

## PRESS RELEASE

FOR IMMEDIATE RELEASE

11 AUGUST 2020

### **Fubon Bank Posted Interim Net Profit of HK\$26 Million for the First Half of 2020**

(Hong Kong: 11 August 2020) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$26 million for the first six months ended 30 June 2020, representing a decrease of 93% over the corresponding period in 2019. The decline in profit was mainly attributable to a substantial increase in stages 1 and 2 impairment allowances for loans and investments and an increase in stage 3 impairment allowances. The Bank’s operating profit was also affected by the economic impact of the interest rate environment in Hong Kong compounded by the onset of the COVID-19 pandemic. Operating profit before impairment losses for the period declined 41% compared to same period last year. Return on average equity and return on average assets declined to 0.35% and 0.05%, respectively, compared with 5.43% and 0.74% for the first half of 2019.

Net interest income decreased by 13% to HK\$608 million and net interest margin narrowed by 25 basis points to 1.25%. Market interest rates have decreased at an accelerated pace since January this year, resulting in a decrease in overall asset yield upon repricing. Cost of funds also declined but to a much lesser degree. Nevertheless, average interest-earning assets grew by 5%, underpinned by the expanding loan and debt securities investment portfolios.

Non-interest income fell by 14% to HK\$156 million. The drop was mainly due to the decrease in insurance services, trade finance services and credit card services income by 39%, 29% and 25%, respectively. Credit related services income also decreased by 19%. Benefiting from the increase in stock market turnover, securities brokerage and investment services income grew by 39%. Overall, non-interest income-to-total operating income ratio dropped slightly from 20.6% to 20.4%.

Operating expenses increased by 20% to HK\$487 million and as a result the cost-to-income ratio rose to 63.7%. In 2019 there was a HK\$96 million one-time recovery in expenses resulting from a successful appeal against a High Court judgment in a dispute with a borrowing customer over a transaction dating back to 1998. If this one-time item is excluded, operating expenses would have registered a 3% decline year-on-year. Under the current



market condition, the Group has also introduced additional measures on cost control while remaining committed to allocating resources and investing in various Fintech initiatives.

The Bank recorded a provision of HK\$78 million for loan impairment and HK\$82 million for other financial asset impairment for stages 1 and 2 under HKFRS9. In addition, loan impairment losses for stage 3 (net of bad debt recovery) were HK\$79 million. Total impairment losses amounted to HK\$239 million as compared to HK\$0.6 million in 2019. The impaired loan ratio was 0.74% as at 30 June 2020, with a coverage ratio of 70%.

The Group's total assets rose by HK\$2 billion, or 2%, to HK\$113 billion as at 30 June 2020. Gross advances to customers slightly decreased by 1% to HK\$52 billion. Customer deposits were HK\$75 billion, almost the same level as at the end of 2019. Taking into account trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio decreased from 65.9% at 31 December 2019 to 64.8% at 30 June 2020.

The Group's capital and liquidity position remained strong. As at 30 June 2020, the Group's common equity tier 1 capital ratio, tier 1 capital ratio were both 16.75%, and its total capital ratio was 19.42% which were well above the statutory requirements. The average liquidity maintenance ratio also stood at a comfortable level of 69.15%.

The global economy has been severely affected by the outbreak of COVID-19. While the third wave of COVID-19 is underway, continued escalation of the China-U.S. trade war and political tension created unprecedented uncertainties in the future business outlook. Amid this challenging operating environment, we will continue to pursue our customer-centric and prudent growth strategy to respond swiftly to rapid changes in the market and customer needs. We remain focused on enhancing our operational efficiency and service delivery quality by making investments in technology and infrastructure to develop Fintech solutions for both retail and corporate customers. We strive to establish ourselves as a quality, reliable and trustworthy banking partner for our customers by delivering products and services that best suit their financial needs. We will continue to work with and support various government initiatives to help speed up Hong Kong's recovery as well as to protect the health of our employees and customers. Going forward, we remain committed to providing our customers with the unique "Fubon Experience" through seamless integration of our virtual banking services and physical branch network.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2020

