

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The directors of Tai Yau Bank Limited (the “Bank”) are pleased to announce the unaudited results of the Bank for the six months ended 30 June 2020. The interim results are prepared on a basis consistent with the accounting policies adopted in the 2019 annual financial statements.

A. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>NOTES</u>	6 months ended <u>30/06/2020</u> HK\$ (Unaudited)	6 months ended <u>30/06/2019</u> HK\$ (Unaudited)
Interest income	1	18,273,549	22,280,201
Interest expense	2	(4,496,614)	(5,377,519)
Net interest income		13,776,935	16,902,682
Other income	3	23,276	191,847
Operating income		13,800,211	17,094,529
Operating expenses	4	(8,344,177)	(6,536,978)
Impairment (losses) write-back		(70,850)	203,000
Profit before taxation		5,385,184	10,760,551
Income tax expense	5	(888,000)	(1,832,000)
Profit and other comprehensive income for the period		4,497,184	8,928,551
Interim dividend		-	-

B. STATEMENT OF FINANCIAL POSITION

		<u>30/06/2020</u> HK\$ (Unaudited)	<u>31/12/2019</u> HK\$ (Audited)
ASSETS			
Cash and balances with banks	6	364,016,431	321,255,238
Placements with banks	7	1,904,414,910	2,274,362,350
Advances to customers and other accounts receivable	8	4,526,791	8,037,703
Financial assets at fair value through profit or loss	9	3,400,000	3,400,000
Intangible asset		210,000	210,000
Equipment and leasehold improvements	10	605,394	706,685
Prepayment		45,484	76,667
Deferred tax assets		245,394	245,394
TOTAL ASSETS		<u>2,277,464,404</u>	<u>2,608,294,037</u>
LIABILITIES			
Deposits from customers	11	1,447,592,710	1,791,132,579
Other accounts payable and provisions	12	12,978,291	4,153,239
Tax payable		2,113,986	1,225,986
		<u>1,462,684,987</u>	<u>1,796,511,804</u>
CAPITAL RESOURCES			
Share capital		300,000,000	300,000,000
Reserves		514,779,417	511,782,233
SHAREHOLDERS' FUNDS		<u>814,779,417</u>	<u>811,782,233</u>
TOTAL LIABILITIES AND CAPITAL RESOURCES		<u>2,277,464,404</u>	<u>2,608,294,037</u>

C. STATEMENT OF CASH FLOW

	30/06/2020	30/06/2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	5,385,184	10,760,551
Adjustments for:		
Interest income	(18,273,549)	(22,280,201)
Interest expense	4,496,614	5,377,519
Depreciation expenses	181,318	-
Impairment losses / (write-back)	70,850	(203,000)
Operating cash flows before movements in working capital	(8,139,583)	(6,345,131)
Decrease in money at call and short notice with original maturity more than three months	361,895,504	299,750,000
(Increase) in placements with banks with original maturity more than three months	(312,442,922)	(21,926,172)
Decrease (increase) in advances to customers	173,500	(276,500)
Decrease in prepayment	31,183	-
Increase in lease right of use asset	-	(107,900)
(Decrease) in deposits from customers	(343,539,869)	(95,416,933)
Increase (decrease) in other accounts payable	7,776,946	(1,402,178)
Net cash generated (used in) from operations	(294,245,241)	174,275,186
Interest received	21,614,600	23,944,672
Interest paid	(4,948,509)	(5,916,239)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	(277,579,150)	192,303,619
INVESTING ACTIVITIES		
Purchase of equipment	(80,028)	-
FINANCING ACTIVITIES		
Dividend paid to shareholders	-	(1,500,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(277,659,178)	190,803,619
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,744,338,885	1,228,935,056
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,466,679,707	1,419,738,675

ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

Cash and balances with banks and other financial institutions	364,053,452	108,208,529
Money at call and short notice with original maturity at or less than three months	295,836,584	667,368,239
Placements with banks with original maturity at or less than three months	806,789,671	644,161,907
	<u>1,466,679,707</u>	<u>1,419,738,675</u>

D. STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained profits	General reserve	Regulatory reserve	Capital reserve	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2019	300,000,000	443,784,840	46,000,000	100,000	5,507,059	795,391,899
Final dividend for 2018	-	(1,500,000)	-	-	-	(1,500,000)
Profit and other comprehensive income for the period	-	8,928,551	-	-	-	8,928,551
At 30 June 2019 (Unaudited)	<u>300,000,000</u>	<u>451,213,391</u>	<u>46,000,000</u>	<u>100,000</u>	<u>5,507,059</u>	<u>802,820,450</u>
At 31 December 2019	<u>300,000,000</u>	<u>460,175,174</u>	<u>46,000,000</u>	<u>100,000</u>	<u>5,507,059</u>	<u>811,782,233</u>
At 1 January 2020	300,000,000	460,175,174	46,000,000	100,000	5,507,059	811,782,233
Transfer regulatory reserve to retained profits	-	50,000	-	(50,000)	-	-
Final dividend for 2019	-	(1,500,000)	-	-	-	(1,500,000)
Profit and other comprehensive income for the period	-	4,497,184	-	-	-	4,497,184
At 30 June 2020 (Unaudited)	<u>300,000,000</u>	<u>463,222,358</u>	<u>46,000,000</u>	<u>50,000</u>	<u>5,507,059</u>	<u>814,779,417</u>

The regulatory reserve is set up in compliance with the Hong Kong Monetary Authority's requirements and is distributable to shareholders of the Bank subject to consultation with the Hong Kong Monetary Authority. The regulatory reserve transfer to retained profits in 2020 was per requirement from HKMA.

The general reserve and capital reserve comprised transfers from previous years' retained profits.

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Notes:

1.	INTEREST INCOME	<u>30/06/2020</u> HK\$	<u>30/06/2019</u> HK\$
	Interests on placements with banks	18,272,964	22,279,479
	Interests on advances to customers	585	722
		<u>18,273,549</u>	<u>22,280,201</u>
2.	INTEREST EXPENSE	<u>30/06/2020</u> HK\$	<u>30/06/2019</u> HK\$
	Interests on deposits from customers	4,496,614	5,377,519
3.	OTHER INCOME	<u>30/06/2020</u> HK\$	<u>30/06/2019</u> HK\$
	Fees and commission income	20,754	21,125
	Net exchange gain arising from foreign currencies position	-	164,494
	Other income	2,522	6,228
		<u>23,276</u>	<u>191,847</u>
4.	OPERATING EXPENSES	<u>30/06/2020</u> HK\$	<u>30/06/2019</u> HK\$
	Directors' emoluments		
	- Fees	600,000	180,000
	- Other emoluments	570,000	570,000
	Other operating expenses	2,177,850	1,893,393
	Operating lease payments	682,158	664,540
	Net exchange loss arising from foreign currencies position	210,206	-
	Staff costs		
	- Salaries and bonus	3,993,624	3,114,279
	- Contribution to Mandatory Provident Fund	110,339	114,766
		<u>8,344,177</u>	<u>6,536,978</u>
5.	INCOME TAX EXPENSE	<u>30/06/2020</u> HK\$	<u>30/06/2019</u> HK\$
	Hong Kong Profits Tax		
	- Current period	888,000	1,832,000
	Deferred tax	-	-
		<u>888,000</u>	<u>1,832,000</u>
	The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2019: 16.5%) of the estimated assessable profits for the six months ended 30 June 2020.		
6.	CASH AND BALANCES WITH BANKS	<u>30/06/2020</u> HK\$	<u>31/12/2019</u> HK\$
	Cash in hand	2,878,710	2,259,597
	Balances with HKMA	348,065,301	305,718,728
	Balances with other banks	13,109,441	13,308,912
		<u>364,053,452</u>	<u>321,287,237</u>
	Less: Impairment allowances - Stage 1	(37,021)	(31,999)
		<u>364,016,431</u>	<u>321,255,238</u>
7.	PLACEMENTS WITH BANKS	<u>30/06/2020</u> HK\$	<u>31/12/2019</u> HK\$
	Placements with banks maturing		
	- within one month	435,836,584	1,193,505,518
	- after one month but within one year	1,469,232,593	1,081,441,632
		<u>1,905,069,177</u>	<u>2,274,947,150</u>
	Less: Impairment allowances - Stage 1	(654,267)	(584,800)
		<u>1,904,414,910</u>	<u>2,274,362,350</u>

