



INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (unaudited)

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 2022.

A. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>NOTES</u>	6 months ended <u>30/06/2022</u> HK\$ (Unaudited)	6 months ended <u>30/06/2021</u> HK\$ (Unaudited)
Interest income	3	3,054,153	1,942,991
Interest expense	4	(521,146)	(334,719)
Net interest income		2,533,007	1,608,272
(Loss) / gain on foreign exchange		(162,429)	321,948
Other operating income	5	20,462	24,378
Operating income		2,391,040	1,954,598
Operating expenses	6	(8,406,994)	(7,451,259)
Impairment (losses) / write-back		(77,375)	63,578
(Loss) before taxation		(6,093,329)	(5,433,083)
Profits tax expense	7	(4,471)	-
(Loss) and other comprehensive income for the period		<u>(6,097,800)</u>	<u>(5,433,083)</u>
Interim dividend		-	-

B. STATEMENT OF FINANCIAL POSITION

		<u>At 30/06/2022</u> HK\$ (Unaudited)	<u>At 31/12/2021</u> HK\$ (Audited)
ASSETS			
Cash and balances with banks	8	390,907,133	458,057,419
Placements with banks	8	1,484,870,727	1,588,991,518
Advances to customers and other accounts receivable	9	1,664,176	1,179,349
Prepayment		975,736	420,560
Tax recoverable		-	3,110,831
Financial assets at fair value through profits or loss	10	4,125,000	4,125,000
Equipment and leasehold improvements	11	16,667	41,667
Intangible asset		210,000	210,000
Deferred tax assets		245,394	245,394
TOTAL ASSETS		<u>1,883,014,833</u>	<u>2,056,381,738</u>
LIABILITIES			
Deposits from customers	12	1,085,473,380	1,255,293,054
Other accounts payable and provisions	13	7,031,858	4,481,289
		<u>1,092,505,238</u>	<u>1,259,774,343</u>
CAPITAL RESOURCES			
Share capital		300,000,000	300,000,000
Reserves		490,509,595	496,607,395
SHAREHOLDERS' FUNDS		<u>790,509,595</u>	<u>796,607,395</u>
TOTAL LIABILITIES AND CAPITAL RESOURCES		<u>1,883,014,833</u>	<u>2,056,381,738</u>



C. STATEMENT OF CASH FLOWS

	6 months ended <u>30/06/2022</u> HK\$ (Unaudited)	6 months ended <u>30/06/2021</u> HK\$ (Unaudited)
OPERATING ACTIVITIES		
(Loss) before taxation	(6,093,329)	(5,433,083)
Adjustments for:		
Interest income	(3,054,153)	(1,942,991)
Interest expense	521,146	334,719
Depreciation expenses	25,000	179,096
Impairment (losses) / write-back	77,375	(63,578)
Operating cash flows before movements in working capital	(8,523,961)	(6,925,837)
Decrease (increase) in placements with banks due within one month with original maturity more than three months	186,349,981	(45,940,633)
Decrease in placements with banks due more than one month with original maturity more than three months	260,743,751	56,385,028
Decrease in advances to customers	224,500	174,500
(Increase) in prepayment	(555,176)	(917,036)
Decrease in tax recoverable	3,110,831	-
(Decrease) in deposits from customers	(169,819,674)	(103,838,617)
Increase in other accounts payable	2,425,805	1,589,368
Cash generated from (used in) operations	273,956,057	(99,473,227)
Interest received	2,346,912	2,357,752
Interest paid	(396,382)	(428,464)
Hong Kong profits tax paid	(4,471)	-
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	275,902,116	(97,543,939)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	275,902,116	(97,543,939)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,310,530,188	1,357,461,403
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,586,432,304	1,259,917,464
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and balances with banks	390,946,417	198,716,494
Placements with banks with original maturity less than three months	1,195,485,887	1,061,200,970
	<u>1,586,432,304</u>	<u>1,259,917,464</u>

D. STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$	Retained profits HK\$	General reserve HK\$	Regulatory reserve HK\$	Capital reserve HK\$	Total HK\$
At 1 January 2022	300,000,000	445,050,336	46,000,000	50,000	5,507,059	796,607,395
Loss and other comprehensive income for the period	-	(6,097,800)	-	-	-	(6,097,800)
At 30 June 2022 (Unaudited)	<u>300,000,000</u>	<u>438,952,536</u>	<u>46,000,000</u>	<u>50,000</u>	<u>5,507,059</u>	<u>790,509,595</u>
At 1 January 2021	300,000,000	460,126,414	46,000,000	50,000	5,507,059	811,683,473
Loss and other comprehensive income for the period	-	(5,433,083)	-	-	-	(5,433,083)
At 30 June 2021 (Unaudited)	<u>300,000,000</u>	<u>454,693,331</u>	<u>46,000,000</u>	<u>50,000</u>	<u>5,507,059</u>	<u>806,250,390</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 general reserve and capital reserve comprised transfers from previous years' retained profits.



NOTES TO THE INTERIM FINANCIAL STATEMENTS

Notes:

1. The interim results are prepared on a basis consistent with the accounting policies adopted in the 2021 annual financial statements.

2. STATEMENT OF COMPLIANCE

In preparing the interim results for the period ended 30 June 2022, the Bank has fully complied with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

3. INTEREST INCOME

	6 months ended <u>30/06/2022</u> HK\$	6 months ended <u>30/06/2021</u> HK\$
Interests on placements with banks	3,053,997	1,942,760
Interests on advances to customers	156	231
	<u>3,054,153</u>	<u>1,942,991</u>

4. INTEREST EXPENSE

	6 months ended <u>30/06/2022</u> HK\$	6 months ended <u>30/06/2021</u> HK\$
Interests on deposits from customers	<u>521,146</u>	<u>334,719</u>

5. OTHER OPERATING INCOME

	6 months ended <u>30/06/2022</u> HK\$	6 months ended <u>30/06/2021</u> HK\$
Fees and commission income	18,125	20,980
Other income	2,337	3,398
	<u>20,462</u>	<u>24,378</u>

6. OPERATING EXPENSES

	6 months ended <u>30/06/2022</u> HK\$	6 months ended <u>30/06/2021</u> HK\$
Auditor's remuneration	378,000	340,000
Depreciation of equipment	25,000	179,096
Directors' emoluments		
- fees	600,000	600,000
- other emoluments	-	665,000
Other operating expenses	2,376,411	1,737,737
Operating lease payments	438,420	400,278
Staff costs		
- salaries and bonus	4,479,930	3,419,900
- contribution to Mandatory Provident Fund	109,233	109,248
	<u>8,406,994</u>	<u>7,451,259</u>

7. PROFITS TAX EXPENSE

	6 months ended <u>30/06/2022</u> HK\$	6 months ended <u>30/06/2021</u> HK\$
Hong Kong Profits Tax		
- Additional final tax assessed for year 2020/2021	<u>4,471</u>	<u>-</u>

The applicable Hong Kong profits tax rate is 16.5% (2021: 16.5%). No provision for Hong Kong Profits tax has been made for the six months end 30 June 2022 as the Bank had no estimated assessable profits for the period.



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8. CASH AND BALANCES AND PLACEMENTS WITH BANKS

	<u>At 30/06/2022</u> HK\$	<u>At 31/12/2021</u> HK\$
At amortised cost		
Cash and balances with banks		
- Cash	1,835,922	1,551,834
- Due from Hong Kong Monetary Authority ("HKMA") - on demand	376,000,266	443,001,634
- Due from foreign banks - on demand	10,356,876	10,510,198
- Due from local banks - on demand	2,753,353	3,039,680
Less: Impairment allowances - Stage 1	<u>(39,284)</u>	<u>(45,927)</u>
	<u>390,907,133</u>	<u>458,057,419</u>
Placements with banks maturing		
- within 1 month	413,519,492	471,841,555
- between 1-3 months	1,021,966,395	1,067,679,019
- between 3-6 months	50,000,000	50,000,000
- between 6-12 months	-	-
Less: Impairment allowances - Stage 1	<u>(615,160)</u>	<u>(529,056)</u>
	<u>1,484,870,727</u>	<u>1,588,991,518</u>
Total	<u>1,875,777,860</u>	<u>2,047,048,937</u>

9. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS RECEIVABLE

	<u>At 30/06/2022</u> HK\$	<u>At 31/12/2021</u> HK\$
The advances to customers and other accounts receivable comprise:		
Advances to staff	507,500	732,000
Less: Impairment allowance - Stage 1	<u>(3,414)</u>	<u>(5,500)</u>
	<u>504,086</u>	<u>726,500</u>
Interest receivable	<u>1,160,090</u>	<u>452,849</u>
	<u>1,664,176</u>	<u>1,179,349</u>

There was no impairment loan for the period ended 30 June 2022 and 31 December 2021.

