TAI YAU BANK, LIMITED

(incorporated in Hong Kong with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 (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 2023.

A. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	6 months ended 30/06/2023 HK$ (Unaudited)	6 months ended 30/06/2022 HK$ (Unaudited)
Interest income	3	30,003,096	3,054,153
Interest expense	4	(10,529,407)	(521,146)
Net interest income		19,473,689	2,533,007
Profit / (loss) gain on foreign exchange		186,018	(162,429)
Other operating income	5	21,121	20,462
Operating income		19,680,828	2,391,040
Operating expenses	6	(7,925,333)	(8,406,994)
Increase (decrease) in impairment allowance		19,693	(77,375)
Profit / (loss) before taxation		11,775,188	(6,093,329)
Profits tax expense	7	-	(4,471)
Profit / (loss) and other comprehensive income for the period		11,775,188	(6,097,800)
Interim dividend		-	-

B. STATEMENT OF FINANCIAL POSITION

		At 30/06/2023 HK$ (Unaudited)	At 31/12/2022 HK$ (Audited)
ASSETS			
Cash and balances with banks	8	136,101,386	308,963,140
Placements with banks	8	1,746,981,469	1,587,156,071
Advances to customers and other accounts receivable	9	7,610,885	8,135,734
Prepayment		918,658	413,170
Financial assets at fair value through profits or loss	10	4,500,000	4,500,000
Equipment and leasehold improvements	11	20,400	-
Intangible asset		210,000	210,000
Deferred tax assets		245,394	245,394
TOTAL ASSETS		1,896,588,192	1,909,623,509
LIABILITIES			
Deposits from customers	12	1,082,992,624	1,107,397,388
Other accounts payable and provisions	13	4,716,964	5,122,705
		1,087,709,588	1,112,520,093
CAPITAL RESOURCES			
Share capital		300,000,000	300,000,000
Reserves		508,878,604	497,103,416
SHAREHOLDERS' FUNDS		808,878,604	797,103,416
TOTAL LIABILITIES AND CAPITAL RESOURCES		1,896,588,192	1,909,623,509

C. STATEMENT OF CASH FLOWS

	6 months ended 30/06/2023 HK$ (Unaudited)	6 months ended 30/06/2022 HK$ (Unaudited)
OPERATING ACTIVITIES		
Profit / (loss) before tax	11,775,188	(6,093,329)
Adjustments for:		
Interest income	(30,003,096)	(3,054,153)
Interest expense	10,529,407	521,146
Depreciation expenses	3,600	25,000
(Decrease) increase in impairment allowance	(19,693)	77,375
Operating cash flows before movements in working capital	(7,714,594)	(8,523,961)
Decrease in placements with banks due within one month with original maturity more than three months	9,659,536	186,349,981
Decrease in placements with banks due more than one month with original maturity more than three months	226,543,815	260,743,751
(Increase) decrease in advances to customers	(415,500)	224,500
Increase in prepayment	(505,488)	(555,176)
Increase in purchase of equipment	(24,000)	-
Decrease in tax recoverable	-	3,110,831
Decrease in deposits from customers	(24,404,764)	(169,819,674)
(Decrease) increase in other accounts payable	(76,568)	2,425,805
Cash generated from operations	203,062,437	273,956,057
Interest received	30,937,578	2,346,912
Interest paid	(10,858,580)	(396,382)
Hong Kong profits tax paid	-	(4,471)
NET CASH GENERATED FROM OPERATING ACTIVITIES	223,141,435	275,902,116
NET INCREASE IN CASH AND CASH EQUIVALENTS	223,141,435	275,902,116
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,394,844,471	1,310,530,188
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,617,985,906	1,586,432,304
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and balances with banks	136,116,559	390,946,417
Placements with banks with original maturity less than three months	1,481,869,347	1,195,485,887
	1,617,985,906	1,586,432,304

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 2023	300,000,000	445,546,357	46,000,000	50,000	5,507,059	797,103,416
Profit and other comprehensive income for the period	-	11,775,188	-	-	-	11,775,188
At 30 June 2023 (Unaudited)	300,000,000	457,321,545	46,000,000	50,000	5,507,059	808,878,604
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)	300,000,000	438,952,536	46,000,000	50,000	5,507,059	790,509,595

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 2022 annual financial statements.

