

PRESS RELEASE

FOR IMMEDIATE RELEASE

Fubon Bank Achieved Net Profit of HK\$442 Million for the First Half of 2024

(Hong Kong: 12 August 2024) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported an operating profit before other gains and impairment losses of HK\$805 million for the first six months ending 30 June 2024, representing a year-on-year increase of 43%, which was mainly attributable to increases in net interest income, and net fee and commission income. However, the Group’s net profit has slightly decreased by 1% compared to the first half of 2023 to HK\$442 million due to a rise in net charge of impairment losses. Return on average equity and return on average assets were 5.47% and 0.60%, respectively, compared with 5.78% and 0.68% for the first half of 2023.

Net interest income increased by 28% to HK\$1,205 million, underpinned by the improved net interest margin and an expansion of average interest-earning assets. Market interest rates were maintained at a high level throughout the first half of 2024, leading to an increase in the asset yield upon repricing. The improvement in the overall asset yield outweighed the increase in deposit costs, resulting in the widening of the net interest margin by 22 basis points from 1.57% to 1.79%. Average interest-earning assets grew by 11%, driven by the increase in debt securities investment portfolios and advances to banks. Average customer deposits grew by 15% year-on-year.

Non-interest income increased by 10% to HK\$201 million. Insurance services and credit related income recorded an encouraging growth of 38% and 35%, respectively. However, the increase was partially offset by a decline in dividend income from unlisted equity securities, as the Group disposed of its investment in China UnionPay Co., Ltd during the period. Non-interest income-to-total operating income ratio was 14.3%.

Operating expenses increased by 7% to HK\$601 million alongside an increase in operating income, and the cost-to-income ratio decreased from 49.9% to 42.7%. The growth in operating expenses mainly resulted from higher staff costs. The Group continued to exercise effective cost control measures while investing in talent acquisition and people development to support our long-term business growth.

Total impairment losses amounted to HK\$279 million. The Group recorded a charge of stages 1 and 2 impairment losses of HK\$9 million for loans and HK\$6 million for other financial instruments. Loan impairment losses for stage 3 (net of bad debt recovery) were HK\$262 million and for other assets were HK\$2 million. While most of the non-performing loans were secured by collaterals, the deterioration in the local property market resulted in a decline in collateral value, loan impairment losses increased accordingly. The impaired loan ratio, including that of trade bills and advances to banks, was 1.73%, and the coverage

ratio was 85.2% as at 30 June 2024.

The Group's total assets rose by HK\$11.4 billion, or 8%, to HK\$152.4 billion as at 30 June 2024. Debt securities investment portfolios grew by 18% to HK\$57.9 billion as we increased our investments in high-quality public sector entities and government-related bonds. Customer deposits increased by 13% to HK\$123.0 billion. Taking into account the trade bills and advances to banks, the loan-to-deposit ratio decreased from 62.9%, as at 31 December 2023, to 54.7%, as at 30 June 2024.

The Group's capital and liquidity positions remained strong and healthy. As at 30 June 2024, the Group's Common Equity Tier 1 Capital Ratio and Tier 1 Capital Ratio were both 17.07%, and its Total Capital Ratio was 18.69%, which exceeded the statutory requirements. The Average Liquidity Maintenance Ratio also stood at a comfortable level of 92.59%.

Prolonged geopolitical tensions and volatile market conditions have brought uncertainties and hindered the pace of global economic growth. Against this backdrop, the Bank will continue to adhere to its growth-yet-prudent strategy and remain cautious in risk management to maintain a high-quality credit portfolio. Customer growth remains one of our strategic business priorities. In view of the growing demand in wealth management services, we will continue to provide pertinent solutions that best-suit our customers, helping them to protect and grow their wealth. Following the opening of our new Wealth Management Centre in Tsim Sha Tsui, we are planning to open another Wealth Management Centre in the second half of this year. To capture the opportunities created by the revival in travel and consumer activities, we provide our high-net-worth customers and credit card holders a wide range of exclusive travel and lifestyle privileges, and support the business development of small-and-medium enterprise merchants. As part of our ESG strategy to uphold sustainable business practice, and with our newly established ESG Banking team, we continue to make progress in green and sustainable finance by providing our corporate clients with sustainable financing solutions that help transform their businesses into environmentally friendly operations.

