



## **PRESS RELEASE**

**FOR IMMEDIATE RELEASE**

**14 AUGUST 2018**

### **Fubon Bank Posted Record Interim Net Profit of HK\$500 Million in 2018**

(Hong Kong: 14 August 2018) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$500 million for the first six months ended 30 June 2018, representing an increase of 60% over the corresponding period in 2017. Return on average equity increased from 5.36% to 7.18% and return on average assets increased from 0.65% to 1.00%.

Net interest income rose 13% to HK\$673 million, mostly driven by the improvement in net interest margin by 13 basis points year-on-year to 1.55%. Starting from late 2017, HIBOR increased at an accelerated pace and resulted in higher asset yield upon repricing. Cost of funds also moved up but to a lesser degree. In addition, the corporate loan portfolio expanded and contributed to the growth of interest-earning assets.

Non-interest income improved by 21% to HK\$201 million. Securities brokerage and investment services income recorded an encouraging growth of 48%, underpinned by the increase in turnover of the stock market. Trade finance services and credit related services income achieved 70% and 21% growth respectively, in line with the expansion of the corporate banking business. Insurance services income, however, declined by 22% as market sentiment became less favourable to life insurance products.

Operating expenses stayed at a similar level to last year and totalled HK\$469 million. With a higher operating income, cost-to-income ratio dropped to 53.7%. The Group has exercised effective cost control measures, while maintaining sufficient investment in the development of innovative information technology in the face of the emerging FinTech era.

Total impairment losses amounted to HK\$21 million, composed of a HK\$25 million charge on loans and advances and a HK\$4 million write-back on other items. Overall asset quality remained sound. The impaired loan ratio was 0.53% as of 30 June 2018. Effective from 1 January 2018, the new expected credit loss model in Hong Kong Financial Reporting Standard 9 has replaced the incurred loss model in Hong Kong Accounting Standard 39 for the measurement of impairment losses of the Group.



The Group's share of profits from Xiamen Bank Co., Ltd ("Xiamen Bank") dropped 1% to HK\$126 million in the first half of 2018. In June 2018, the Bank acquired approximately 99 million ordinary shares of Xiamen Bank at a price of RMB4.80 per share. The Bank's shareholding in Xiamen Bank increased to 19.95% upon completion of the transaction. The Bank estimated that Xiamen Bank's fair value per share was about RMB5.49 as of the completion date and the Bank recognized a gain on bargain purchase of HK\$81 million, which represented the excess of Xiamen Bank's fair value over purchase consideration on the acquired shares.

The Group's total assets rose HK\$4 billion, or 4%, to HK\$103 billion as of 30 June 2018. Gross advances to customers were maintained at HK\$48 billion, almost the same level as 2017 year-end. Customer deposits attained a 7% growth to HK\$66 billion. Taking into account the trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio declined from 73.2% at 31 December 2017 to 68.6% at 30 June 2018.

The Group's capital and liquidity position remained strong and healthy. As of 30 June 2018, the Group's common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio were 12.45%, 14.82% and 18.56% respectively. The average liquidity maintenance ratio also stood at a comfortable level of 51.36%.

We believe that global economic conditions and the overall banking environment will remain challenging and volatile this year. The China-US trade war, the deleveraging efforts in Mainland China and the Fed's indication of a step up in the pace of interest rate hikes have weakened economic growth and investment sentiment. While staying focused on the market developments, we will continue to enhance our controls, improve our efficiency and strengthen our service delivery capabilities to maintain a strong growth momentum. New technologies and the pace of innovation are reshaping the financial industry. In view of this, we will continue to make significant investments in upgrading our banking systems and enhancing our digital capabilities. We remain committed to investing resources in our core businesses and improving the range and quality of our banking products and services for both retail and corporate customers. We are committed to provide our customers with the exceptional and unique "Fubon Experience".