2. STATEMENT OF COMPLIANCE

   In preparing the interim results for the period ended 30 June 2023, 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 30/06/2023 HK$	6 months ended 30/06/2022 HK$
Interests on placements with banks	30,000,753	3,053,997
Interests on advances to customers	2,343	156
	30,003,096	3,054,153

4. INTEREST EXPENSE

	6 months ended 30/06/2023 HK$	6 months ended 30/06/2022 HK$
Interests on deposits from customers	10,529,407	521,146

5. OTHER OPERATING INCOME

	6 months ended 30/06/2023 HK$	6 months ended 30/06/2022 HK$
Fees and commission income	18,125	18,125
Other income	2,996	2,337
	21,121	20,462

6. OPERATING EXPENSES

	6 months ended 30/06/2023 HK$	6 months ended 30/06/2022 HK$
Auditor's remuneration	385,713	378,000
Legal & professional fee	496,690	817,612
Depreciation of equipment	3,600	25,000
Directors' emoluments		
- fees	600,000	600,000
Other operating expenses	1,616,826	1,558,799
Operating lease payments	437,583	438,420
Staff costs		
- salaries and bonus	4,272,651	4,479,930
- contribution to Mandatory Provident Fund	112,270	109,233
	7,925,333	8,406,994

7. PROFITS TAX EXPENSE

	6 months ended 30/06/2023 HK$	6 months ended 30/06/2022 HK$
Hong Kong Profits Tax		
- Additional final tax assessed for year 2020/2021	-	4,471

   The applicable Hong Kong profits tax rate is 16.5% (2022: 16.5%). No provision for Hong Kong profits tax has been made for the six months ended 30 June 2023 as the Bank has unused tax losses (HK$14,878,257) brought forward from last year.

8. CASH AND BALANCES AND PLACEMENTS WITH BANKS

	At 30/06/2023 HK$	At 31/12/2022 HK$
At amortised cost		
Cash and balances with banks		
- Cash	1,188,255	1,522,686
- Due from Hong Kong Monetary Authority ("HKMA") - on demand	122,397,251	293,898,710
- Interbank Clearing Account	-	475,643
- Due from foreign banks - on demand	10,618,072	10,502,847
- Due from local banks - on demand	1,912,981	2,595,918
Less: Impairment allowances - Stage 1	(15,173)	(32,664)
	136,101,386	308,963,140
Placements with banks maturing		
- within 1 month	544,032,465	662,769,895
- between 1-3 months	1,003,643,067	835,088,308
- between 3-6 months	200,000,000	90,000,000
Less: Impairment allowances - Stage 1	(694,063)	(702,132)
	1,746,981,469	1,587,156,071
Total	1,883,082,855	1,896,119,211

9. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS RECEIVABLE

	At 30/06/2023 HK$	At 31/12/2022 HK$
The advances to customers and other accounts receivable comprise:		
Advances to staff	838,500	423,000
Less: Impairment allowance - Stage 1	(8,677)	(2,810)
	829,823	420,190
Interest receivable	6,781,062	7,715,544
	7,610,885	8,135,734

There was no impairment loan for the period ended 30 June 2023 and 31 December 2022.

As at 30 June 2023 and 31 December 2022, there were no overdue or rescheduled assets as per Banking (Disclosure) Rules.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30/06/2023 HK$	At 31/12/2022 HK$
Unlisted securities:		
- club membership (financial assets at fair value through profit or loss)	4,500,000	4,500,000

The unlisted securities is issued by a corporate entity in Hong Kong. As at 30 June 2023, the fair value of club membership was valued with reference to the quote from the club's official website.

11. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Leasehold Improvements	Equipment	Total
COST	HK$	HK$	HK$
At 1 January 2022	1,472,938	1,813,499	3,286,437
Additions	-	-	-
At 31 December 2022	1,472,938	1,813,499	3,286,437
Additions	-	24,000	24,000
At 30 June 2023	1,472,938	1,837,499	3,310,437
ACCUMULATED DEPRECIATION			
At 1 January 2022	1,472,938	1,771,832	3,244,770
Additions	-	41,667	41,667
At 31 December 2022	1,472,938	1,813,499	3,286,437
Additions	-	3,600	3,600
At 30 June 2023	1,472,938	1,817,099	3,290,037
CARRYING AMOUNT			
At 30 June 2023	-	20,400	20,400
At 31 December 2022	-	-	-