Looking ahead, the Bank will continue to enhance its digital capabilities to elevate the customer experience by bringing faster and more convenient banking services to our customers. In the meantime, we will improve our operational efficiency and resilience to build a sustainable franchise. We believe that our high-quality and reliable financial services, together with the seamless integration of our physical and virtual channels, will enable us to remain the preferred banking service provider for our customers.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2024

	For the six months ended	
	30 June 2024 HK\$'000	30 June 2023 HK\$'000
Interest income calculated using effective interest method	3,777,850	2,878,065
Other interest income	1,135	525
Interest income	<u>3,778,985</u>	<u>2,878,590</u>
Interest expense	<u>(2,574,107)</u>	<u>(1,940,250)</u>
Net interest income	<u>1,204,878</u>	<u>938,340</u>
Fee and commission income	242,477	208,563
Fee and commission expense	<u>(49,495)</u>	<u>(45,824)</u>
Net fee and commission income	<u>192,982</u>	<u>162,739</u>
Other operating income	<u>8,245</u>	<u>20,562</u>
Operating income	1,406,105	1,121,641
Operating expenses	<u>(600,893)</u>	<u>(560,046)</u>
Operating profit before other gains and impairment losses	<u>805,212</u>	<u>561,595</u>
Impairment losses on advances to customers	(263,009)	(35,816)
(Charge for) / write back of impairment losses on other financial instruments	(14,196)	9,127
Impairment losses on other assets	(1,151)	(108)
Impairment losses on assets acquired under lending agreements	<u>(400)</u>	<u>-</u>
Impairment losses	<u>(278,756)</u>	<u>(26,797)</u>
Gain on revaluation of investment properties	-	68
Net losses on disposal of fixed assets	(615)	(25)
Net gain on disposal of financial assets at amortized cost	<u>4,603</u>	<u>-</u>
Profit before taxation	<u>530,444</u>	<u>534,841</u>
Taxation	<u>(87,978)</u>	<u>(86,266)</u>
Profit for the period	<u>442,466</u>	<u>448,575</u>
Other comprehensive income for the period, net of tax:		
Items that will not be reclassified to profit or loss:		
Premises: net movement in premises revaluation reserve	3,831	3,911
Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling)	<u>116,278</u>	<u>171,395</u>
	<u>120,109</u>	<u>175,306</u>
Items that will be reclassified to profit or loss:		
Debt securities measured at fair value through other comprehensive income: net movement in investment revaluation reserve (recycling)	<u>22,715</u>	<u>-</u>
	<u>142,824</u>	<u>175,306</u>
Total comprehensive income for the period	<u>585,290</u>	<u>623,881</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2024

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
ASSETS		
Cash and short-term funds	8,722,576	7,104,004
Balances with banks and other financial institutions	8,594,445	6,059,269
Trading assets	1,956,039	1,696,831
Derivative financial instruments	2,079,858	1,755,620
Advances to customers	60,539,539	64,298,938
Advances to banks	5,834,554	3,291,894
Trade bills	264,541	658,615
Accrued interest and other assets	2,951,201	2,749,147
Debt securities measured at amortized cost	48,933,754	48,975,907
Debt securities measured at fair value through other comprehensive income	8,984,717	-
Debt securities measured at fair value through profit or loss	26,313	-
Equity securities designated at fair value through other comprehensive income	66,936	963,092
Fixed assets	3,320,927	3,342,993
Investment properties	85,300	85,300
Deferred tax assets	-	6
Total assets	152,360,700	140,981,616
LIABILITIES		
Deposits and balances of banks and other financial institutions	5,976,484	7,854,320
Deposits from customers	122,961,123	109,124,496
Trading liabilities	1,956,039	1,696,831
Certificates of deposit issued	-	299,942
Derivative financial instruments	33,242	93,194
Other liabilities	4,576,403	5,277,772
Current tax liabilities	87,325	163,599
Deferred tax liabilities	376,740	505,846
Total liabilities	135,967,356	125,016,000
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	11,562,896	11,135,168
Total equity	16,393,344	15,965,616
Total equity and liabilities	152,360,700	140,981,616

Note: The financial information relating to the financial year ended 31 December 2023 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 2023 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 15 branches, 3 SME Banking Services Centres, 1 Offshore Banking Centre 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.

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