	<b>For the six months ended</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income calculated using effective interest method	1,414,223	1,567,590
Other interest income	7,026	9,891
	<u>1,421,249</u>	<u>1,577,481</u>
Interest income	1,421,249	1,577,481
Interest expense	(812,842)	(881,649)
<b>Net interest income</b>	<u>608,407</u>	<u>695,832</u>
Fee and commission income	162,734	211,127
Fee and commission expense	(37,792)	(48,654)
<b>Net fee and commission income</b>	<u>124,942</u>	<u>162,473</u>
Other operating income	30,968	18,525
Operating income	764,317	876,830
Operating expenses	(486,769)	(405,161)
<b>Operating profit before gains and impairment losses</b>	<u>277,548</u>	<u>471,669</u>
(Charge for) / write back of impairment losses on advances to customers	(157,256)	629
Impairment losses on other financial assets	(82,496)	(1,456)
Write back of impairment losses on other assets	295	239
Write back of impairment losses on assets acquired under lending agreements	300	-
<b>Impairment losses</b>	<u>(239,157)</u>	<u>(588)</u>
Net gains on disposal of financial assets at amortised cost	262	-
Net (losses) / gains on disposal of fixed assets	(109)	20
Gain on disposal of a subsidiary	-	1,288
<b>Profit before taxation</b>	<u>38,544</u>	<u>472,389</u>
Taxation	(12,999)	(83,073)
<b>Profit for the period</b>	<u>25,545</u>	<u>389,316</u>
<b>Other comprehensive income for the period, net of tax:</b>		
Items that will not be reclassified to profit or loss:		
Premises: net movement in premises revaluation reserve	4,663	5,060
Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling)	(14,440)	223,117
	<u>(9,777)</u>	<u>228,177</u>
<b>Total comprehensive income for the period</b>	<u>15,768</u>	<u>617,493</u>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
<b>ASSETS</b>		
Cash and short-term funds	5,774,625	5,290,706
Balances with banks and other financial institutions	3,075,087	2,862,464
Trading assets	2,799,591	1,943,242
Derivative financial instruments	519,949	543,793
Advances to customers	51,794,634	52,308,452
Trade bills	567,005	724,425
Accrued interest and other assets	2,692,623	2,026,736
Debt securities measured at amortised cost	40,968,121	40,516,236
Equity securities designated at fair value through other comprehensive income	1,055,707	1,074,054
Fixed assets	4,027,365	4,075,218
Assets held for sale	41,300	41,300
Deferred tax assets	9	8
Total assets	<b>113,316,016</b>	<b>111,406,634</b>
<b>LIABILITIES</b>		
Deposits and balances of banks and other financial institutions	9,018,070	9,140,295
Deposits from customers	75,362,032	75,043,411
Trading liabilities	2,299,733	948,173
Certificates of deposit issued	4,973,243	4,730,098
Debt securities issued	1,140,725	1,165,268
Derivative financial instruments	1,298,293	385,348
Other liabilities	2,391,802	3,138,648
Deferred tax liabilities	619,902	652,443
Subordinated notes issued	1,549,274	1,555,776
Total liabilities	<b>98,653,074</b>	<b>96,759,460</b>
<b>EQUITY</b>		
Share capital	4,830,448	4,830,448
Reserves	9,832,494	9,816,726
Total equity	<b>14,662,942</b>	<b>14,647,174</b>
Total equity and liabilities	<b>113,316,016</b>	<b>111,406,634</b>



**Fubon Bank**  
**富邦銀行**

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Note: The financial information relating to the financial year ended 31 December 2019 that is included in this press release as comparative information does not constitute the Group's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

The Bank has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Bank's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

### **Fubon Bank (Hong Kong) Limited**

Fubon Bank (Hong Kong) Limited ("Fubon Bank") is a wholly owned subsidiary of Fubon Financial Holding Co., Ltd. ("Fubon Financial Holdings"), one of the largest financial holding companies in Taiwan. Fubon Financial Holdings is now the only Taiwanese financial institution with banking subsidiaries in China, Taiwan and Hong Kong. Fubon Bank operates 18 branches and 1 Securities Services Centre in Hong Kong, providing a wide range of financial services encompassing consumer and wholesale banking, wealth management, financial markets, securities brokerage and investment services. Fubon Bank holds an A-2 short-term, BBB+ long-term rating from Standard & Poor's. The rating reflects Fubon Bank's strong capitalization, good liquidity and sound asset quality.

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