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

12. DEPOSITS FROM CUSTOMERS

	At 30/06/2023	At 31/12/2022
	HK$	HK$
Current accounts	97,388,958	71,772,363
Savings deposits	334,293,336	383,764,054
Time, call and notice deposits	651,310,330	651,860,971
	1,082,992,624	1,107,397,388

13. OTHER ACCOUNTS PAYABLE AND PROVISIONS

	At 30/06/2023	At 31/12/2022
	HK$	HK$
Interest payable to time, call and notice deposits	1,916,273	2,245,446
Provisions for long service payments	1,441,633	1,441,633
Other accounts payable:		
- Accounts payable	-	1,417,277
- Cashier orders	182,883	7,849
- Gift Cheques	8,500	10,500
- Others	1,145,775	-
- Interbank Clearing Account	21,900	-
	1,359,058	1,435,626
	4,716,964	5,122,705

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.

	At 30/06/2023	At 31/12/2022
	HK$	HK$
Loans for use in Hong Kong		
Individuals - other private purposes	838,500	423,000

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:

	At 30/06/2023	At 31/12/2022
	HK$	HK$
Direct credit substitutes	3,490,000	3,490,000

As at 30 June 2023 and 31 December 2022, 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 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 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 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 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 and one non-executive director.

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, 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 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 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.

- 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 liquidity maintenance ratios. The Accounts Department is responsible for monitoring these ratios and, where a liquidity position falls under the internal limits, informs the management that 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.

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. 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.

Climate risk

Pursuant to the issuance of Supervisory Policy Manual GS-1 “Climate Risk Management” by the HKMA in December 2021, banks are required to make climate-related disclosures aligned with the Task Force on Climate-related Financial Disclosure (“TCFD”) recommendations on governance, strategy, risk management and metrics and targets to enhance transparency to all stakeholders at a minimum.

The classification of climate risk is broadly divided into physical risk and transition risk.

- Physical risks are resulted from the impact of climate, weather-related events and long-term shifts in climate patterns which can be detrimental to every person to a large extent where direct impact on the Bank through events may also lead to damage to property and reduced productivity.
- Transition risks to the Bank is identified as financial risk other than opportunity that results from the process of adjustment towards a lower-carbon economy, governmental climate policy, technologies advancements or responses in the market sentiment.

With regard to climate risk, the Bank has put in place a Climate Risk Management Policy which was approved by the Board in December 2022. The Board has the ultimate responsibility for the Bank's climate risk management and resilience. For the oversight of the Bank's approach to managing climate risks and opportunities, it has delegated authority to its Risk Committee with the prime responsibility for overseeing the development and implementation of climate risk policy and strategy. The Senior Management is responsible for the proper functioning of the Bank's risk management framework and for driving necessary changes in addressing climate-related issues. Other parties for the day-to-day management of climate risk include the Compliance Department, the Internal Audit Department and heads of various departments.

To manage the impact of climate-related risks which may occur over the medium and long terms, the management is well prepared for the followings:

- To have sufficient knowledge and understanding of global, regional and local developments to consider the impact on the Bank;
- To ensure that there are appropriate resources, processes, systems and controls to support the implementation of the strategy;
- To cultivate a risk culture from the top that embeds climate-related considerations into the business activities and decision-making process; and
- To promote staff awareness on carbon neutrality and the carbon footprint of the Bank's operations and adopted practices, products and equipment that are sustainable.

The Bank does not provide green financing to customers at the moment. Our customer base does not fall into the TCFD which has identified sectors and industries with the highest likelihood of climate-related impacts based on greenhouse gas emissions, energy usage and water usage.

The Bank has started preparing strategies to assess and identify potential impacts on current business operations involving money market placement with counterparties. Apart from the embedded counterparty credit risk, the Bank has also envisaged the risk of business disruption, costs associated with property repairs and compliance with new rules. Furthermore, it is aware that inadequate management of climate risk will adversely affect the reputation of the Bank eventually.

Simple metrics will be adopted by the Bank to periodically measure and report climate risks. Annual stress-tests on financial impacts are to be performed on severe but plausible scenarios of physical risk cases where climate changes may result in business disruption to the Bank's operations.