As at 30 June 2022 and 31 December 2021, there were no overdue or rescheduled assets as per Banking (Disclosure) Rules.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>At 30/06/2022</u> HK\$	<u>At 31/12/2021</u> HK\$
Unlisted securities:		
- club membership (financial assets at fair value through profit or loss)	<u>4,125,000</u>	<u>4,125,000</u>

The unlisted securities is issued by a corporate entity in Hong Kong. As at 30 June 2022, the fair value of club membership with reference to the quote from the club's official website.



11. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	<u>Leasehold</u>		
	<u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
	HK\$	HK\$	HK\$
COST			
At 1 January 2021	1,472,938	1,813,499	3,286,437
Additions	-	-	-
At 31 December 2021	<u>1,472,938</u>	<u>1,813,499</u>	<u>3,286,437</u>
Additions	-	-	-
At 30 June 2022	<u>1,472,938</u>	<u>1,813,499</u>	<u>3,286,437</u>
ACCUMULATED DEPRECIATION			
At 1 January 2021	1,472,938	1,465,006	2,937,944
Additions	-	306,826	306,826
At 31 December 2021	<u>1,472,938</u>	<u>1,771,832</u>	<u>3,244,770</u>
Additions	-	25,000	25,000
At 30 June 2022	<u>1,472,938</u>	<u>1,796,832</u>	<u>3,269,770</u>
CARRYING AMOUNT			
At 30 June 2022	<u>-</u>	<u>16,667</u>	<u>16,667</u>
At 31 December 2021	<u>-</u>	<u>41,667</u>	<u>41,667</u>

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

12. DEPOSITS FROM CUSTOMERS

	<u>At 30/06/2022</u>	<u>At 31/12/2021</u>
	HK\$	HK\$
Current accounts	91,022,272	104,761,014
Savings deposits	504,287,824	478,485,742
Time, call and notice deposits	490,163,284	672,046,298
	<u>1,085,473,380</u>	<u>1,255,293,054</u>

13. OTHER ACCOUNTS PAYABLE AND PROVISIONS

	<u>At 30/06/2022</u>	<u>At 31/12/2021</u>
	HK\$	HK\$
Interests payable to time, call and notice deposits	178,426	53,662
Provision for long service payment	1,441,633	1,441,633
Other accounts payable:		
- Accounts payable	300,228	1,491,782
- Cashier orders	44,267	26,266
- Gift Cheques	8,500	19,200
- Others	1,389,743	8,877
- Interbank Clearing Account	3,669,061	1,439,869
	<u>5,411,799</u>	<u>2,985,994</u>
	<u>7,031,858</u>	<u>4,481,289</u>



E. SUPPLEMENTARY FINANCIAL INFORMATION

(1) SEGMENTAL AND SECTOR 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 amount. These loans are not covered by any collateral or other security.

	<u>At 30/06/2022</u>	<u>At 31/12/2021</u>
	HK\$	HK\$
Loans for use in Hong Kong		
Individuals - other private purposes	<u>507,500</u>	<u>732,000</u>

The loan borrowers are located in Hong Kong.

(2) OFF-BALANCE SHEET EXPOSURES

The Bank had the following outstanding contractual amounts of contingent liabilities and commitments:

	<u>At 30/06/2022</u>	<u>At 31/12/2021</u>
	HK\$	HK\$
Direct credit substitutes	<u>3,490,000</u>	<u>3,490,000</u>

As at 30 June 2022 and 31 December 2021, there were no credit risk weighted amount of contingent liabilities and commitments.

(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 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 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 Director or any of his associates is involved in deciding his own remuneration and at least an annual review of the Bank's remuneration system and its operation is carried out independently of management.

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. 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 is responsible for recommending to the Board on relevant matters relating to identify, select, nominate and recommend 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 Nomination Committee comprises three independent non-executive directors.

The Executive Committee consists of at least three members of the Board including the Chairman and one Executive Director. 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 Chief Executive, 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 policies 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, 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 placement to other banks and therefore credit risk is a principal risk. Credit risk arises from advances to customers and placement with banks maturing between one to 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.
- 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.



