk oversight rests within the Risk Management Department which in turn reports to the RMC. Also, ALCO is set up and responsible for reviewing the relevant market risk metrics.

The Bank timely identifies, measures, monitors and controls the market risk of the Bank. All transactions are captured for market risk measurements. Reports regarding market risk limits are produced and reviewed regularly.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Market risk (Continued)

(a) Foreign exchange 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 was as follows:

	<u>31 December 2025</u>		<u>31 December 2024</u>	
	<u>RMB</u>	<u>USD</u>	<u>RMB</u>	<u>USD</u>
Assets				
Cash and balances with banks	126,974	506,429	69,136	217,305
Placements with and advances to banks	89,192	-	26,527	-
Loans and advances to customers	-	45,374	-	32,439
Investment securities measured at FVOCI	100,447	11,096,640	10,946	8,844,335
Other assets	3,033	172,144	1,486	110,146
Liabilities				
Deposits from customers	331,818	6,752,552	108,332	2,895,198
Other accounts and accruals	7,192	83,117	1,251	24,960

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Sensitivity

The Bank's functional currency is Hong Kong dollar ("HKD"). The Bank is exposed to foreign currency risk through certain transactions that are predominately denominated in USD. As the HKD is pegged to the USD, the Bank considers the risk of movements in exchange rates between the HKD and the USD to be mostly within 1% and the net impact to profit before tax and equity would be +/-HK\$49,850,000 (2024: +/-HK\$62,841,000).

The Bank is exposed to RMB and other G7 currencies and no sensitivity analysis is prepared as the management considered that the effect is insignificant due to the insignificant net position.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's financial assets and liabilities exposed to interest rate risk primarily are balance with banks, placement with and advance to banks, loans and advances to customers, investment securities measured at FVOCI, repurchase agreement and deposits from customers.

The below assumed changes in interest rates are considered to be reasonably possible based on the current market conditions and management's assessment on a possible change in interest rate over the next twelve-month period.

Sensitivity

As at 31 December 2025 and 2024, if the interest rates of the Bank's interest rate sensitive assets and liabilities had been increased/decreased by 50 basis points at the end of the year, the associated effects driven by the interest rate sensitive assets and liabilities from these changes will stay within +/-2% of total income (including net interest income, fee and commission income, net gain/(loss) from other financial instruments) and within +/-2% of equity of the Bank respectively for both years.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iv) 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.

	<u>Level 2</u>	<u>Total</u>
At 31 December 2025		
Investment securities measured at FVOCI		
- Debt securities	16,546,429	16,546,429
	<u>16,546,429</u>	<u>16,546,429</u>
At 31 December 2024		
Investment securities measured at FVOCI		
- Debt securities	13,943,690	13,943,690
	<u>13,943,690</u>	<u>13,943,690</u>

There were no significant transfers of financial assets or liabilities between different levels of 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. Independent price verification is performed by Risk Management Department.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter debt securities) is determined using non-public quoted price or 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 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 or repricing of variable rate instruments.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(v) Financial instruments by category

The Bank's financial instruments include the following:

	<u>2025</u>	<u>2024</u>
Financial assets at AC		
- Cash and balances with banks	2,330,881	2,201,264
- Placements with and advances to banks	89,189	366,782
- Loans and advances to customers	5,554,332	5,621,086
- Other assets	298,183	165,461
Financial assets at FVOCI		
- Investment securities measured at FVOCI	16,546,429	13,943,690
	<u>24,819,014</u>	<u>22,298,283</u>
Financial liabilities at AC		
- Repurchase agreement	-	600,000
- Deposits from customers	22,244,947	19,399,414
- Other accounts and accruals	470,743	291,015
	<u>22,715,690</u>	<u>20,290,429</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Bank established the Capital Management Policy that outlines the governance structure and the capital management framework according to HKMA's SPM on "Overview of Capital Adequacy Regime for Locally Incorporated Authorized Institutions" ("CA-G-1") and "Supervisory Review Process" ("CA-G-5"). The objective of policy is to maintain a strong capital position to support the Bank's business strategy and serve as a buffer to absorb losses. The Bank manages its share capital and other components of equity as its capital.

