



PAO BANK LIMITED

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2024

PAO Bank Limited

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PAO BANK LIMITED

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PAO BANK LIMITED

Report on Review of Interim Financial Information To the Board of Directors of PAO BANK Limited (incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 16, which comprises the interim condensed statement of financial position of PAO Bank Limited (the “Bank”) as at 30 June 2024 and the interim condensed statement of comprehensive income, the interim condensed statement of changes in equity and the interim condensed statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory information. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Bank is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 September 2024

PAO BANK LIMITED

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

	Notes	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Interest income	3(a)	115,994	75,108
Interest expense	3(b)	(55,793)	(36,805)
Net interest income		60,201	38,303
Fees and commission income	4	82	23
Net operating income		60,283	38,326
Staff costs	5	(68,674)	(54,699)
Premises and equipment expenses	5	(2,440)	(1,575)
Other operating expenses	5	(79,318)	(62,663)
Total operating expenses	5	(150,432)	(118,937)
Loss before expected credit losses		(90,149)	(80,611)
Charge for expected credit losses	6	(25,996)	(6,610)
Loss before income tax		(116,145)	(87,221)
Income tax expenses	7	–	–
Loss after income tax		(116,145)	(87,221)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
– Changes in the fair value of financial assets at fair value through other comprehensive income (“FVOCI”)		(3,490)	771
– Reclassification adjustments for ECL losses included in profit or loss		21,805	6,886
– Written off of financial assets at fair value through other comprehensive income		(10,290)	(6,511)
Other comprehensive income, net of tax		8,025	1,146
Total comprehensive income		(108,120)	(86,075)

The notes on pages 6 to 16 form part of this interim financial information.

PAO BANK LIMITED**CONDENSED STATEMENT OF FINANCIAL POSITION (unaudited)**

	Notes	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Assets			
Balances with banks and central bank	8	210,795	166,270
Placements with and advances to banks	9	334,027	532,553
Investment securities	10	1,905,834	353,059
Loans and advances to customers	11	2,632,384	2,103,313
Amounts due from a related company	22	224	908
Other assets	15	13,296	17,736
Property, plant and equipment	12	2,820	2,006
Intangible assets	13	113,028	121,570
Right-of-use assets	14(a)	4,848	7,271
Total assets		5,217,256	3,304,686
Liabilities			
Deposits from customers	16	4,223,668	2,495,215
Other payables and accruals	17	41,146	35,180
Repurchase agreements at amortized cost	18	—	60,000
Amounts due to related companies	22	32,932	35,133
Lease liability	14(a)	8,720	11,155
Total liabilities		4,306,466	2,636,683
Equity			
Share capital	19	1,850,000	1,500,000
Accumulated losses		(964,006)	(847,861)
Other reserves		24,796	15,864
Total equity		910,790	668,003
Total liabilities and equity		5,217,256	3,304,686

The notes on pages 6 to 16 form part of this interim financial information.

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CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

	Notes	Other reserves				Total equity HK\$'000
		Share capital HK\$'000	Accumulated loss HK\$'000	FVOCI reserve HK\$'000	Share-based compensation reserve (Note 1) HK\$'000	
At 1 January 2023		1,500,000	(666,605)	5,943	8,561	847,899
Change in equity for the period:						
Loss for the period		–	(87,221)	–	–	(87,221)
Other comprehensive income		–	–	1,146	–	1,146
Total comprehensive income		–	(87,221)	1,146	–	(86,075)
Share-based compensation	5	–	–	–	182	182
At 30 June 2023 and 1 July 2023		<u>1,500,000</u>	<u>(753,826)</u>	<u>7,089</u>	<u>8,743</u>	<u>762,006</u>
Change in equity for the period:						
Loss for the period		–	(94,035)	–	–	(94,035)
Other comprehensive income		–	–	(595)	–	(595)
Total comprehensive income		–	(94,035)	(595)	–	(94,630)
Share-based compensation	5	–	–	–	627	627
At 31 December 2023 and 1 January 2024		<u>1,500,000</u>	<u>(847,861)</u>	<u>6,494</u>	<u>9,370</u>	<u>668,003</u>
Change in equity for the period:						
Loss for the period		–	(116,145)	–	–	(116,145)
Other comprehensive income		–	–	8,025	–	8,025
Total comprehensive income		–	(116,145)	8,025	–	(108,120)
Capital contributions from immediate holding company	19	350,000	–	–	–	350,000
Share-based compensation	5	–	–	–	907	907
At 30 June 2024		<u>1,850,000</u>	<u>(964,006)</u>	<u>14,519</u>	<u>10,277</u>	<u>910,790</u>

Note 1: The share-based compensation reserve is to record the corresponding amount of shares and share options granted by OneConnect Financial Technology Co. Ltd. (“OCFT”) to the Bank’s employees.