(5) CURRENCY RISK

Foreign currency exposure arising from non-trading and structural position of the total net position in all foreign currencies are as follows:

	At 30/6/2023 (Equivalent in HK$)			
	USD	GBP	CAD	Total
Spot assets	43,436,993	147,263,430	8,349,778	199,050,201
Spot liabilities	(33,477,178)	(144,148,464)	(7,040,925)	(184,666,567)
Net long position	9,959,815	3,114,966	1,308,853	14,383,634
Net structural position	-	-	-	-

	At 31/12/2022 (Equivalent in HK$)			
	USD	GBP	CAD	Total
Spot assets	43,556,332	137,423,235	7,992,999	188,972,566
Spot liabilities	(32,856,931)	(135,139,954)	(6,745,593)	(174,742,478)
Net long position	10,699,401	2,283,281	1,247,406	14,230,088
Net structural position	-	-	-	-

(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.

	Banks HK$'000
As at 30 June 2023	
Developed countries	299,718
- of which: Japan	291,123
Offshore centres	686,375
- of which: Hong Kong	536,330
Singapore	150,045
Developing Asia and Pacific	911,194
- of which: China	534,822
Taiwan	376,372
As at 31 December 2022	
Developed countries	199,490
- of which: Japan	190,915
Offshore centres	1,029,978
- of which: Hong Kong	838,507
Singapore	191,471
Developing Asia and Pacific	680,418
- of which: China	495,012
Taiwan	185,406

(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 30/06/2023 %	6 months ended 30/06/2022 %
Average liquidity maintenance ratio for the period	118.74	89.95

(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.

	At 30/6/2023 %	At 31/12/2022 %
Total capital ratio	208.94	227.06
Tier 1 capital ratio	208.74	226.84
Common Equity Tier 1 capital ratio	208.74	226.84

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.

	At 30/6/2023	At 31/12/2022
	%	%
Leverage ratio	42.56	41.65

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.

	At 30/6/2023	At 31/12/2022
	%	%
Capital conservation buffer ratio	2.50	2.50

(e) Countercyclical capital buffer ratio

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

	At 30/6/2023	At 31/12/2022
	%	%
Countercyclical capital buffer ratio	1.00	1.00

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 2023 and 31 December 2022, the Bank had no non-bank exposures in the Mainland.

(9) REVIEW AND PROSPECTS

FINANCIAL REVIEW

Financial Performance

For the first six months of 2023, the Bank's net profit before tax reached HKD11.78MN indicating a significant rebound when compared to the HKD6.09MN loss the same period in 2022. Net interest income also increased by HKD16.94MN to HKD19.47MN (2022 June: HKD2.53MN) mainly due to the continuous interest rates increase in the United States. Hence, net interest margin is increased to 2.39% (30 June 2022: 0.32%). The annualised return on average assets increased considerably to 1.25% (31 December 2022: 0.03%) and the annualised return on equity increased tremendously to 2.91% (31 December 2022: 0.06%).

Financial Position

Total assets stood at HKD1,896MN at the end of Jun 2023, a slight decrease of 0.7% when compared to HKD1,909MN at the end of 2022.

TAI YAU BANK, LIMITED

(incorporated in Hong Kong with limited liability)

ECONOMIC OUTLOOK

The economy of Hong Kong improved visibly in the first quarter of 2023, led by the strong recovery of inbound tourism and domestic demand. The continued improvement of the labor market, the disbursement of consumption vouchers, and a series of "Happy Hong Kong" events will provide additional support to private consumption. Visitor arrivals should recover further as transportation and handling capacity continue to catch up. Looking ahead, Hong Kong domestic consumption will likely be the key driver of economic recovery as the external environment is still very challenging with the city's exports continuing to fall.

US inflation grew at a slower pace of 4% in May from a year ago, supporting the US Federal Reserve officials to pause interest-rate hike in June following more than a year of increases. Stock markets are expected to be under pressure as major central banks in the world including the US Federal Reserve and the Bank of England plan to further raise the interest rates to tackle inflation. As the interest rate may be maintained at the current level or raised one more time in the rest of the year, the Bank may report a good profit this year.

By order of the Board
Ko, Sai Kin Kenneth
Chairman
Hong Kong 19 September 2023