



Livi Bank

Interim Report

2023

LIVI BANK LIMITED

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Chinese translation

A Chinese translation of Interim Report is available upon request. The report is also available, in English and Chinese, on the Bank's website at www.livi.com.

LIVI BANK LIMITED

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED 30 JUNE 2023

	Notes	6 months ended 30 Jun 2023 HK\$'000	6 months ended 30 Jun 2022 HK\$'000
Operating income			
Interest income		66,786	5,329
Interest expense		(40,109)	(9,429)
Net interest income/(expense)	3	26,677	(4,100)
Fee and commission income		16,214	8,853
Fee and commission expense		(10,126)	(6,343)
Net fee and commission income		6,088	2,510
Other income		76	84
TOTAL OPERATING INCOME/(LOSS)		32,841	(1,506)
Operating expenses			
Staff costs		(117,975)	(138,166)
Legal and professional fees		(3,243)	(4,469)
Depreciation on property, plant and equipment		(14,413)	(19,771)
Amortisation of intangible assets		(61,177)	(48,812)
Other operating expenses		(111,268)	(140,925)
TOTAL OPERATING EXPENSES		(308,076)	(352,143)
Net operating loss before net charges of impairment losses		(275,235)	(353,649)
Net charges of impairment losses		(32,776)	(7,407)
LOSS FOR THE PERIOD		(308,011)	(361,056)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Financial assets at fair value through other comprehensive income ("FVOCI"):			
– Fair value changes		(4,723)	(2,373)
– Impairment losses released/(recognised)		35	(48)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(4,688)	(2,421)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(312,699)	(363,477)

LIVI BANK LIMITED

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AT 30 JUNE 2023

	Notes	At 30 Jun 2023 HK\$'000	At 31 Dec 2022 HK\$'000
Assets			
Cash and balances with banks	4	236,119	445,546
Placements with banks	5	147,617	–
Financial investments	6	1,480,487	2,004,218
Loans and advances to customers	7	1,750,485	1,303,994
Property, plant and equipment	8	56,058	69,868
Intangible assets	9	227,323	241,344
Prepayments and other assets		36,693	32,728
TOTAL ASSETS		3,934,782	4,097,698
Liabilities			
Customer deposits		2,524,790	3,098,385
Lease liabilities		31,747	37,918
Other liabilities and provisions		111,353	180,880
TOTAL LIABILITIES		2,667,890	3,317,183
NET ASSETS		1,266,892	780,515
Equity			
Share capital	10	2,800,000	2,800,000
Other equity instruments	11	799,076	–
Reserves		(2,332,184)	(2,019,485)
TOTAL EQUITY		1,266,892	780,515

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CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED 30 JUNE 2023

	Share capital HK\$'000	Accumulated losses HK\$'000	FVOCI reserve HK\$'000	Other equity instruments HK\$'000	Total HK\$'000
At 1 Jan 2022	2,500,000	(1,306,068)	(321)	–	1,193,611
Loss for the period	–	(361,056)	–	–	(361,056)
Change in fair value on financial assets at FVOCI	–	–	(2,373)	–	(2,373)
Impairment losses recognised	–	–	(48)	–	(48)
Total comprehensive loss for the period	–	(361,056)	(2,421)	–	(363,477)
Issuance of shares	300,000	–	–	–	300,000
At 30 Jun 2022	2,800,000	(1,667,124)	(2,742)	–	1,130,134
At 1 Jul 2022	2,800,000	(1,667,124)	(2,742)	–	1,130,134
Loss for the period	–	(354,054)	–	–	(354,054)
Change in fair value on financial assets at FVOCI	–	–	4,481	–	4,481
Impairment losses recognised	–	–	(46)	–	(46)
Total comprehensive loss for the period	–	(354,054)	4,435	–	(349,619)
At 31 Dec 2022	2,800,000	(2,021,178)	1,693	–	780,515
At 1 Jan 2023	2,800,000	(2,021,178)	1,693	–	780,515
Loss for the period	–	(308,011)	–	–	(308,011)
Change in fair value on financial assets at FVOCI	–	–	(4,723)	–	(4,723)
Impairment losses released	–	–	35	–	35
Total comprehensive loss for the period	–	(308,011)	(4,688)	–	(312,699)
Issuance of other equity instruments	–	–	–	799,076	799,076
At 30 Jun 2023	2,800,000	(2,329,189)	(2,995)	799,076	1,266,892