Upon completion of the acquisition of the entire issued share capital of Jin Yi Tong Limited (which indirectly holds 100% of the issued share capital of the Bank) by Lufax Holding Ltd (“Lufax”) from OneConnect Financial Technology Co., Ltd on 2 April 2024, the unvested portion of OCFT share option scheme was cancelled with no replacement, modification or direct compensation.

The notes on pages 6 to 16 form part of this interim financial information.

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CONDENSED STATEMENT OF CASH FLOWS (unaudited)

	Notes	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Cash flows from operating activities			
Loss before income tax		(116,145)	(87,221)
Adjustment for:			
Charge for expected credit losses	6	25,996	6,610
Depreciation and amortization	5	20,173	18,378
Share-based compensation	5	907	182
Interest income	3(a)	(115,994)	(75,108)
Interest expense	3(b)	55,793	36,805
Foreign exchange loss/(gain)		588	(2,579)
Cash flows before changes in operating activities		<u>(128,682)</u>	<u>(102,933)</u>
Changes in repurchase agreements at amortized cost		(60,000)	—
Changes in balances and placements with banks with original maturity over three months		114,895	144
Changes in loans and advances to customers		(540,762)	(36,178)
Changes in amounts due from a related company		684	—
Changes in other assets		4,438	704
Changes in deposits from customers		1,719,530	(25,115)
Changes in amounts due to related companies		(1,405)	1,494
Changes in other payables and accruals		6,016	(4,862)
Cash generated from/(used in) operating activities		<u>1,114,714</u>	<u>(166,746)</u>
Interest received		86,808	75,391
Interest paid		(45,167)	(31,651)
Net cash generated from/(used in) operating activities		<u>1,156,355</u>	<u>(123,006)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(1,432)	(574)
Addition of intangible assets	13	(8,589)	(9,121)
Investments in investment securities at FVOCI		(4,668,034)	19,851
Repayments from investment securities at FVOCI		3,133,303	—
Net cash (used in)/generated from investing activities		<u>(1,544,752)</u>	<u>10,156</u>
Cash flows from financing activities			
Proceeds from capital contributions	19	350,000	—
Principal elements of lease payments		(2,435)	(3,119)
Net cash generated from/(used in) financing activities		<u>347,565</u>	<u>(3,119)</u>
Net decrease in cash and cash equivalents		(40,832)	(115,969)
Cash and cash equivalents at beginning of period		256,391	575,746
Effect of foreign exchange rate changes, net		(397)	478
Cash and cash equivalents at 30 June	21	<u>215,162</u>	<u>460,255</u>

The notes on pages 6 to 16 form part of this interim financial information.

PAO BANK LIMITED

NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

1. General information

PAO Bank Limited (formerly known as “Ping An OneConnect Bank (Hong Kong) Limited”) is a licensed bank authorized under the Hong Kong Banking Ordinance since 9 May 2019. The Bank has launched its banking services since 2020.

Upon completion of the acquisition of the entire issued share capital of Jin Yi Tong Limited (which indirectly holds 100% of the issued share capital of the Bank) by Lufax Holding Ltd (“Lufax”) from OneConnect Financial Technology Co., Ltd., the Bank became a wholly-owned subsidiary of Lufax on 2 April 2024. The Bank is an associated company of Ping An Insurance (Group) Company of China and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

2. Basis of preparation

(a) Material accounting policies

The unaudited interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants. Except for the initial adoption of the effective amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the material accounting policies adopted and preparation basis of the unaudited interim financial information are consistent with those described in the Bank’s annual report 2023. The adoption of the new and amended standards in the current period did not have a significant impact on the interim financial information.