The Bank implements a hierarchy of authorities to manage the capital position. The board of directors oversees the effectiveness of the Bank's capital framework and ensures an appropriate organization structure for capital management.

Treasury Department coordinates with the Asset and Liability Management ("ALM") team from Finance Department to implement the capital management strategy. Treasury Department is responsible for maintaining sufficient capital level which complies with the Capital Adequacy Ratio ("CAR") while retaining flexibility to take advantage of future investment opportunities. ALM team is responsible for monitoring CAR and different capital limits, including common equity tier 1 ratio, tier 1 capital ratio, total capital ratio and leverage ratio and performing independent assessment on the Bank's capital management activities and monitoring capital position. Finance Department is responsible for reporting the limits utilization and any limit breaches to senior management. Finance Department and Treasury Department report to ALCO in relation to the monitoring of capital management.

The Bank defines a clear framework to assess and monitor the adequacy of the internal capital level, the Bank meets these objectives through the establishment of internal minimum capital requirements and a strong capital management governance framework.

The Bank has complied with the statutory capital requirements imposed by the HKMA throughout 2025 and 2024.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

4. CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Bank and that are believed to be reasonable under the circumstances.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Bank uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.

Incentives

The Bank has entered into an agreement with a business partner to receive incentive fees for different tranche of card transaction volume achieved over a specified contract period. The card transaction volume is estimated based on assumptions in growth rate of number of customers, active card users and growth in card spending volume under different scenarios. The Bank then estimates the expected total cumulative card transaction volume over the contract period by probability weighting the outcomes from the different scenarios.

The Bank uses judgement in making these assumptions and selecting the inputs to calculate the anticipated card transaction volume, based on existing and historical data about the Bank's client base, card usage patterns and the CPI growth rate.

The Bank re-assesses the total expected cumulative card transaction volume to be achieved over the contract period at the end of each reporting year based on the latest performance results and expectation of future business and economic growth.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

5. NET INTEREST INCOME

(a) Interest income

	<u>2025</u>	<u>2024</u>
Interest income arising from:		
- financial assets measured at AC	479,970	452,211
- financial assets measured at FVOCI	<u>612,189</u>	<u>526,780</u>
	<u>1,092,159</u>	<u>978,991</u>

(b) Interest expense

	<u>2025</u>	<u>2024</u>
Interest expense arising from:		
- financial liabilities measured at AC	423,481	490,009
- lease liabilities (note 11)	<u>20</u>	<u>29</u>
	<u>423,501</u>	<u>490,038</u>

6. NET FEE AND COMMISSION INCOME

	<u>2025</u>	<u>2024</u>
Cards	152,122	121,174
Loans	11,628	10,405
Agency services	52,912	9,663
Others	<u>18,714</u>	<u>9,046</u>
Fee and commission income	235,376	150,288
Less: fee and commission expense		
- processing and handling fees	<u>(73,356)</u>	<u>(62,569)</u>
Net fee and commission income	<u>162,020</u>	<u>87,719</u>
Timing of fee and commission income		
- At a point in time	210,686	135,247
- Over time	<u>24,690</u>	<u>15,041</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

7. NET GAIN/(LOSS) FROM OTHER FINANCIAL INSTRUMENTS

	<u>2025</u>	<u>2024</u>
Net gain/(loss) from disposal of investment securities at FVOCI	257	(9,992)
Exchange gain/(loss)	55,781	(29,989)
	<u>56,038</u>	<u>(39,981)</u>

8. OPERATING EXPENSES

	<u>2025</u>	<u>2024</u>
Employee benefit expenses (note 9)	418,011	391,781
Advertising and promotion expenses	101,861	63,385
Software and IT equipment expenses	79,811	53,304
Legal and professional fees	18,126	21,971
Rental expenses	17,307	20,363
Service fees	26,761	10,604
Donation	1,000	-
Depreciation and amortization expenses	10,443	13,686
Auditors' remuneration		
- Audit services	1,720	2,054
- Audit related services	556	1,015
Administrative expenses and others	17,347	21,096
	<u>692,943</u>	<u>599,259</u>