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8. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS RECEIVABLE	<u>30/06/2020</u>	<u>31/12/2019</u>
	HK\$	HK\$
The advances to customers and other accounts receivable comprise:		
Advances to staff	1,096,000	1,269,500
Less: Impairment allowance - Stage 1	<u>(9,760)</u>	<u>(13,399)</u>
	1,086,240	1,256,101
Interest receivable	<u>3,440,551</u>	<u>6,781,602</u>
	<u>4,526,791</u>	<u>8,037,703</u>

There was no impairment loan for the period ended 30 June 2020 and 31 December 2019.

As at 30 June 2020 and 31 December 2019, there were no overdue or rescheduled loans and other assets.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	<u>30/06/2020</u>	<u>31/12/2019</u>
	HK\$	HK\$
Unlisted securities:		
- club membership (financial assets at fair value through profit or loss)	<u>3,400,000</u>	<u>3,400,000</u>

The unlisted securities is issued by a corporate entity in Hong Kong. As at 30 June 2020, the fair value of club membership remained unchanged with reference to the quote from secondary market.

10. EQUIPMENT AND LEASEHOLD IMPROVEMENTS			
	<u>Equipment</u>	<u>Leasehold</u>	<u>Total</u>
	HK\$	HK\$	HK\$
COST			
At 1 January 2019	1,663,499	1,472,938	3,136,437
Additions	150,000	-	150,000
At 31 December 2019	<u>1,813,499</u>	<u>1,472,938</u>	<u>3,286,437</u>
Additions	80,028	-	80,028
At 30 June 2020	<u>1,893,527</u>	<u>1,472,938</u>	<u>3,366,465</u>
ACCUMULATED DEPRECIATION AND AMORTISATION			
At 1 January 2019	790,289	1,472,938	2,263,227
Additions	316,525	-	316,525
At 31 December 2019	<u>1,106,814</u>	<u>1,472,938</u>	<u>2,579,752</u>
Additions	181,319	-	181,319
At 30 June 2020	<u>1,288,133</u>	<u>1,472,938</u>	<u>2,761,071</u>
CARRYING AMOUNT			
At 30 June 2020	<u>605,394</u>	<u>-</u>	<u>605,394</u>
At 31 December 2019	<u>706,685</u>	<u>-</u>	<u>706,685</u>

The above items of equipment are depreciated and amortised on a straight-line basis at 33.3% per annum.

11. DEPOSITS FROM CUSTOMERS	<u>30/06/2020</u>	<u>31/12/2019</u>
	HK\$	HK\$
Current accounts	107,805,433	88,332,614
Savings deposits	320,029,082	781,323,120
Time, call and notice deposits	<u>1,019,758,195</u>	<u>921,476,845</u>
	<u>1,447,592,710</u>	<u>1,791,132,579</u>



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12. OTHER ACCOUNTS PAYABLE AND PROVISIONS	<u>30/06/2020</u> HK\$	<u>31/12/2019</u> HK\$
Interest payable	544,408	996,302
Provision for long service payment	1,441,633	1,441,633
Others accounts payable	10,992,250	1,715,304
	<u>12,978,291</u>	<u>4,153,239</u>

E. SUPPLEMENTARY FINANCIAL INFORMATION

(1) SEGMENTAL INFORMATION

(a) By geographical area
All the business operations of the Bank are in Hong Kong.

(b) By class of business
The Bank operates predominantly in the commercial banking business.

(c) Advances to customers - by industry sectors
The information concerning advances to customers by industry sectors has been classified according to the usage of the loan and is stated at gross.