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- 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 Bank's 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 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.

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.



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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:

	<u>At 30/6/2022</u> (Equivalent in HK\$)			
	<u>USD</u>	<u>GBP</u>	<u>CAD</u>	<u>Total</u>
Spot assets	43,422,833	84,174,222	8,383,674	135,980,729
Spot liabilities	(32,512,627)	(82,060,960)	(7,081,834)	(121,655,421)
Net long position	<u>10,910,206</u>	<u>2,113,262</u>	<u>1,301,840</u>	<u>14,325,308</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	<u>At 31/12/2021</u> (Equivalent in HK\$)			
	<u>USD</u>	<u>GBP</u>	<u>CAD</u>	<u>Total</u>
Spot assets	43,690,428	92,920,596	8,435,570	145,046,594
Spot liabilities	(32,465,327)	(90,654,559)	(7,109,818)	(130,229,704)
Net long position	<u>11,225,101</u>	<u>2,266,037</u>	<u>1,325,752</u>	<u>14,816,890</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



(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 2022</u>	
Developed countries	98,500
- of which: Japan	90,071
Offshore centres	1,056,199
- of which: Hong Kong	956,160
Singapore	100,039
Developing Asia and Pacific	728,338
- of which: China	252,540
Taiwan	375,715
Malaysia	100,083
<u>As at 31 December 2021</u>	
Developed countries	353,398
- of which: Japan	345,061
Offshore centres	1,124,874
- of which: Hong Kong	1,124,874
Developing Asia and Pacific	578,649
- of which: China	392,887
Taiwan	185,762

(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.

	6 months ended <u>30/06/2022</u>	6 months ended <u>30/06/2021</u>
	%	%
Average liquidity maintenance ratio for the period	<u>89.95</u>	<u>106.01</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 HKMA. The ratios were compiled in accordance with the amended Capital Rules for the implementation of the "Basel III" capital accord. 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>At 30/6/2022</u>	<u>At 31/12/2021</u>
	%	%
Total capital ratio	<u>237.58</u>	<u>218.07</u>
Tier 1 capital ratio	<u>237.37</u>	<u>217.90</u>
Common Equity Tier 1 capital ratio	<u>237.37</u>	<u>217.90</u>

For detailed disclosures required by the Banking (Disclosure) Rules, please refer to the "Regulatory Disclosures" on the website of the Bank (www.tybhk.com.hk).



(c) Leverage ratio

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

	<u>At 30/6/2022</u>	<u>At 31/12/2021</u>
	%	%
Leverage ratio	<u>41.89</u>	<u>38.66</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>At 30/6/2022</u>	<u>At 31/12/2021</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 Banking (Capital) Rules.

	<u>At 30/6/2022</u>	<u>At 31/12/2021</u>
	%	%
Countercyclical capital buffer ratio	<u>1.00</u>	<u>1.00</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 2022 and 31 December 2021, the Bank had no non-bank exposures in the Mainland.

(9) REVIEW AND PROSPECTS

Attributed to sharp interest rate hike in the United States starting from March, the Bank's major source of income from Money Market Placements business was benefited simultaneously. Interest income for the first six months was HKD3.05MN (2021: HKD1.94MN) showing a 57% increase from the same period last year. Hence, Net Interest Margin was 0.32% (2021: 0.19%) indicated an increase of 68%. When compare against 31 December 2021, both Return on Assets (2022: -0.62% 2021: -0.71%) and Return on Equity (2022: -1.54% 2021: -1.89%) were improved slightly. However, the unaudited loss amounting to HKD6.10MN (2021: Loss HKD5.43MN) was increased by 12%.

As Hong Kong's consumer price index rose by 1.9% in July which was slightly more than the increase of 1.8% in the previous month, the overall inflation rate for the full year is likely to remain at a moderate level of 2.1%. With the war between Russia and Ukraine, coupled with the high inflation rate and recession fears emerging in the United States, the Bank forecasts that interest rates will continue to increase in the second half of the year. Without any other unforeseeable expenditure in the coming months, the current loss situation may be relieved considerably for the year 2022.

By order of the Board
Ko, Sai Kin Kenneth
Chairman
Hong Kong 13 September 2022