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CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE PERIOD ENDED 30 JUNE 2023

	6 months ended 30 Jun 2023 HK\$'000	6 months ended 30 Jun 2022 HK\$'000
Cash flows from operating activities		
Loss for the period	(308,011)	(361,056)
Adjustments for non-cash items:		
Depreciation on property, plant and equipment	14,413	19,771
Amortisation of intangible assets	61,177	48,812
Net charges of impairment losses	32,776	7,407
Interest expense on lease liabilities	819	1,024
	<u>(198,826)</u>	<u>(284,042)</u>
Changes in operating assets and liabilities		
Decrease in placements with banks with an original maturity beyond three months	–	195,000
Increase in financial investments with an original maturity beyond three months	(167,015)	(213,308)
Increase in loans and advances to customers	(475,848)	(336,542)
Increase in prepayments and other assets	(4,905)	(33,372)
Decrease in customer deposits	(573,595)	(1,229,045)
Decrease in other liabilities and provisions	(72,058)	(7,704)
	<u>(1,492,247)</u>	<u>(1,909,013)</u>
Net cash flows used in operating activities	(1,492,247)	(1,909,013)
Cash flows from investing activities		
Purchase of property, plant and equipment	(69)	(80)
Purchase of intangible assets	(47,156)	(52,045)
	<u>(47,225)</u>	<u>(52,125)</u>
Net cash flows used in investing activities	(47,225)	(52,125)
Cash flows from financing activities		
Payment of lease liabilities	(7,526)	(8,097)
Issue of ordinary share capital	–	300,000
Issue of other equity instruments	799,076	–
	<u>791,550</u>	<u>291,903</u>
Net cash flows generated from financing activities	791,550	291,903

LIVI BANK LIMITED

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2023

		6 months ended 30 Jun 2023 HK\$'000	6 months ended 30 Jun 2022 HK\$'000
Net decrease in cash and cash equivalents		(747,922)	(1,669,235)
Cash and cash equivalents at beginning of period		<u>1,715,183</u>	<u>2,469,783</u>
Cash and cash equivalents at end of period	12	<u>967,261</u>	<u>800,548</u>

LIVI BANK LIMITED

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2023

1. GENERAL INFORMATION

Livi Bank Limited (the “Bank”) is incorporated and operates a virtual banking business in Hong Kong after being granted the license by the HKMA on 27 March 2019. The address of the Bank’s registered office is 28th floor, Oxford House, 979 King’s Road, Quarry Bay, Hong Kong.

2.1 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of the condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing the condensed interim financial statements, the significant judgements made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the financial statements for the year ended 31 December 2022.

The condensed interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The condensed interim financial statements are unaudited.

2.2 BASIS OF PREPARATION

The accounting policies applied in preparing these condensed interim financial statements are materially consistent with those applied in preparing the financial statements for the year ended 31 December 2022. The following revised accounting standards became effective from 1 January 2023. None of the revised accounting standard has a material impact on the condensed interim financial statements.

Amendments to HKAS 1 and HKFRS
Practice Statement 2

Amendments to HKAS 8

Amendments to HKAS 12

Disclosure of Accounting Policies

Definition of Accounting Estimates

Deferred Tax related to Assets and liabilities arising from
a Single Transaction

LIVI BANK LIMITED

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2023

3. NET INTEREST INCOME/(EXPENSE)

	6 months ended 30 Jun 2023 HK\$'000	6 months ended 30 Jun 2022 HK\$'000
Interest income from financial assets measured at amortised cost	43,137	3,229
Interest income from financial assets measured at FVOCI	23,649	2,100
Total interest income	<u>66,786</u>	<u>5,329</u>
Interest expense from financial liabilities measured at amortised cost	(39,290)	(8,405)
Interest expense on lease liabilities	(819)	(1,024)
Total interest expense	<u>(40,109)</u>	<u>(9,429)</u>
Net interest income/(expense)	<u><u>26,677</u></u>	<u><u>(4,100)</u></u>