	<u>30/06/2020</u> HK\$	<u>31/12/2019</u> HK\$
Loans for use in Hong Kong		
Individuals - other private purposes	1,096,000	1,269,500
	<u>1,096,000</u>	<u>1,269,500</u>

The loan borrowers are predominantly located in Hong Kong.

(2) OFF-BALANCE SHEET EXPOSURES

As at 30 June 2020 and 31 December 2019, the Bank had the following outstanding contractual amounts of contingent liabilities and commitments:

	<u>30/06/2020</u> HK\$	<u>31/12/2019</u> HK\$
Direct credit substitutes	3,490,000	3,490,000
	<u>3,490,000</u>	<u>3,490,000</u>

The credit risk weighted amount of contingent liabilities and commitments is HK\$ Nil (2019: HK\$ Nil).

(3) CORPORATE GOVERNANCE

The Board of Directors is assisted by the Audit Committee, Remuneration Committee, Risk Committee, Nomination Committee, Executive Committee and Credit, Asset and Liability Management Committee in corporate governance matters.

The Audit Committee consists of three independent non-executive directors and one non-executive director who report regularly to the Board. It monitors compliance with policies approved by the Board and other internal and statutory regulations. It provides an oversight of the Bank's internal and external auditors and thereby assists the Board in providing independent review of the effectiveness of the financial reporting process and internal control systems of the Bank.

The Bank has established a Remuneration Committee with specific written Terms of Reference which deal clearly with its authority and duties. The Remuneration Committee consists of three independent non-executive directors and one non-executive director who report regularly to the Board. The Remuneration Committee is responsible for making recommendations to the Board on the Bank's policy, practices and structure for all remunerations of Directors and members of Senior Management, and determining their specific remuneration packages. The Bank will ensure that no Directors or any of his associates are involved in deciding his own remuneration and review at least annually of the Bank's remuneration system and its operation is carried out independently.



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The Risk Committee stands at the highest level of the Bank's risk governance structure under the Board. It consists of three independent non-executive directors and one non-executive director. The Risk Committee provides direct oversight over the formulation of the Bank's risk appetite and ensures that the risk appetite is reflected in the policies and procedures. The Risk Committee also regularly reviews the Bank's risk management framework and ensures that all important risk-related tasks are performed according to established policies with appropriate resources.

The Nomination Committee comprises four members: three independent non-executive directors and one non-executive director. It identifies, selects, nominates and recommends suitable individuals to the Board for directorships and senior management positions. The Nomination Committee also performs evaluation of the Board performance and Directors' contribution to the effectiveness of the Board.

The Executive Committee consists of at least three, one of them should be an Executive Director, including the Chairman of the Board. The Committee ensures the continuity in the management of the business and affairs of the Bank and carries the full power and authority of the Board on matters requiring urgent approval or other action of the Board in between board meetings.

The Credit, Asset and Liabilities Management Committee comprises the Managing Director, Alternative Chief Executive, the General Manager, the Manager, the Treasurer and the Heads of Accounts and Operations. The Committee is established to implement and maintain the overall risk management framework relating to credit, liquidity positions, cash flows, maturities, interest rate as well as exchange rate trends and compliance functions.

(4) QUALITATIVE INFORMATION ON MANAGEMENT OF RISK

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Risk Committee under the Terms of Reference approved by the Board of Directors. The Risk Committee identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles covering specific areas such as foreign exchange risk, interest rate risk, credit risk and use of non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risks from the use of financial instruments are credit risk, market risk and liquidity risk. Market risk includes currency risk, interest rate and other price risk.

Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligation resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and placement to other banks and therefore credit risk is a principal risk. Credit risk mainly arises from advances to customers and other accounts receivable, cash and balances with banks and other financial institutions, money at call and short notice and placement with banks maturing between one and twelve months. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Bank's Risk Committee is responsible for managing the Bank's credit risk by:

- Ensuring that the Bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Bank's stated policies and procedures, HKFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.



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- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of market-wide events.