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2018

|   | For the six<br>months<br>ended<br>30 June 2018<br>HK\$'000 | For the six<br>months<br>ended<br>30 June 2017<br>HK\$'000 |
|---|--|--|
| Interest income   | 1,246,365  | 1,053,009  |
| Interest expense  | (573,557)  | (458,532)  |
| <b>Net interest income</b>  | <b>672,808</b>   | <b>594,477</b>   |
| Fee and commission income   | 220,968  | 214,137  |
| Fee and commission expense  | (55,603)   | (48,209)   |
| <b>Net fee and commission income</b>  | <b>165,365</b>   | <b>165,928</b>   |
| Other operating income  | 35,637   | 277  |
| Operating income  | 873,810  | 760,682  |
| Operating expenses  | (469,490)  | (468,826)  |
| <b>Operating profit before gains and impairment losses</b>  | <b>404,320</b>   | <b>291,856</b>   |
| Impairment losses on advances to customers  | (25,115)   | (23,974)   |
| Write back of impairment losses on financial assets   | 777  | -  |
| Write back of / (charge for) impairment losses on other financial assets measured at amortised cost   | 2,120  | (6,270)  |
| Write back of impairment losses on assets acquired under lending agreements   | 1,100  | 450  |
| Impairment losses on available-for-sale financial assets  | -  | (849)  |
| <b>Impairment losses</b>  | <b>(21,118)</b>  | <b>(30,643)</b>  |
| Share of profits of an associate  | 126,392  | 127,618  |
| Gain on bargain purchase  | 81,369   | -  |
| Dilution loss arising from investment in an associate   | -  | (17,969)   |
| Net losses on disposal of fixed assets  | (38)   | (9)  |
| Net gains on disposal of available-for-sale financial assets  | -  | 1,097  |
| <b>Profit before taxation</b>   | <b>590,925</b>   | <b>371,950</b>   |
| Taxation  | (90,681)   | (60,189)   |
| <b>Profit for the period</b>  | <b>500,244</b>   | <b>311,761</b>   |
| <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  | 17,864   | 5,725  |
| Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling) | 152,732  | -  |
|   | <b>170,596</b>   | <b>5,725</b>   |
| Items that may be reclassified subsequently to profit or loss:  |  |  |
| Debt securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (recycling)       | 62,900   | -  |
| Available-for-sale financial assets: net movement in investment revaluation reserve   | -  | 307,806  |
| Exchange differences on translation of an associate   | (68,585)   | 71,085   |
|   | <b>(5,685)</b>   | <b>378,891</b>   |
| <b>Total comprehensive income for the period</b>  | <b>665,155</b>   | <b>696,377</b>   |



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**As at 30 June 2018**

|   | As at                       |                                 |
|---|-----------------------------|---------------------------------|
|   | 30 June<br>2018<br>HK\$'000 | 31 December<br>2017<br>HK\$'000 |
| <b>ASSETS</b>   |                             |                                 |
| Cash and short-term funds   | 4,245,673                   | 5,133,534                       |
| Balances with banks and other financial institutions                          | 2,260,576                   | 558,348                         |
| Trading assets  | 1,996,268                   | 1,846,823                       |
| Derivative financial instruments  | 979,093                     | 705,165                         |
| Advances to customers less impairment allowances                              | 47,752,860                  | 47,583,317                      |
| Trade bills   | 728,996                     | 880,255                         |
| Accrued interest and other assets   | 1,607,016                   | 1,436,269                       |
| Debt securities measured at amortised cost                                    | 35,079,801                  | -                               |
| Equity securities designated at fair value through other comprehensive income | 722,706                     | -                               |
| Available-for-sale financial assets   | -                           | 32,243,660                      |
| Held-to-maturity investments  | -                           | 1,561,796                       |
| Interests in associates   | 3,135,447                   | 2,390,809                       |
| Fixed assets  | 4,069,314                   | 4,100,320                       |
| Assets held for sale  | 44,267                      | 43,900                          |
| Deferred tax assets   | 11                          | 6                               |
| Total assets  | <u>102,622,028</u>          | <u>98,484,202</u>               |
| <b>LIABILITIES</b>  |                             |                                 |
| Deposits and balances of banks and other financial institutions               | 10,626,905                  | 11,207,295                      |
| Deposits from customers   | 66,348,911                  | 62,067,793                      |
| Trading liabilities   | 1,996,268                   | 1,846,819                       |
| Certificates of deposit issued  | 4,602,197                   | 3,311,457                       |
| Debt securities issued  | 23,267                      | 1,179,009                       |
| Derivative financial instruments  | 154,023                     | 228,216                         |
| Other liabilities   | 1,800,903                   | 2,074,503                       |
| Liabilities associated with assets held for sale                              | 13                          | -                               |
| Deferred tax liabilities  | 661,656                     | 643,338                         |
| Subordinated notes issued   | 1,565,204                   | 1,557,472                       |
| Total liabilities   | <u>87,779,347</u>           | <u>84,115,902</u>               |
| <b>EQUITY</b>   |                             |                                 |
| Share capital   | 4,830,448                   | 4,830,448                       |
| Reserves  | 8,504,436                   | 8,030,055                       |
| Total equity attributable to shareholders of the Bank                         | <u>13,334,884</u>           | <u>12,860,503</u>               |
| Additional equity instruments   | 1,507,797                   | 1,507,797                       |
| Total equity  | <u>14,842,681</u>           | <u>14,368,300</u>               |
| Total equity and liabilities  | <u>102,622,028</u>          | <u>98,484,202</u>               |



**Fubon Bank**  
**富邦銀行**

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Note: The financial information relating to the financial year ended 31 December 2017 that is included in this press release as comparative information does not constitute the Bank'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 2017 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 22 branches and 2 Securities Services Centres 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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