The HKICPA has issued certain new standard, interpretation and amendments to existing standards which are not yet effective for the year ending 31 December 2024 and have not been early adopted by the Bank. The Bank will apply these new standard, interpretation and amendments to existing standards as and when they become effective. The Bank has already commenced an assessment of the related impact to the Bank, certain of which may give rise to change in presentation, disclosure and measurements of certain items in the financial statements.

The preparation of interim financial information 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.

The significant judgement made by management in applying the Bank’s accounting policies and the key approaches of estimation are consistent with those adopted in, and shall be read in conjunction with the Bank’s annual report 2023.

(b) Requirement in connection with publication of interim financial information

The financial information relating to the year ended 31 December 2023 that is included in the interim financial information for the six months ended 30 June 2024 as comparative information does not constitute the Bank’s statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

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

The Bank’s auditor has reported on the financial statements for the year ended 31 December 2023. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

3. Interest income and interest expense

	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
(a) Interest income		
Financial assets at amortized cost	13,638	8,928
Financial assets at FVOCI		
– Loans and advances to customers	78,622	58,872
– Investment securities	23,734	7,308
	<u>115,994</u>	<u>75,108</u>
(b) Interest expense		
Financial liabilities at amortized cost	55,629	36,532
Lease liability (Note 14(b))	164	273
	<u>55,793</u>	<u>36,805</u>

4. Fees and commission income

	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Others	<u>82</u>	<u>23</u>

5. Operating expenses

	Notes	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Staff costs			
– Salaries and other short term benefits		66,392	53,339
– Pension		1,375	1,178
– Share-based compensation		907	182
Premises and equipment expense, excluding depreciation		2,440	1,575
Legal and consultancy fee		4,877	1,680
Software licensing and other IT cost		24,426	28,610
Depreciation of property, plant and equipment	12	618	563
Amortization of intangible assets	13	17,131	14,483
Depreciation of right-of-use assets	14(b)	2,424	3,332
Outsourcing expense		16,300	6,233
Audit fee		1,175	1,185
Other operating expenses		12,367	6,577
		<u>150,432</u>	<u>118,937</u>

PAO BANK LIMITED**NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)****6. Charge for expected credit losses**

	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Placements with and advances to banks	(9)	(3)
Investment securities	136	(30)
Loans and advances to customers	25,869	6,643
	<u>25,996</u>	<u>6,610</u>

7. Income tax expenses

	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Current tax	–	–
Deferred tax	–	–
Total tax expenses	<u>–</u>	<u>–</u>

The applicable Hong Kong profits tax rate is 16.5% (2023: 16.5%). No provision for Hong Kong profits tax has been made (first half of 2023: Nil) as the Bank had no estimated assessable profits for the periods.

8. Balances with banks and central bank

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Balances with central bank	200,490	147,872
Balances with banks	10,305	18,398
Less: Expected credit loss provision	–	–
	<u>210,795</u>	<u>166,270</u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

9. Placements with and advances to banks

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Placements with and advances to banks		
– Maturing within one month	34,495	186,304
– Maturing between one month and one year	299,549	346,275
Less: Expected credit loss provision	(17)	(26)
	<u>334,027</u>	<u>532,553</u>

There were no overdue, impaired or rescheduled placements with and advances to banks for the periods.

10. Investment securities

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
At FVOCI:		
Exchange fund bills	482,255	69,864
Certificate of deposits	1,423,579	283,195
	<u>1,905,834</u>	<u>353,059</u>

11. Loans and advances to customers

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
At FVOCI (Note a)	2,063,683	2,099,901
At amortized cost	572,967	3,479
Less: Expected credit loss provision	(4,266)	(67)
	<u>2,632,384</u>	<u>2,103,313</u>

Note a: As at 30 June 2024, loans and advances to customers measured at FVOCI continue to be measured at fair value with the allowance for ECL accounted for through credit to other comprehensive income and recognised in 'Charge for expected credit losses' in condensed statement of profit or loss correspondingly. As at 30 June 2024, the ECL for loans and advance to customers measured at FVOCI classified as Stages 1 and 2 was HK\$11.8 million (31 December 2023: HK\$8.5 million) and the ECL for loans and advance to customers measured at FVOCI classified as Stage 3 was HK\$12.8 million (31 December 2023: HK\$4.8 million). These ECL amounts are disclosed as a memorandum item.