Management of liquidity risk

Management is responsible for monitoring the Bank's liquidity position, and does so through the periodic review of the statutory liquidity maintenance ratio, the maturity profile of assets and liabilities, loan-to-deposit ratio and inter-bank transactions. Liquidity policy is monitored by management and reviewed regularly by the Risk Committee and Board of Directors of the Bank. The Bank's policy is to maintain a conservative level of liquid funds on a daily basis so that the Bank is prepared to meet its obligations when they fall due in the normal course of business and to satisfy statutory liquidity maintenance ratio requirements, and also to deal with any funding crises that may arise. Limits are set on the minimum proportion of maturing funds available to meet all the calls on cash resources such as overnight deposits, current accounts and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The management sets internal target levels in respect of the daily and monthly average liquidity maintenance ratios. The Bank's accountant is responsible for monitoring these ratios and, where a liquidity position falls under the internal limits, the accountant reports his findings to the management who, after consultation with members of the CALCO, decides the appropriate corrective actions to be taken.

Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices.

The Bank's market risk exposures mainly arise from the interest rate risk and foreign exchange risk.

Management of market risk

The management of market risk is principally undertaken in treasury function using risk limits approved by the Board of Directors. The Bank has dedicated standards, policies and procedures in place to control and monitor the market risk. The market risks arise on the operation are assessed and managed under the supervision of Risk Committee. The Bank has met all the de minimis exemption criteria for calculation of market risk as set out in Banking (Capital) Rules issued by the Hong Kong Monetary Authority.



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Foreign exchange risk

The Bank undertakes certain transactions denominated in foreign currencies; hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts where appropriate. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

The Bank measures the exposure of its assets and liabilities to fluctuations in interest rates primarily by way of gap analysis which provides the Bank with a static view of the maturity and re-pricing characteristics of these positions. The daily maturity profile reports are prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated repricing dates whichever is earlier. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category would then give the Bank an indication of the extent to which the Bank is exposed to the risk of potential changes in the net interest income.

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures.

Risk management is carried out by the Risk Committee under the policies approved by the Board of Directors to manage operational risks through proper human resources policies, delegation of authorities, segregation of duties, and timely and accurate management information.

A comprehensive contingency plan is available to ensure that key business functions continue and normal operations are restored effectively and efficiently in the event of business interruption.

(5) CURRENCY RISK

Foreign currency exposure arising from non-trading and structural position which constitute 10% or more of the total net position in all foreign currencies are as follows:

	30/06/2020			
	(Equivalent in HK\$)			
	USD	GBP	CAD	Total
Spot assets	51,241,882	160,806,633	7,932,605	219,981,120
Spot liabilities	(37,285,281)	(158,557,326)	(6,503,375)	(202,345,982)
Net long position	13,956,601	2,249,307	1,429,230	17,635,138
Net structural position	-	-	-	-
	31/12/2019			
	(Equivalent in HK\$)			
	USD	GBP	CAD	Total
Spot assets	51,952,519	170,374,989	8,402,504	230,730,012
Spot liabilities	(37,127,942)	(168,224,492)	(6,835,504)	(212,187,938)
Net long position	14,824,577	2,150,497	1,567,000	18,542,074
Net structural position	-	-	-	-



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(6) INTERNATIONAL CLAIMS

The information of international claims discloses exposures to counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only countries constituting 10% or more of the aggregated international claims are disclosed.

	<u>Banks</u> HK\$'000
<u>As at 30 June 2020</u>	
Developed countries	404,124
- of which: Japan	395,319
Offshore centres	167,312
- of which: Hong Kong	167,312
Developing Asia and Pacific	960,940
- of which: China	622,999
Taiwan	337,941
<u>As at 31 December 2019</u>	
Developed countries	581,688
- of which: Japan	572,219
Offshore centres	177,279
- of which: Hong Kong	177,279
Developing Asia and Pacific	857,436
- of which: China	433,784
Taiwan	333,449
Malaysia	90,203

(7) OTHER FINANCIAL INFORMATION

(a) Liquidity Position

The average liquidity maintenance ratio is the simple average of each calendar month's average liquidity maintenance ratio. Each monthly average liquidity maintenance ratio is calculated as the ratio of the average liquefiable assets to the average qualifying liabilities after relevant deductions in accordance with the Banking (Liquidity) Rules.