In addition to the professional service fee for audit related services, other professional services fee to Deloitte Touche Tohmatsu and its network companies amount to HK\$0.39 million during the year (2024: HK\$4.1 million with PricewaterhouseCoopers and its network companies). These are included in legal and professional fees.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

9. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTOR'S EMOLUMENT)

	<u>2025</u>	<u>2024</u>
Salaries, staff welfare and insurance costs	411,541	378,747
Pension costs - defined contribution plans	3,890	3,477
Share-based payments	2,580	9,557
	<u>418,011</u>	<u>391,781</u>

10. INCOME TAX

Hong Kong profits tax has been provided at the effective rate of 16.5% (2024: 16.5%) on the estimated assessable loss arising in Hong Kong during the year.

(a) Income tax expense

	<u>2025</u>	<u>2024</u>
Total current tax expense	<u>-</u>	<u>-</u>

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	<u>2025</u>	<u>2024</u>
Profit/(loss) before income tax	17,276	(232,203)
Tax at the Hong Kong tax rates of 16.5%	2,851	(38,313)
Income not subject to tax	(16,440)	(26,590)
Expense not deductible for tax purpose	7,327	51,899
Unused tax losses for which no deferred tax asset was recognized	6,262	13,004
Income tax expense	<u>-</u>	<u>-</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

10. INCOME TAX (Continued)

(c) Deferred income tax

The movement in net deferred income tax liabilities/(assets) for each of the years are as follow:

	Accelerated tax depreciation/ <u>amortisation</u>	Tax losses	Provision	Total
As at 1 January 2024	4,627	-	(4,627)	-
(Charged)/credited to statement of comprehensive income	(273)	-	273	-
As at 31 December 2024 and 1 January 2025	4,354	-	(4,354)	-
(Charged)/credited to statement of comprehensive income	(1,439)	-	1,439	-
As at 31 December 2025	2,915	-	(2,915)	-

As at 31 December 2025 and 2024, the Bank had estimated unused tax losses of approximately HK\$1,996,228,248 and HK\$1,958,272,960 respectively available for offset against future profits. The unused tax losses can be carried forward and all tax losses do not expire under current tax legislation. No deferred tax assets have been recognized in respect of such losses due to unpredictability of future profit streams.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

11. 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:

	<u>2025</u>	<u>2024</u>
Right-of-use assets		
- Buildings	<u>2,973</u>	<u>2,506</u>
	<u>2,973</u>	<u>2,506</u>
	<u>2025</u>	<u>2024</u>
Lease liabilities		
- Current	720	1,000
- Non-current	<u>1,740</u>	<u>842</u>
	<u>2,460</u>	<u>1,842</u>

(ii) Amounts recognized in the statement of comprehensive income

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

	<u>2025</u>	<u>2024</u>
Depreciation charge of right-of-use assets	1,243	1,367
Interest expense (note (5b))	<u>20</u>	<u>29</u>

(iii) Supplementary information

	<u>2025</u>	<u>2024</u>
Additions to the right-of-use assets	1,711	-
Total cash outflow for leases	<u>1,113</u>	<u>1,017</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

12. CASH AND BALANCES WITH BANKS

	<u>2025</u>	<u>2024</u>
Cash on hand	90	95
Balances with central bank	1,573,124	1,870,931
Balances with other banks	757,668	330,240
Less: expected credit loss allowances - stage 1	(1)	(2)
	<u>2,330,881</u>	<u>2,201,264</u>

As at 31 December 2025 and 2024, there were no overdue or rescheduled balances with banks.

13. PLACEMENTS WITH AND ADVANCES TO BANKS

	<u>2025</u>	<u>2024</u>
Placements with and advances to banks		
maturing within one month	89,192	366,783
Less: expected credit loss allowances - stage 1	(3)	(1)
	<u>89,189</u>	<u>366,782</u>

As at 31 December 2025 and 2024, there were no overdue or rescheduled placements with and advances to banks.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

14. LOANS AND ADVANCES TO CUSTOMERS

	<u>2025</u>	<u>2024</u>
Gross loans and advances to customers	5,808,972	5,860,750
Less: expected credit loss allowances		
- Stage 1	(62,183)	(58,123)
- Stage 2	(18,439)	(11,194)
- Stage 3	(174,018)	(170,347)
	<u>5,554,332</u>	<u>5,621,086</u>