4. CASH AND BALANCES WITH BANKS

	At 30 Jun 2023 HK\$'000	At 31 Dec 2022 HK\$'000
Cash and balances with banks – Stage 1	236,194	445,780
Less: Allowances for impairment losses – Stage 1	(75)	(234)
	<u>236,119</u>	<u>445,546</u>

5. PLACEMENTS WITH BANKS

	At 30 Jun 2023 HK\$'000	At 31 Dec 2022 HK\$'000
Placements with banks – Stage 1	147,722	–
Less: Allowances for impairment losses – Stage 1	(105)	–
	<u>147,617</u>	<u>–</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2023

6. FINANCIAL INVESTMENTS

	At 30 Jun 2023 HK\$'000	At 31 Dec 2022 HK\$'000
At FVOCI:		
Debt securities – Stage 1	1,376,679	1,833,580
Less: Revaluation gains/(losses)	<u>(3,155)</u>	<u>1,567</u>
	<u>1,373,524</u>	<u>1,835,147</u>
At amortised cost:		
Certificate of deposits – Stage 1	106,992	169,135
Less: Allowances for impairment losses – Stage 1	<u>(29)</u>	<u>(64)</u>
	<u>106,963</u>	<u>169,071</u>
	<u>1,480,487</u>	<u>2,004,218</u>

7. LOANS AND ADVANCES TO CUSTOMERS

	At 30 Jun 2023 HK\$'000	At 31 Dec 2022 HK\$'000
Loans and advances to customers	1,780,306	1,318,459
Less: Allowances for impairment losses		
– Stage 1	(13,760)	(5,645)
– Stage 2	(8,110)	(3,487)
– Stage 3	<u>(7,951)</u>	<u>(5,333)</u>
	<u>1,750,485</u>	<u>1,303,994</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2023

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Office equipment, furniture and fixtures HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
Cost					
At 1 Jan 2023	21,503	83,437	936	82,454	188,330
Additions	–	69	–	534	603
At 30 Jun 2023	21,503	83,506	936	82,988	188,933
Accumulated depreciation					
At 1 Jan 2023	13,910	58,174	896	45,482	118,462
Charge for the period	2,126	5,862	40	6,385	14,413
At 30 Jun 2023	16,036	64,036	936	51,867	132,875
Net book value					
At 30 Jun 2023	5,467	19,470	–	31,121	56,058
Cost					
At 1 Jan 2022	21,503	78,709	936	89,881	191,029
Additions	–	4,728	–	3,410	8,138
Disposals	–	–	–	(4,757)	(4,757)
Lease modification	–	–	–	(6,080)	(6,080)
At 31 Dec 2022	21,503	83,437	936	82,454	188,330
Accumulated depreciation					
At 1 Jan 2022	9,343	40,771	668	35,303	86,085
Charge for the year	4,567	17,403	228	14,936	37,134
Disposals	–	–	–	(4,757)	(4,757)
At 31 Dec 2022	13,910	58,174	896	45,482	118,462
Net book value					
At 31 Dec 2022	7,593	25,263	40	36,972	69,868

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2023

9. INTANGIBLE ASSETS

The Bank recognised intangible assets which included separately acquired software and systems developed with external parties.

	Software HK\$'000
Cost	
At 1 Jan 2023	476,168
Additions	47,156
	<hr/>
At 30 Jun 2023	523,324
	<hr/>
Accumulated amortisation	
At 1 Jan 2023	234,824
Amortisation for the period	61,177
	<hr/>
At 30 Jun 2023	296,001
	<hr/>
Net book value	
At 30 Jun 2023	227,323
	<hr/> <hr/>
Cost	
At 1 Jan 2022	361,752
Additions	114,416
	<hr/>
At 31 Dec 2022	476,168
	<hr/>
Accumulated amortisation	
At 1 Jan 2022	125,762
Amortisation for the year	109,062
	<hr/>
At 31 Dec 2022	234,824
	<hr/>
Net book value	
At 31 Dec 2022	241,344
	<hr/> <hr/>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2023

