

## PRESS RELEASE

### FOR IMMEDIATE RELEASE

#### **Fubon Bank Posted Net Profit of HK\$203 Million for the First Half of 2022**

(Hong Kong: 9 August 2022) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$203 million for the first six months ended 30 June 2022, representing a year-on-year increase of 2%. The increase in net profit was mainly attributed to a 9% rise in operating income, which was partially offset by a 35% increase in impairment losses. Return on average equity and return on average assets were 2.73% and 0.34%, respectively, compared with 2.72% and 0.35% for the first half of 2021.

Net interest income rose by 9% to HK\$697 million, contributed by an expansion of loan and debt securities investment portfolios. Starting from early 2022, market interest rates have increased at an accelerated pace, resulting in a higher asset yield upon repricing. However, the increase in deposit costs outweighed the improvement in the overall asset yield, causing the drop in net interest margin by 3 basis points to 1.27%.

Non-interest income improved by 9% to HK\$227 million, which was mainly driven by growth in credit related services and insurance services income by 120% and 39%, respectively. Trade finance services income also increased by 19%. However, unit trust services, and securities brokerage and investment services income declined by 52% and 33%, respectively, as market sentiment remained weak. Non-interest income-to-total operating income ratio remained at the level of 24.6%.

Operating expenses increased by 5% to HK\$494 million alongside an increase in operating income, and the cost-to-income ratio decreased from 55.8% to 53.5%. The Group continued to exercise effective cost control measures while making ongoing investment in various Fintech initiatives to enhance its digital capabilities to support long-term business growth.

The Group recorded a charge of stages 1 and 2 impairment losses of HK\$17 million for loans and HK\$5 million for other financial instruments in light of the combination effect of the anticipated downturn of some key economic factors and the continued growth of loans and debt securities investments. Loan impairment losses for stage 3 (net of bad debt recovery) were HK\$158 million due to further deterioration in the housing market in the Mainland. Total impairment losses amounted to HK\$182 million, increased by 35% when compared with the same period in 2021. The impaired loan ratio, including that of trade bills, was 1.00%, and the coverage ratio was 70.2% as at 30 June 2022.

The Group's total assets rose by HK\$6 billion, or 5%, from 31 December 2021 to HK\$124 billion as at 30 June 2022. Gross advances to customers increased by 6% to HK\$64 billion mainly contributed by the growth in corporate lending and mortgage loans. Customer deposits increased by 8% to HK\$91 billion. Taking into account of the trade bills, the loan-to-deposit ratio decreased from 73.1% as at 31 December 2021 to 71.0% as at 30 June 2022.

The Group's capital and liquidity positions remained strong. As at 30 June 2022, the Group's Common Equity Tier 1 Capital Ratio and Tier 1 Capital Ratio were both 15.66%, and its Total Capital Ratio was 17.54%, which exceeded the statutory requirements. The Average Liquidity Maintenance Ratio also stood at a comfortable level of 68.05%.

Global inflation has risen substantially in recent months with some countries reporting multi-decade highs, prompting many central banks to increase interest rates. In the meantime, the Russia-Ukraine War pushes up inflation and causes further disruption to supply chains in the global economy. China's real GDP growth in the second quarter of 2022 was also hit by the stringent social distancing and hygiene measures adopted in major cities of the Mainland earlier this year. In Hong Kong, the economy improved in the second quarter, despite the extent of improvement was smaller than expected. Although the worsened global economic prospects may continue to weigh on the export performance of Hong Kong, the new round of Consumption Voucher Scheme and other support measures rolled out by the Government should continue stimulate consumer sentiment and support domestic economic activities.

Fubon Bank (Hong Kong) is dedicated to promoting digital transformation and financial inclusion as we strive for sustainable development. The challenge of financial inclusion has been exacerbated by the pandemic, yet we are keen to provide access to our financial services and remain a trusted partner to our customers by addressing their needs. Many small and medium-sized businesses ("SME") have struggled to maintain their operations through the pandemic. To help our SME customers overcome their cash flow challenges, the Bank has rolled out relief measures and participated in various government schemes. Following the launch of the SME Banking Services Centre at Tsuen Wan Branch last year, the Bank opened another SME Banking Services Centre at Kwun Tong Branch in June 2022 to further underscore our commitment to providing support to our SME customers. In July 2022, the Bank unveiled its first Green Branch – Taikoo Shing Branch – bringing a new experience to its customers while forging sustainable business development. Furthermore, the Bank also launched a new branding campaign and a series of marketing promotions featuring young and popular artistes during the first half of this year to increase the Fubon brand awareness as well as customer engagement.