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NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

12. Property, plant and equipment

	Equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 1 January 2024			
Opening net book amount	2,006	–	2,006
Additions	1,432	–	1,432
Depreciation charge	(618)	–	(618)
Closing net book amount	<u>2,820</u>	<u>–</u>	<u>2,820</u>
At 30 June 2024			
Cost	8,688	9,905	18,593
Accumulated depreciation	(5,868)	(9,905)	(15,773)
Net book amount	<u>2,820</u>	<u>–</u>	<u>2,820</u>
At 1 January 2023			
Opening net book amount	2,114	–	2,114
Additions	1,006	–	1,006
Depreciation charge	(1,114)	–	(1,114)
Closing net book amount	<u>2,006</u>	<u>–</u>	<u>2,006</u>
At 31 December 2023			
Cost	7,256	9,905	17,161
Accumulated depreciation	(5,250)	(9,905)	(15,155)
Net book amount	<u>2,006</u>	<u>–</u>	<u>2,006</u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

13. Intangible assets

	Acquired software HK\$'000	Internally developed software HK\$'000	Total HK\$'000
At 1 January 2024			
Opening net book amount	11,095	110,475	121,570
Additions	–	8,589	8,589
Amortization charge	(1,994)	(15,137)	(17,131)
Closing net book amount	<u>9,101</u>	<u>103,927</u>	<u>113,028</u>
At 30 June 2024			
Cost	32,206	198,122	230,328
Accumulated amortization	(23,105)	(94,195)	(117,300)
Net book amount	<u>9,101</u>	<u>103,927</u>	<u>113,028</u>
At 1 January 2023			
Opening net book amount	15,543	124,934	140,477
Additions	165	14,754	14,919
Amortization charge	(4,613)	(29,213)	(33,826)
Closing net book amount	<u>11,095</u>	<u>110,475</u>	<u>121,570</u>
At 31 December 2023			
Cost	32,206	189,533	221,739
Accumulated amortization	(21,111)	(79,058)	(100,169)
Net book amount	<u>11,095</u>	<u>110,475</u>	<u>121,570</u>

14. Leases

(a) Amount recognized in the condensed statement of financial position

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Right-of-use assets	<u>4,848</u>	<u>7,271</u>
Lease liability		
– Current	8,720	5,984
– Non current	–	5,171
	<u>8,720</u>	<u>11,155</u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

14. Leases (continued)

(b) Amount recognized in the condensed statement of comprehensive income

	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Depreciation charge of right-of-use assets (Note 5)	2,424	3,332
Interest expense (Note 3(b))	164	273

15. Other assets

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Prepaid expenses	3,710	4,099
Rental and other deposits	6,335	8,142
Prepaid interest	3,251	5,495
	13,296	17,736

16. Deposits from customers

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Savings deposits	1,195,426	482,399
Fixed deposits	3,028,242	2,012,816
	4,223,668	2,495,215

17. Other payables and accruals

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Accruals for employee benefits	20,026	17,905
Other accruals	21,120	17,275
	41,146	35,180

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NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

18. Repurchase agreement at amortized cost

As at 30 June 2024, there was no repurchase agreement at amortized cost of the Bank (31 December 2023: HK\$60 million) under sale and repurchase arrangements secured by debt securities deposited with HKMA to facilitate settlement operations. As at 31 December 2023, the amount of debt securities pledged by the Bank was HK\$60 million included in “Investment securities”.

19. Issued share capital

	No. of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2023, 31 December 2023 and 1 January 2024	1	1,500,000
Capital contributions from immediate holding company	—	350,000
	<hr/>	<hr/>
At 30 June 2024	1	1,850,000
	<hr/> <hr/>	<hr/> <hr/>

20. Fair value of financial instrument

(a) Financial instruments carried at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorized within the fair value hierarchy as defined in HKFRS 13, “Fair value measurement”. The following table and paragraph give information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (significant unobservable inputs).