15. INVESTMENT SECURITIES MEASURED AT FVOCI

	<u>2025</u>	<u>2024</u>
Debt securities	<u>16,546,429</u>	<u>13,943,690</u>
	<u>2025</u>	<u>2024</u>
Type of issuer		
- Sovereign	3,974,719	5,591,474
- Banks and other financial institutions	11,629,785	6,931,739
- Corporates	941,925	1,420,477
	<u>16,546,429</u>	<u>13,943,690</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

16. INTANGIBLE ASSETS

	<u>Software</u>	<u>Total</u>
Cost		
At 1 January 2024	70,310	70,310
Additions	1,104	1,104
Exchange differences	(93)	(93)
At 31 December 2024 and 1 January 2025	71,321	71,321
Additions	-	-
Impairment	(1,774)	(1,774)
Exchange differences	113	113
At 31 December 2025	69,660	69,660
Accumulated amortization		
At 1 January 2024	31,236	31,236
Amortization for the year	11,915	11,915
Exchange differences	(33)	(33)
At 31 December 2024 and 1 January 2025	43,118	43,118
Amortization for the year	8,780	8,780
Exchange differences	54	54
At 31 December 2025	51,952	51,952
Net book value at 31 December 2025	17,708	17,708
Net book value at 31 December 2024	28,203	28,203

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

17. FIXED ASSETS

	<u>Equipment</u>	<u>Total</u>
Cost		
At 1 January 2024	6,478	6,478
Additions	387	387
At 31 December 2024 and 1 January 2025	6,865	6,865
Additions	1,418	1,418
Write off	(39)	(39)
At 31 December 2025	8,244	8,244
Accumulated depreciation		
At 1 January 2024	6,046	6,046
Depreciation for the year	404	404
At 31 December 2024 and 1 January 2025	6,450	6,450
Depreciation for the year	420	420
Write off	(39)	(39)
At 31 December 2025	6,831	6,831
Net book value at 31 December 2025	1,413	1,413
Net book value at 31 December 2024	415	415

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

18. OTHER ASSETS

	<u>2025</u>	<u>2024</u>
Deposits	174,239	119,834
Receivable from card business	36,238	28,622
Receivable from foreign exchange transactions	20,626	8,570
Prepaid expenses	11,539	6,812
Right-of-use assets (note 11)	2,973	2,506
Others	67,108	8,435
	<u>312,723</u>	<u>174,779</u>
Less: expected credit loss allowances Stage 1	<u>(28)</u>	<u>(29)</u>
	<u>312,695</u>	<u>174,750</u>

19. REPURCHASE AGREEMENT

The balance represents short term liquidity facility arrangements entered by the Bank for inter-bank payment settlement. Under these arrangements, the Bank places its holding of investment securities measured at FVOCI as collateral in exchange for liquidity funding. As at 31 December 2025, the amount of such investment securities pledged as collateral amount to HK\$0 million (2024: HK\$601 million).

20. DEPOSITS FROM CUSTOMERS

	<u>2025</u>	<u>2024</u>
Savings deposits	11,181,031	6,786,969
Time deposits	11,063,916	12,612,445
	<u>22,244,947</u>	<u>19,399,414</u>

21. OTHER ACCOUNTS AND ACCRUALS

	<u>2025</u>	<u>2024</u>
Accounts payable and accruals	277,510	177,740
Amounts due to related parties (note 26)	147,896	78,857
Deferred revenue	508	27
Accruals for employee benefits	43,493	34,077
Lease liabilities (note 11)	2,460	1,842
Others	1,586	1,421
	<u>473,453</u>	<u>293,964</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

22. SHARE CAPITAL

	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	Number of shares	Number of shares	HK\$'000	HK\$'000
Ordinary shares fully paid	<u>4,300,000,000</u>	<u>4,300,000,000</u>	<u>4,300,000</u>	<u>4,300,000</u>

On 12 August 2024, the Bank issued 200,000,000 ordinary shares to the parent company at HK\$200,000,000 for cash. All the cash was paid up on the date of issuance.

