

## PRESS RELEASE

### FOR IMMEDIATE RELEASE

#### **Fubon Bank Posted Net Profit of HK\$199 Million for the First Half of 2021**

(Hong Kong: 17 August 2021) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$199 million for the first six months ended 30 June 2021, nearly a sevenfold increase over the corresponding period in 2020. The increase in profit was mainly attributed to a substantial decline in stages 1 and 2 impairment allowances for loans and other financial instruments by HK\$151 million and an increase in operating income by 11%. Return on average equity and return on average assets increased to 2.72% and 0.35%, respectively, compared with 0.35% and 0.05% for the first half of 2020.

Net interest income increased by 5% to HK\$638 million, underpinned by both the widening of the net interest margin and an expansion of loan and debt securities investment portfolios. Net interest margin widened by 5 basis points to 1.30%. Market interest rates have declined from early 2020 and continued to remain at a very low level since the second half of last year, resulting in a lower asset yield. However, the decline in deposit costs outweighed the decrease in the overall asset yield.

Non-interest income improved by 34% to HK\$208 million. Unit trust and insurance services income recorded an encouraging growth of 37% and 34%, respectively, benefiting from the gradual economic recovery from the COVID-19 pandemic. Securities brokerage and investment services income also increased by 31%, mainly driven by the increase in turnover of the stock market and increase in new customers. Trade finance services and credit related services income achieved 26% and 7% growth, respectively, which were in line with the expansion of the corporate banking businesses. Non-interest income to total operating income ratio rose from 20.4% to 24.6%.

Operating expenses decreased by 3% to HK\$472 million and together with the increase in operating income, the cost-to-income ratio reduced from 63.7% to 55.8%, demonstrating the Group’s effective implementation of cost control measures.

As the global economic recovery continued, the Group recorded a decline of 85% to HK\$12 million for loan impairment charge and a write-back of HK\$3 million for other financial instruments impairment for stages 1 and 2 under HKFRS9. Loan impairment losses for stage 3 (net of bad debt recovery) were HK\$125 million. Total impairment losses amounted to HK\$135 million, decreased by 44% when compared with the same period in 2020. The impaired loan ratio, including that of trade bills, was 0.92% as at 30 June 2021, with a coverage ratio of 88%.

The Group's total assets rose HK\$1 billion, or 1%, to HK\$113 billion as at 30 June 2021. Gross advances to customers increased by 1% to HK\$56 billion. Customer deposits increased by 2% to HK\$78 billion. Taking into account of the trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio decreased from 68.7% at 31 December 2020 to 68.4% at 30 June 2021.

The Group's capital and liquidity position remained strong. As at 30 June 2021, the Group's Common Equity Tier 1 Capital Ratio and Tier 1 Capital Ratio were both 16.60%, and its Total Capital Ratio was 18.66% which were well above the statutory requirements. The average liquidity maintenance ratio also stood at a comfortable level of 68.98%.

Despite the global economy has showed some signs of recovery in the first half of 2021, the global spread of new COVID-19 variants, the lingering U.S.-China trade dispute and geopolitical tensions continue to pose uncertainties and hinder the pace of recovery. Nevertheless, supportive monetary and fiscal policies from governments around the world have restored financial stability to a certain degree. In Hong Kong, the Consumption Voucher Scheme launched by the government has also stimulated consumer sentiment and boosted local businesses. Together with the policy measures introduced by the Chinese government for facilitating the development of various sectors in the Greater Bay Area, it is anticipated that there will be ample business opportunities for the Hong Kong economy. Furthermore, the upcoming roll-out of Wealth Management Connect will mark an important milestone for Hong Kong's offshore renminbi business development and a significant step to foster closer financial cooperation in the Greater Bay Area.

