



PRESS RELEASE

FOR IMMEDIATE RELEASE

13 AUGUST 2019

Fubon Bank Achieved Interim Net Profit of HK\$389 Million for the First Half of 2019

(Hong Kong: 13 August 2019) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$389 million for the first six months ended 30 June 2019, representing a decrease of 22% over the corresponding period in 2018. Return on average equity and return on average assets declined to 5.43% and 0.74% respectively when compared with 7.18% and 1.00% for the first half of 2018. The decline in net profit was mainly attributable to the drop in the share of profits of an associate after the transfer of the Xiamen Bank Co., Ltd investment to our parent company, Fubon Financial Holding Co., Ltd., in November 2018. On the other hand, operating profit after impairment losses increased by 23% to HK\$471 million.

Net interest income rose by 3% to HK\$696 million, mainly underpinned by an expansion of loan and debt securities investment portfolios. Nevertheless, net interest margin narrowed by 5 basis points year-on-year to 1.50%. Starting from the second half of 2018, deposit costs increased at an accelerated pace, outweighing the improvement in the overall asset yield.

Non-interest income fell by 10% to HK\$181 million. Securities brokerage and investment services income declined by 40% when compared with the same period in 2018, mainly due to the turnover shrinkage in the stock market. Dividend income from unlisted equity securities and unit trust services income also declined by 77% and 36% year-on-year, respectively. On the other hand, insurance and trade finance services income recorded growth of 14% and 6%, respectively. The percentage of non-interest income to total operating income dropped from 23.0% to 20.6%.

Operating expenses decreased by 14% to HK\$405 million and as a result the cost-to-income ratio dropped to 46.2%. During the year, the Court of Appeal issued judgment allowing the Bank’s appeal and rejecting the Plaintiff’s cross-appeal in a lawsuit, where an original judgment was issued against the Bank during 2016. The Bank received HK\$96 million, being the net aggregate amount that the Bank had previously paid to the Plaintiff under the original judgment. It was related to a 2005 lawsuit involving a transaction that originated in 1998. In addition, the Group continuously exercised effective cost control measures while being committed to deploying resources and investing in FinTech developments.



Fubon Bank
富邦銀行

富邦銀行(香港)有限公司 香港中環德輔道中 38 號富邦銀行大廈
Fubon Bank (Hong Kong) Limited
Fubon Bank Building, 38 Des Voeux Road Central, Hong Kong
T (852) 2842 6222 F (852) 2810 1483
Website www.fubonbank.com.hk

Total impairment losses amounted to less than HK\$1 million. The amount decreased by 97% when compared with the same period in 2018, reflecting the sound asset quality of the Bank. The impaired loan ratio was 0.45% as of 30 June 2019, with a coverage ratio of 91%.

The Group's total assets rose by HK\$4 billion, or 3%, to HK\$106 billion as at 30 June 2019. Gross advances to customers attained a mild growth of 5% to HK\$50 billion, mainly contributed by the growth in corporate lending. Customer deposits slightly increased by 1% to HK\$69 billion. Taking into account the trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio increased from 66.7% at 31 December 2018 to 67.7% at 30 June 2019.

The Group's capital and liquidity position remained strong and healthy. As of 30 June 2019, the Group's common equity tier 1 capital ratio was 16.73% and the total capital ratio was 20.04%, which were well above statutory requirements. The average liquidity maintenance ratio also stood at a comfortable level of 66.89%.

We believe that global economic conditions and the operating environment in Hong Kong will remain volatile for the rest of the year. Continuing uncertainty over the China-U.S. trade war, interest rate volatility, heightened geopolitical tensions and the recent social unrest in Hong Kong may have dampened economic growth. Amid the challenging operating environment, we stay focused on strengthening our local franchise by enhancing our efficiency and service delivery capabilities. We will continue to make significant investments in technology and operational infrastructure to upgrade our service delivery channels and digital platforms. To align with our customer-centric strategy, we are committed to improving the range and quality of our products and services for both retail and corporate customers, and establishing ourselves as a quality and trusted banking partner. Going forward, we will step up our efforts to launch more secure and convenient financial services to enhance the customer experience. Supported by our professional and experienced staff members, together we are committed to deliver the unique "Fubon Experience" to our customers.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2019

	For the six months ended	
	30 June 2019 HK\$'000	30 June 2018 HK\$'000
Interest income calculated using effective interest method	1,567,590	1,239,560
Other interest income	9,891	6,805
Interest income	1,577,481	1,246,365
Interest expense	(881,649)	(573,557)
Net interest income	695,832	672,808
Fee and commission income	211,127	220,968
Fee and commission expense	(48,654)	(55,603)
Net fee and commission income	162,473	165,365
Other operating income	18,525	35,637
Operating income	876,830	873,810
Operating expenses	(405,161)	(469,490)
Operating profit before gains and impairment losses	471,669	404,320
Write back of / (charge for) impairment losses on advances to customers	629	(25,115)
(Charge for) / write back of impairment losses on other financial assets	(1,456)	777
Write back of impairment losses on other assets	239	2,120
Write back of impairment losses on assets acquired under lending agreements	-	1,100
Impairment losses	(588)	(21,118)
Gain on disposal of a subsidiary	1,288	-
Net gains / (losses) on disposal of fixed assets	20	(38)
Share of profits of an associate	-	126,392
Gain on bargain purchase of an associate	-	81,369
Profit before taxation	472,389	590,925
Taxation	(83,073)	(90,681)
Profit for the period	389,316	500,244
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	5,060	17,864
Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling)	223,117	152,732
	228,177	170,596
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
Exchange differences on translation of an associate	-	(68,585)
	-	(5,685)
Total comprehensive income for the period	617,493	665,155



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
ASSETS		
Cash and short-term funds	3,052,012	5,981,567
Balances with banks and other financial institutions	1,402,719	2,060,262
Trading assets	1,725,900	1,898,372
Derivative financial instruments	523,424	796,595
Advances to customers	50,024,990	47,699,240
Trade bills	900,985	907,964
Accrued interest and other assets	1,921,680	1,385,311
Debt securities measured at amortised cost	41,250,833	36,889,767
Equity securities designated at fair value through other comprehensive income	1,075,692	809,330
Fixed assets	4,364,741	4,312,504
Assets held for sale	45,443	45,827
Deferred tax assets	8	7
Total assets	106,288,427	102,786,746
LIABILITIES		
Deposits and balances of banks and other financial institutions	9,650,509	9,467,425
Deposits from customers	69,020,443	68,247,798
Trading liabilities	1,726,041	1,898,372
Certificates of deposit issued	5,322,393	4,551,273
Debt securities issued	1,199,489	388,774
Derivative financial instruments	375,610	133,347
Other liabilities	2,078,845	1,836,703
Liabilities associated with assets held for sale	-	25
Deferred tax liabilities	719,612	676,552
Subordinated notes issued	1,559,062	1,562,870
Total liabilities	91,652,004	88,763,139
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	9,805,975	9,193,159
Total equity	14,636,423	14,023,607
Total equity and liabilities	106,288,427	102,786,746



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Fubon Bank (Hong Kong) Limited
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Note: The financial information relating to the financial year ended 31 December 2018 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 2018 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 20 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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For further enquiries, please contact:

Henry Wang, Executive Vice President & Chief Financial Officer
Tel: (852) 3767 6500 e-mail: fubonir.fbhk@fubon.com

Elena Chin, Deputy Head of Corporate Communications
Tel: (852) 2842 1646 e-mail: corpcomm.fbhk@fubon.com

Website: www.fubonbank.com.hk