No ordinary shares were issued during 2025.

23. SHARE-BASED PAYMENTS

(i) Share Option Schemes

The shareholders of the ZA Online has approved and adopted the ZhongAn Technologies International Group Limited ("ZATI") share option scheme (the "Scheme") at the extraordinary general meeting held on 29 December 2020. The purpose for the Scheme is to enable ZATI, the intermediate holding company, to grant share options to its eligible participants, including eligible participants of the Bank (the "Bank Grantees"), to acquire shares of ZATI.

The board of directors of ZATI (or through its administration committee) shall determine the exercise price for the share option with reference to the respective net asset value per underlying share of ZATI at the time of grant.

The vesting of the share options under the Scheme shall be subject to the fulfilment of all terms and conditions for the grant of such share options made to the Bank Grantees as set out in the relevant offer letter provided that (a) the grantee shall be continuously employed through the vesting date, the awarded share options shall vest in accordance with the vesting schedule as stipulated in the relevant offer in the offer letter; and (b) other conditions (if any) as determined by the respective board of directors of ZATI in its absolute discretion.

The maximum aggregate number of shares of ZATI which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme must not exceed 10% of the issued share capital of ZATI ("Scheme Limit") as at the adoption date of the Scheme, subject to adjustment in the event of specified capitalization events from time to time as described in the Scheme.

The Scheme shall be valid and effective for a period of 10 years commencing from the adoption date.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

23. SHARE-BASED PAYMENTS (Continued)

(i) Share Option Schemes (Continued)

On 31 December 2020, ZATI granted 23,400,900 share options to the Bank Grantees (the "First Batch"). On 25 June 2021, ZATI granted 4,300,000 share options to the Bank Grantees (the "Second Batch"). On 20 January 2022, ZATI granted 2,500,000 share options to the Bank Grantees (the "Third Batch"). On 1 June 2023, ZATI granted 3,900,000 share options to the Bank Grantees (the "Fourth Batch"). On 1 June 2024, ZATI granted 4,250,000 share options to the Bank Grantees (the "Fifth Batch"). On 1 December 2024, ZATI granted 600,000 share options to the Bank Grantees (the "Six Batch"). On 1 June 2025, ZATI granted 10,600,000 share options to the Bank Grantees (the "Seventh Batch"). On 1 December 2025, ZATI granted 850,000 share options to the Bank Grantees (the "Eighth Batch").

Set out below are summaries of options granted under the plan and outstanding:

	2025		2024	
	Average exercise price per share option HK\$	Number of options	Average exercise price per share option HK\$	Number of options
As at 1 January	1.41	20,932,000	1.39	16,882,000
Granted during the year	1.50	11,450,000	1.50	4,850,000
Exercised during the year	1.41	(398,580)	-	-
Forfeited during the year	1.42	(4,967,820)	1.50	(800,000)
As at 31 December	1.45	27,015,600	1.41	20,932,000
Vested and exercisable as at 31 December	1.38	12,815,600	1.36	13,188,250

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

23. SHARE-BASED PAYMENTS (Continued)

(i) Share Option Schemes (Continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

<u>Grant Date</u>	<u>Expiry Date</u>	<u>Exercise Price</u>	31 December <u>2025</u>	31 December <u>2024</u>
31 December 2020	30 December 2030	HK\$1.34	8,465,600	10,282,000
25 June 2021	24 June 2031	HK\$1.34	800,000	1,600,000
20 January 2022	19 January 2032	HK\$1.50	2,500,000	2,500,000
1 June 2023	31 May 2033	HK\$1.50	1,400,000	1,900,000
1 June 2024	31 May 2034	HK\$1.50	3,300,000	4,050,000
1 December 2024	30 November 2034	HK\$1.50	600,000	600,000
1 June 2025	31 May 2035	HK\$1.50	9,100,000	-
1 December 2025	30 November 2035	HK\$1.50	850,000	-
			<u>27,015,600</u>	<u>20,932,000</u>

Weighted average remaining contractual life of options outstanding at end of year	7.39 years	7.16 years
--	------------	------------

Based on fair value of the underlying shares, the directors have used binominal pricing model to determine the fair value of the share options as of the grant date.