To determine the fair value of loans and advances to customers, loans are segregated into portfolios of similar characteristics. Fair values are estimated using discounted cash flow methodology incorporating a range of input assumptions including expected customer prepayment rates, new business interest rates estimates for similar loans. The fair value of loans reflects expected credit losses at the balance sheet date and the fair value effect of repricing between origination and the reporting date. For credit impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

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NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

20. Fair value of financial instrument (continued)

(a) Financial instruments carried at fair value (continued)

Favourable and unfavourable changes are determined on the basis of changes in the value of instruments as a result of varying the levels of the unobservable parameters.

Changes in level 3 instruments measured at FVOCI.

	As at 30 June 2024 HK\$ '000	As at 31 December 2023 HK\$ '000
Opening balance	2,099,901	1,786,011
Additions	599,504	1,314,895
Repayments and written off	(635,217)	(1,000,229)
Gains or losses recognized in OCI	(505)	(776)
Closing balance	<u>2,063,683</u>	<u>2,099,901</u>

At 30 June 2024

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at FVOCI				
– Loans and advances to customers	–	–	2,063,683	2,063,683
– Investment securities	1,905,834	–	–	1,905,834
	<u>1,905,834</u>	<u>–</u>	<u>2,063,683</u>	<u>3,969,517</u>

At 31 December 2023

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at FVOCI				
– Loans and advances to customers	–	–	2,099,901	2,099,901
– Investment securities	353,059	–	–	353,059
	<u>353,059</u>	<u>–</u>	<u>2,099,901</u>	<u>2,452,960</u>

Valuation inputs and relationships to fair value

The significant unobservable inputs used in level 3 fair value measurements for loans and advances to customers measured at fair value through other comprehensive income are discount rate and prepayment rate.

The range of discount rate are 7.40% – 10.18% and prepayment rate is 0.30% as at 30 June 2024 (as at 31 December 2023: 7.09% – 10.29% and 0.36%).

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NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

20. Fair value of financial instrument (continued)

(a) Financial instruments carried at fair value (continued)

Valuation inputs and relationships to fair value (continued)

If the discount rate increase or decrease by 5%, with all other variables held constant, the assets and other comprehensive income would decrease or increase by HK\$10.2 million as at 30 June 2024 (31 December 2023: decrease or increase by HK\$9.8 million). If the prepayment ratio increase or decrease by 5%, with all other variables held constant, the assets and other comprehensive income would decrease or increase by HK\$0.3 million as at 30 June 2024 (31 December 2023: decrease or increase by HK\$0.3 million).

(b) Financial instruments carried at amortized cost

All financial instruments carried at amortized cost are approximate their fair value as at 30 June 2024 and 31 December 2023.

21. Notes to the condensed statement of cash flows

Cash and cash equivalents

For the purposes of the condensed statement of cash flows, cash and cash equivalents comprise the following balances with original maturity of three months or less from the date of acquisition.

	As at 30 June 2024 HK\$'000	As at 30 June 2023 HK\$'000
Balances with banks and central bank	210,795	210,255
Placements with and advances to banks repayable with original maturity within three months	4,367	250,000
	<u>215,162</u>	<u>460,255</u>

PAO BANK LIMITED

NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

22. Material related-party transactions

The Bank entered into the following material transactions with related parties:

	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Intangible assets acquired from fellow subsidiaries and an affiliated company	5,621	3,919
IT expenses to fellow subsidiaries and affiliated companies	9,018	13,684
Premises expenses to an affiliated company	1,224	1,224
Interest expenses to fellow subsidiaries and an affiliated company	1,684	124
Administrative expenses to fellow subsidiaries and affiliated companies	2,576	221

The Bank had the following material outstanding balances with related parties:

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Amount due from a fellow subsidiary (Note a)	224	–
Amount due from an affiliated company (Note a)	–	908
Amount due to fellow subsidiaries (Note a)	1,879	26,462
Amount due to affiliated companies (Note a)	31,053	8,671

Note a: The outstanding balances are unsecured, non-interest bearing and expected to be settled within one year.

23. Comparative figures

During the period, management has revisited the presentation of the fair value change of financial instruments classified as fair value through other comprehensive income in the “Other comprehensive income” included in Condensed Statement of Comprehensive Income. The corresponding numbers of the prior period have been re-presented to conform with current period’s presentation. There is no change in the other comprehensive income and total comprehensive income.

The interim financial information were approved by the Board of Directors on 20 September 2024.