Leveraging our alliances with other Fubon Group members, we are keen to capture the opportunity to expand our business to the Greater Bay Area in addition to strengthening our local franchise. Amid the fast-changing operating environment, Fubon Bank (Hong Kong) will continue to adopt a growth-yet-prudent strategy in pursuing business growth. We will continue to invest in digital innovations and technology to provide customers with convenient and efficient banking services. The launch of Fubon GO, our online account opening mobile app, earlier this year reaffirms our commitment to Fintech development as we strive to transform from a traditional physical bank to a dual-platform financial institution, offering a wide range of banking services through both virtual and physical channels. Going forward, we aim to broaden our range of digital banking services for both retail and corporate customers. Furthermore, we remain committed to our customer-centric approach by offering customers comprehensive and diversified wealth management products and services in a comfortable and secure banking environment. Also, we will continue to support small and medium-size enterprises ("SMEs") by providing them with financial solutions that are tailored to their needs, enabling SMEs to seize business opportunities from the recovery of economy. Together with our professional and dedicated staff, we are poised to deliver unparalleled customer services and the unique "Fubon Experience" to our customers across frontiers. We strive to maintain good business momentum and to become and remain as the preferred banking partner for customers.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2021

	For the six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Interest income calculated using effective interest method	907,836	1,414,223
Other interest income	4,077	7,026
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Interest income	911,913	1,421,249
Interest expense	(274,250)	(812,842)
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<b>Net interest income</b>	<b>637,663</b>	<b>608,407</b>
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Fee and commission income	186,223	162,734
Fee and commission expense	(44,426)	(37,792)
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<b>Net fee and commission income</b>	<b>141,797</b>	<b>124,942</b>
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Other operating income	66,553	30,968
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Operating income	846,013	764,317
Operating expenses	(471,884)	(486,769)
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<b>Operating profit before other gains and impairment losses</b>	<b>374,129</b>	<b>277,548</b>
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Impairment losses on advances to customers	(136,698)	(157,256)
Write back of / (charge for) impairment losses on other financial instruments	2,883	(82,496)
(Charge for) / write back of impairment losses on other assets	(956)	295
Write back of impairment losses on assets acquired under lending agreements	200	300
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<b>Impairment losses</b>	<b>(134,571)</b>	<b>(239,157)</b>
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Gain on revaluation of investment properties	3,005	-
Net losses on disposal of fixed assets	(415)	(109)
Net gains on disposal of financial assets at amortized cost	-	262
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<b>Profit before taxation</b>	<b>242,148</b>	<b>38,544</b>
Taxation	(43,393)	(12,999)
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<b>Profit for the period</b>	<b>198,755</b>	<b>25,545</b>
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<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	3,937	4,663
Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling)	(408,557)	(14,440)
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	<b>(404,620)</b>	<b>(9,777)</b>
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<b>Total comprehensive income for the period</b>	<b>(205,865)</b>	<b>15,768</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
<b>ASSETS</b>		
Cash and short-term funds	4,187,550	4,966,655
Balances with banks and other financial institutions	1,379,756	458,770
Trading assets	2,000,452	1,948,454
Derivative financial instruments	604,933	563,443
Advances to customers	55,531,592	54,913,063
Trade bills	1,619,814	915,668
Accrued interest and other assets	1,791,883	2,256,692
Debt securities measured at amortized cost	41,680,947	41,185,231
Equity securities designated at fair value through other comprehensive income	811,873	1,316,272
Fixed assets	3,705,318	3,749,930
Investment properties	13,500	49,500
Asset held for sales	39,005	-
Deferred tax assets	6	6
Total assets	<u>113,366,629</u>	<u>112,323,684</u>
<b>LIABILITIES</b>		
Deposits and balances of banks and other financial institutions	9,369,115	10,041,639
Deposits from customers	78,195,084	76,538,430
Trading liabilities	2,000,462	1,948,454
Certificates of deposit issued	4,531,194	4,167,874
Debt securities issued	1,819,886	1,544,626
Derivative financial instruments	719,761	1,080,890
Other liabilities	1,690,633	1,670,574
Deferred tax liabilities	519,129	603,967
Total liabilities	<u>98,845,264</u>	<u>97,596,454</u>
<b>EQUITY</b>		
Share capital	4,830,448	4,830,448
Reserves	9,690,917	9,896,782
Total equity	<u>14,521,365</u>	<u>14,727,230</u>
Total equity and liabilities	<u>113,366,629</u>	<u>112,323,684</u>

Note: The financial information relating to the financial year ended 31 December 2020 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 2020 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 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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