First Batch key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	26.81
Risk-free interest rate (%)	0.54
Life of options (in years)	10
Estimate share price at grant date according to sum-of-the-parts approach (in HKD)	0.71
Exercise price (in HKD)	1.34

Second Batch key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	39.62
Risk-free interest rate (%)	1.12
Life of options (in years)	10
Estimate share price at grant date according to sum-of-the-parts approach (in HKD)	1.53
Exercise price (in HKD)	1.34

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

23. SHARE-BASED PAYMENTS (Continued)

(i) Share Option Schemes (Continued)

Third Batch key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	42.57
Risk-free interest rate (%)	1.62
Life of options (in years)	10
Estimate share price at grant date according to sum-of-the-parts approach (in HKD)	4.56
Exercise price (in HKD)	1.50

Fourth Batch key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	44.74
Risk-free interest rate (%)	3.53
Life of options (in years)	10
Estimate share price at grant date according to sum-of-the-parts approach (in HKD)	4.40
Exercise price (in HKD)	1.50

Fifth Batch key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	40.49
Risk-free interest rate (%)	3.84
Life of options (in years)	10
Estimate share price at grant date according to sum-of-the-parts approach (in HKD)	2.21
Exercise price (in HKD)	1.50

Sixth Batch key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	41.09
Risk-free interest rate (%)	3.33
Life of options (in years)	10
Estimate share price at grant date according to sum-of-the-parts approach (in HKD)	2.65
Exercise price (in HKD)	1.50

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

23. SHARE-BASED PAYMENTS (Continued)

(i) Share Option Schemes (Continued)

Seventh Batch key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	40.67
Risk-free interest rate (%)	1.94
Life of options (in years)	10
Estimate share price at grant date according to sum-of-the-parts approach (in HKD)	2.27
Exercise price (in HKD)	1.50
Weighted average fair value of share options granted (in HKD)	1.23

Eighth Batch key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	40.53
Risk-free interest rate (%)	3.02
Life of options (in years)	10
Estimate share price at grant date according to sum-of-the-parts approach (in HKD)	3.15
Exercise price (in HKD)	1.50
Weighted average fair value of share options granted (in HKD)	1.97

(ii) Restricted Share Unit Schemes

On 15 September 2020, ZATI adopted a restricted share unit scheme (the "RSU Scheme"). The purpose for the RSU scheme is to enable ZATI to grant restricted shares units ("RSUs") of ZATI to its eligible participants, including the eligible participants of the Bank (the "Bank RSU Grantees"), as incentives or rewards for their contribution to the growth of the ZATI and to provide ZATI with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants of the RSU Scheme.

The board of directors of ZATI (or through its administration committee) shall determine the consideration of the RSUs ("Grant Price") at the time of grant.

The vesting of the RSUs under the RSU Scheme shall be subject to the fulfillment of all terms and conditions for the grant of such RSUs made to the Bank RSU Grantees as set out in the relevant offer letter provided that (a) the grantee shall be continuously employed through the vesting date, the awarded RSUs shall vest in accordance with the vesting schedule as stipulated in the relevant offer letter; and (b) other conditions (if any) as determined by the respective board of directors of ZATI in its absolute discretion.

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

23. SHARE-BASED PAYMENTS (Continued)

(ii) Restricted Share Unit Schemes (Continued)

The maximum aggregate number of shares of the ZATI which may be allotted and issued under the RSU Scheme must not exceed 10% of the issued share capital of ZATI ("RSU Scheme Limit") as at the adoption date of the RSU Scheme, subject to adjustment in the event of specified capitalization events from time to time as described in the RSU Scheme.

The RSU Scheme shall be valid and effective for a period of 10 years commencing from the adoption date of the RSU Scheme.

On 8 April 2022, ZATI granted 10,700,000 RSUs to the Bank RSU Grantees ("First Batch RSU"). On 1 December 2022, ZATI granted 3,550,000 RSUs to the Bank RSU Grantees ("Second Batch RSU").