10. SHARE CAPITAL

	No. of ordinary shares	Share Capital HK\$'000
Ordinary shares, issued and fully paid		
At 1 Jan 2022	2,500,000,000	2,500,000
Issuance of shares	300,000,000	300,000
	<hr/>	<hr/>
At 31 Dec 2022 and 1 Jan 2023	2,800,000,000	2,800,000
Issuance of shares	–	–
	<hr/>	<hr/>
At 30 Jun 2023	<u>2,800,000,000</u>	<u>2,800,000</u>

11. OTHER EQUITY INSTRUMENTS

	30 Jun 2023 HK\$'000	31 Dec 2022 HK\$'000
Undated non-cumulative subordinated Additional Tier 1 capital securities	<u>799,076</u>	<u>–</u>

In May 2023, the Bank issued HKD800 million undated non-cumulative subordinated Additional Tier 1 capital securities. The capital securities are perpetual securities in respect of which there is no fixed redemption date and are not callable within the first 5 years. They are 9.8% per annum payable in arrears five years after the drawdown date which may be cancellable at the sole discretion of the Bank.

LIVI BANK LIMITED

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2023

12. CASH AND CASH EQUIVALENTS

(a) Analysis of balances of cash and cash equivalents

	At 30 Jun 2023 HK\$'000	At 30 Jun 2022 HK\$'000
Cash and balances with banks	236,194	440,593
Placements with banks with an original maturity within three months	147,722	–
Exchange Fund Bills with an original maturity within three months	583,345	359,955
	<u>967,261</u>	<u>800,548</u>

(b) Reconciliation with the statement of financial position

	At 30 Jun 2023 HK\$'000	At 30 Jun 2022 HK\$'000
Cash and balances with banks	236,119	440,467
Placements with banks	147,617	–
Financial investments	1,480,487	1,793,163
	<u>1,864,223</u>	<u>2,233,630</u>
Amounts shown in the statement of financial position	1,864,223	2,233,630
Less: Amounts with an original maturity of beyond three months	(897,171)	(1,433,329)
Add: Allowances for impairment losses	209	247
	<u>967,261</u>	<u>800,548</u>
Cash and cash equivalents in the statement of cash flows	<u>967,261</u>	<u>800,548</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2023

13. FAIR VALUE OF ASSETS AND LIABILITIES

Financial instruments measured at fair value – fair value hierarchy

	At 30 Jun 2023			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Debt securities at FVOCI	<u>1,146,450</u>	<u>227,074</u>	<u>–</u>	<u>1,373,524</u>

	At 31 Dec 2022			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Debt securities at FVOCI	<u>1,698,100</u>	<u>137,047</u>	<u>–</u>	<u>1,835,147</u>

At 30 June 2023 and 31 December 2022, the carrying amounts of these financial assets and financial liabilities approximated their fair values.

14. MATERIAL RELATED PARTY TRANSACTIONS

There were no significant changes to the nature of the related party transactions described in the 2022 financial statements that have a material effect on the financial position or performance of the Bank during the 6 months ended 30 June 2023.

15. LOAN COMMITMENTS

At the reporting date, the Bank had the following outstanding commitments:

	At 30-Jun-23 HK\$'000	At 31-Dec-22 HK\$'000
Loan commitments which are unconditionally cancellable	<u>2,708,331</u>	<u>1,911,469</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2023

16. CAPITAL COMMITMENTS

The Bank has the following outstanding capital commitments not provided for:

	At 30 Jun 2023 HK\$'000	At 31 Dec 2022 HK\$'000
Authorised and contracted for but not provided for	<u>14,436</u>	<u>34,534</u>

The above capital commitments mainly relate to commitments to purchase computer equipment and software.

17. EVENTS AFTER THE REPORTING PERIOD

On 21 September 2023, the Bank issues 992,000,000 ordinary shares to Livi Holdings Limited for a total consideration of HK\$992,000,000.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 September 2023.

Livi Bank Limited
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www.livibank.com

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