	<u>30/06/2020</u>	<u>30/06/2019</u>
	%	%
Average liquidity maintenance ratio for the period	<u>114.54</u>	<u>75.45</u>

(b) Capital adequacy

Capital adequacy ratios were calculated on a solo basis, in accordance with the Banking (Capital) Rules (the "Capital Rules") issued by the Hong Kong Monetary Authority. The Bank has adopted the basic approach for the calculation of the risk-weighted assets for credit risk and the basic indicator approach for the calculation of operational risk.

	<u>30/06/2020</u>	<u>31/12/2019</u>
	%	%
Total capital ratio	<u>182.77</u>	<u>156.21</u>
Tier 1 capital ratio	<u>182.76</u>	<u>156.19</u>
Common Equity Tier 1 capital ratio	<u>182.76</u>	<u>156.19</u>

The details required by the Banking (Disclosure) Rules are disclosed under "Regulatory Disclosures" on the website of the Bank (www.tybhk.com.hk).



TAI YAU BANK, LIMITED

(incorporated in Hong Kong with limited liability)

(c) Leverage ratio

The bank is required to disclose its leverage ratio under the Banking (Disclosure) Rules. Leverage ratio was calculated on a solo basis, in accordance with the Capital Rules issued by the Hong Kong Monetary Authority.

	<u>30/6/2020</u>	<u>31/12/2019</u>
	%	%
Leverage ratio	<u>35.71</u>	<u>31.07</u>

The detailed disclosures can be viewed under "Regulatory Disclosures" on the website of the Bank (www.tybhk.com.hk).

(d) Capital conservation buffer ratio

The capital conservation buffer ratio for calculating the Bank's buffer level in accordance with the Capital Rules.

	<u>30/6/2020</u>	<u>31/12/2019</u>
	%	%
Capital conservation buffer ratio	<u>2.50</u>	<u>2.50</u>

(e) Countercyclical capital buffer ratio

The countercyclical capital buffer ratio was compiled in accordance with the Capital Rules.

	<u>30/6/2020</u>	<u>31/12/2019</u>
	%	%
Countercyclical capital buffer ratio	<u>0.99</u>	<u>2.00</u>

The detailed disclosures can be viewed under "Regulatory Disclosures" on the website of the Bank (www.tybhk.com.hk).

(8) MAINLAND ACTIVITIES

As at 30 June 2020 and 31 December 2019, the Bank had no non-bank exposures in the Mainland.

(9) REVIEW AND PROSPECTS

For the six months ended 30 June 2020, the bank's profit before tax was HK\$5,385,184 (30 June 2019: HK\$10,760,551) showing a decrease of 50% from 2019. The net interest income of HK\$13,776,935 shows a decrease of 18% as compared with HK\$16,902,682 of the corresponding period last year. Total assets as at 30 June 2020 have decreased by HK\$330,829,633 or 13% to HK\$2,277,464,404 (31 December 2019: HK\$2,608,294,037). The net interest margin was 1.28% (30 June 2019: 1.30%) showing a decrease of 2% of the corresponding period. Return on average total assets is 0.44% (31 December 2019: 0.64%), decreased by 31%. Return on equities is 1.32% (31 December 2019: 2.20%) representing a decrease of 40%.

The first six months of 2020 were extremely challenging for all businesses. The economic and social impacts of the COVID-19 pandemic remain a reality both here and in economies around the world. In addition, Hong Kong will continue to grapple with the adverse effects of longer-term issues such as international trade tensions and the social situation at home.

We shall continue to maintain a liquid balance sheet, with relatively high levels of short term liquid assets. Under the uncertain economic outlook and low interest rates condition around the world, our Bank's income level may decrease considerably in the second half year of 2020.

(10) STATEMENT OF COMPLIANCE

In preparing the interim results for the period ended 30 June 2020, the Bank has fully complied with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

By order of the Board
Ko, Arthur Sai Chun
Managing Director & Chief Executive
Hong Kong 22 September 2020