Going forward, we will continue to adopt a growth-yet-prudent strategy in strengthening our local franchise and capitalizing on the opportunities arising from the Greater Bay Area. Our strategic plan to expand our business in the Greater Bay Area is making progress. Notwithstanding the uncertain operating environment, we remain committed to providing comprehensive financial services to both retail and corporate customers by enhancing our digital platforms and service delivery capabilities. Embracing Fubon's positive energy, we are keen to strengthen our brand and deliver unique customer experiences to our customers, and remain as their preferred banking partner.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2022

|   | For the six months ended    |                             |
|---|-----------------------------|-----------------------------|
|   | 30 June<br>2022<br>HK\$'000 | 30 June<br>2021<br>HK\$'000 |
| Interest income calculated using effective interest method  | 1,074,205                   | 907,836                     |
| Other interest income   | 6,315                       | 4,077                       |
| Interest income   | <u>1,080,520</u>            | <u>911,913</u>              |
| Interest expense  | <u>(383,395)</u>            | <u>(274,250)</u>            |
| <b>Net interest income</b>  | <u>697,125</u>              | <u>637,663</u>              |
| Fee and commission income   | 218,847                     | 186,223                     |
| Fee and commission expense  | <u>(36,778)</u>             | <u>(44,426)</u>             |
| <b>Net fee and commission income</b>  | <u>182,069</u>              | <u>141,797</u>              |
| Other operating income  | <u>44,793</u>               | <u>66,553</u>               |
| Operating income  | 923,987                     | 846,013                     |
| Operating expenses  | <u>(493,951)</u>            | <u>(471,884)</u>            |
| <b>Operating profit before other gains and impairment losses</b>  | <u>430,036</u>              | <u>374,129</u>              |
| Impairment losses on advances to customers  | (175,190)                   | (136,698)                   |
| (Charge for) / write back of impairment losses on other financial instruments   | (5,423)                     | 2,883                       |
| Impairment losses on other assets   | (1,680)                     | (956)                       |
| Write back of impairment losses on assets acquired under lending agreements   | -                           | 200                         |
| <b>Impairment losses</b>  | <u>(182,293)</u>            | <u>(134,571)</u>            |
| (Loss) / gain on revaluation of investment properties   | (500)                       | 3,005                       |
| Net gains / (losses) on disposal of fixed assets  | 480                         | (415)                       |
| Net losses on disposal of financial assets at amortized cost  | (86)                        | -                           |
| <b>Profit before taxation</b>   | <u>247,637</u>              | <u>242,148</u>              |
| Taxation  | <u>(44,366)</u>             | <u>(43,393)</u>             |
| <b>Profit for the period</b>  | <u>203,271</u>              | <u>198,755</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  | 6,314                       | 3,937                       |
| Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling) | 75,725                      | (408,557)                   |
|   | <u>82,039</u>               | <u>(404,620)</u>            |
| <b>Total comprehensive income for the period</b>  | <u>285,310</u>              | <u>(205,865)</u>            |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2022

|   | 30 June<br>2022<br>HK\$'000 | 31 December<br>2021<br>HK\$'000 |
|---|-----------------------------|---------------------------------|
| <b>ASSETS</b>   |                             |                                 |
| Cash and short-term funds   | 3,323,238                   | 4,463,482                       |
| Balances with banks and other financial institutions                          | 3,460,096                   | 779,806                         |
| Trading assets  | 1,722,020                   | 1,951,019                       |
| Derivative financial instruments  | 1,916,834                   | 723,055                         |
| Advances to customers   | 63,721,147                  | 60,143,187                      |
| Trade bills   | 382,058                     | 1,060,757                       |
| Accrued interest and other assets   | 1,287,871                   | 1,390,335                       |
| Debt securities measured at amortized cost                                    | 43,515,041                  | 43,109,311                      |
| Equity securities designated at fair value through other comprehensive income | 872,244                     | 783,682                         |
| Fixed assets  | 3,668,288                   | 3,696,161                       |
| Investment properties   | 63,500                      | 14,000                          |
| Deferred tax assets   | 7                           | 84                              |
| Total assets  | <u>123,932,344</u>          | <u>118,114,879</u>              |
| <b>LIABILITIES</b>  |                             |                                 |
| Deposits and balances of banks and other financial institutions               | 8,603,377                   | 8,378,889                       |
| Deposits from customers   | 91,014,448                  | 84,420,922                      |
| Trading liabilities   | 1,721,785                   | 1,951,043                       |
| Certificates of deposit issued  | 2,567,659                   | 3,860,688                       |
| Debt securities issued  | 1,190,149                   | 2,062,439                       |
| Derivative financial instruments  | 70,029                      | 399,267                         |
| Other liabilities   | 3,191,922                   | 1,762,164                       |
| Deferred tax liabilities  | 536,037                     | 527,839                         |
| Total liabilities   | <u>108,895,406</u>          | <u>103,363,251</u>              |
| <b>EQUITY</b>   |                             |                                 |
| Share capital   | 4,830,448                   | 4,830,448                       |
| Reserves  | 10,206,490                  | 9,921,180                       |
| Total equity  | <u>15,036,938</u>           | <u>14,751,628</u>               |
| Total equity and liabilities  | <u>123,932,344</u>          | <u>118,114,879</u>              |

Note: The financial information relating to the financial year ended 31 December 2021 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 2021 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. Committed to becoming one of Asia's first-class financial institutions, Fubon Financial Holdings has built a strong lineup of financial service companies. Fubon Bank operates 17 branches, 2 SME Banking Services Centres 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.

For more information about Fubon Bank, please visit Fubon Bank's website [www.fubonbank.com.hk](http://www.fubonbank.com.hk).

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*For further enquiries, please contact:*

Henry Wang  
Executive Vice President & Chief Financial Officer  
e-mail: [fubonir.fbhk@fubon.com](mailto:fubonir.fbhk@fubon.com)

Elena Chin  
Head of Corporate Communications  
e-mail: [corpcomm.fbhk@fubon.com](mailto:corpcomm.fbhk@fubon.com)