Set out below are summaries of RSUs granted under the plan and outstanding:

	Average grant price per RSUs HK\$	Number of RSUs
As at 1 January 2024	1.50	11,700,000
Granted during the year	-	-
Exercised during the year	-	-
Forfeited during the year	1.50	(1,200,000)
As at 31 December 2024 and 1 January 2025	1.50	10,500,000
Granted during the year	-	-
Exercised during the year	-	-
Forfeited during the year	1.50	(6,100,000)
As at 31 December 2025	1.50	4,400,000
Vested and exercisable as at 31 December 2025	1.50	3,300,000
Vested and exercisable as at 31 December 2024	1.50	5,250,000

RSUs outstanding at the end of the year have the following expiry date and exercise prices:

<u>Grant Date</u>	<u>Expiry Date</u>	<u>Grant Price</u>	31 December 2025	31 December 2024
8 April 2022	7 April 2032	HK\$1.50	3,750,000	7,350,000
1 December 2022	30 November 2032	HK\$1.50	650,000	3,150,000
			4,400,000	10,500,000

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

23. SHARE-BASED PAYMENTS (Continued)

(ii) Restricted Share Unit Schemes (Continued)

Weighted average remaining contractual life of RSUs outstanding at end of year	6.37 years	7.47 years
--	------------	------------

Based on fair value of the underlying shares, the directors have used binominal pricing model to determine the fair value of the RSUs as of the grant date.

First Batch RSU key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	41.63
Risk-free interest rate (%)	2.48
Life of RSUs (in years)	10
Estimate RSU price at grant date according to sum-of-the-parts approach (in HKD)	3.29
Grant price (in HKD)	1.50

Second Batch RSU key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	43.32
Risk-free interest rate (%)	3.45
Life of RSUs (in years)	10
Estimate RSU price at grant date according to sum-of-the-parts approach (in HKD)	5.15
Grant price (in HKD)	1.50

The total expenses recognized in the statement of comprehensive income for share option schemes and restricted share unit schemes is disclosed in note 9.

24. COMMITMENTS

	<u>2025</u>	<u>2024</u>
Credit commitments with an original maturity of:		
- 1 year or over	-	-
- unconditionally cancellable	619,073	541,744
	<u>619,073</u>	<u>541,744</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

25. NOTE TO CASH FLOW STATEMENT

(i) Non-cash investing activities

Non-cash investing activities disclosed in other note is:

- Acquisition of right-of-use assets - note 11

(ii) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	<u>2025</u>	<u>2024</u>	
Cash and cash equivalents	2,420,074	2,568,049	
Lease liabilities	(2,460)	(1,842)	
Net debt	<u>2,417,614</u>	<u>2,566,207</u>	
Cash and cash equivalents	2,420,074	2,568,049	
Gross debt - fixed interest rate	(2,460)	(1,842)	
Net debt	<u>2,417,614</u>	<u>2,566,207</u>	
	<u>Lease</u>	<u>Cash and cash equivalents</u>	<u>Total</u>
Net debt as at 1 January 2024	(2,830)	956,584	953,754
Cash flows	1,017	1,548,602	1,549,619
Acquisition - leases	-	-	-
Interest expense (note 5(b))	(29)	-	(29)
Foreign exchange adjustments	-	62,863	62,863
Net debt as at 31 December 2024 and 1 January 2025	(1,842)	2,568,049	2,566,207
Cash flows	1,113	(81,686)	(80,573)
Acquisition - leases	(1,711)	-	(1,711)
Interest expense (note 5(b))	(20)	-	(20)
Foreign exchange adjustments	-	(66,289)	(66,289)
Net debt as at 31 December 2025	(2,460)	2,420,074	2,417,614

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

26. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Bank had the following transactions with its related parties during the year.

(i) Key management personnel compensation

Transactions with key management personnel have been disclosed below.

	<u>2025</u>	<u>2024</u>
Short-term employee benefits	31,458	31,107
Share-based payments	6,201	8,508
Deferred bonus	3,543	2,277
	<u>41,202</u>	<u>41,892</u>

As key management personnel, directors' emoluments are disclosed in Note 27.

(ii) Transactions with related parties

ZA Online

	<u>2025</u>	<u>2024</u>
Interest income	<u>264</u>	<u>728</u>

ZATI

The Bank has recharge arrangement with ZATI under which the Bank used and occupied certain resources of ZATI, such as designated employees and office premises, to support its business and operation. In connection with this recharge arrangement, ZATI recharged the Bank for the operating expenses attributable to the Bank monthly on a cost basis.

During the year ended 31 December 2025, ZATI has allocated and recharged operating expenses including staff and rental expenses of HK\$280,090,602 (2024: HK\$273,287,132) to the Bank.

	<u>2025</u>	<u>2024</u>
Operating expenses	(280,090)	(273,287)
Interest expense	(11,783)	(5,790)
	<u>(291,873)</u>	<u>(279,077)</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

26. RELATED PARTY TRANSACTIONS (Continued)

(ii) Transactions with related parties (Continued)

Fellow subsidiaries

	<u>2025</u>	<u>2024</u>
Interest expense	(718)	(1,013)
Operating expenses	(40,164)	(38,051)
Fee and commission income	809	2,918
	<u>(40,073)</u>	<u>(36,146)</u>

Other related parties

	<u>2025</u>	<u>2024</u>
Interest expense	(2,235)	(1,736)
Operating expenses	(500)	(475)
Fee and commission income	5	31
Net gain/(loss) from other financial instruments	2	-
	<u>(2,728)</u>	<u>(2,180)</u>

During the year ended 31 December 2025 and 2024, the Bank has the following transactions with the key management personnel.

	<u>2025</u>	<u>2024</u>
Interest income	-	8
Interest expense	(2,954)	(3,932)
Operating expenses	(4)	(36)
Fee and commission income	3	1
Net gain from other financial instruments	18	36
	<u>(2,937)</u>	<u>(3,923)</u>

(iii) Balances with related parties

As at 31 December 2025 and 2024, the Bank has the following balances with related parties.

ZA Online

	<u>2025</u>	<u>2024</u>
Debt securities measured at FVOCI	-	23,266

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

26. RELATED PARTY TRANSACTIONS (Continued)

(iii) Balances with related parties (Continued)

ZATI

	<u>2025</u>	<u>2024</u>
Deposits from customers	(161)	(490,979)
Other accounts and accruals	(75,174)	(43,907)
Interest payable	-	(994)
	<u>(75,335)</u>	<u>(535,880)</u>

Fellow subsidiaries

	<u>2025</u>	<u>2024</u>
Deposits from customers	(42,570)	(10,446)
Other accounts and accruals	(17,915)	(14,775)
Interest payable	(75)	(30)
Other assets	805	2,918
	<u>(59,755)</u>	<u>(22,333)</u>

Other related parties

	<u>2025</u>	<u>2024</u>
Deposits from customers	(86,894)	(59,910)
Interest payable	(103)	(57)
Other accounts and accruals	(54,807)	(20,175)
	<u>(141,804)</u>	<u>(80,142)</u>

Key management personnel

	<u>2025</u>	<u>2024</u>
Deposits from customers	(166,728)	(171,649)
Interest payable	(1,033)	(727)
Bonus payable	(12,111)	(8,409)
Loans and advances to customers	-	27
Interest receivable	-	-
	<u>(179,872)</u>	<u>(180,758)</u>

ZA BANK LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Hong Kong dollar thousands unless otherwise stated)

27. BENEFITS AND INTEREST OF THE DIRECTORS OF THE BANK

During the year, except as disclosed below, no other emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors of the Bank. No consideration was provided to or receivable by third parties for making available directors' services during the year. There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities during the year.

Directors' emoluments

The aggregate emoluments paid to or receivable by directors in respect of their services as directors, pursuant to section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) were set out below:

	<u>2025</u>	<u>2024</u>
Directors' fees	1,882	1,718
Salaries and bonus	5,052	6,268
Contribution to retirement benefits schemes	22	36
Other benefits	1,274	3,807
Total	<u>8,230</u>	<u>11,829</u>

28. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2025 and 31 December 2024.

29. EVENT AFTER REPORTING PERIOD

There are no significant events after the reporting period.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30 April 2026.