

PRESS RELEASE

FOR IMMEDIATE RELEASE

Fubon Bank Achieved Net Profit of HK\$386 Million in 2021

(Hong Kong: 8 March 2022) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$386 million for the year ended 31 December 2021, representing a fourfold increase as compared with 2020. Return on average equity and return on average assets were 2.62% and 0.34%, respectively, compared with 0.51% and 0.07% in 2020. The increase in net profit was mainly attributed to an increase in operating income by 9% and a substantial decline in impairment losses by HK\$248 million.

Net interest income increased by 9% to HK\$1,286 million, contributed by both the widening of the net interest margin and an expansion of loan and debt securities investment portfolios. Net interest margin widened by 7 basis points to 1.28%. Market interest rates have declined since early 2020 and remained at a very low level in 2021, resulting in a lower asset yield. However, the decline in deposit costs outweighed the decrease in the overall asset yield.

Non-interest income increased by 10% to HK\$382 million and non-interest income-to-total operating income ratio increased to 22.9%. Insurance and unit trust services income grew 49% and 12%, respectively, benefiting from the gradual recovery from the COVID-19 pandemic in 2021. Trade finance and credit related services income also increased by 30% and 17%, respectively, which were in line with the expansion of the corporate banking businesses. On the other hand, securities brokerage and investment services income declined by 5% due to a challenging investment atmosphere.

Operating expenses increased by 3% to HK\$976 million while with the increase in operating income, the cost-to-income ratio decreased to 58.5% when compared with 62.2% in 2020. Under the uncertain operating environment, the Group continued to demonstrate effective cost control measures while further investing in various Fintech initiatives to enhance our digital capabilities.

Total impairment losses amounted to HK\$224 million, decreased by 53% when compared with 2020. The Group recorded a write-back of stages 1 and 2 impairment losses of HK\$33 million for loans and HK\$45 million for other financial instruments with the continued recovery of global economies. Loan impairment losses for stage 3 (net of bad debt recovery) were HK\$295 million. The impaired loan ratio, including that of trade bills, was 0.74% and the coverage ratio was 74.6% as at 31 December 2021.

The Group's total assets rose by HK\$6 billion, or 5%, to HK\$118 billion as at 31 December 2021. Gross advances to customers increased by 9% to HK\$61 billion, mainly contributed by the growth in loans to corporate customers. Customer deposits grew at a similar pace of 10% to HK\$84 billion to maintain a stable deposit base. 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 68.3% at 31 December 2021.

The Group's capital and liquidity position still remained strong and healthy. As at 31 December 2021, the Group's Common Equity Tier 1 Capital Ratio and Tier 1 Capital Ratio were both 15.96%, and its Total Capital Ratio was 17.88%, which were well above the statutory requirements. The Average Liquidity Maintenance Ratio also stood at a comfortable level of 70.56%.

Despite the global economy has returned to certain degree of stability in 2021 with supportive monetary and fiscal policies from governments around the world, the new COVID-19 variant spreads since late 2021 have posed renewed pressures on economic activities. In Hong Kong, the tightened anti-epidemic measures have also disrupted people's daily life as well as the economic recovery. In view of the resurgence in COVID-19 infections, the Bank has been proactively taking numerous measures to provide uninterrupted banking services to customers. In addition, we have also enhanced hygienic measures at offices and branches to safeguard the health and safety of our staff and customers. Our continuous investment in technology not only enabled our colleagues to shift to work-from-home model, but also to meet the increasing demand for digital banking services during the pandemic. Going forward, we will continue widening our range of digital banking services for both retail and corporate customers by accelerating Fintech development along our digitalization roadmap. We are committed to offering customers a comprehensive range of wealth management products and services via more flexible and convenient channels. Turning to our commercial banking business, the launch of SME Banking Services Centre at Tsuen Wan Branch in October 2021 has further underscored our commitment to providing support to our small and medium-size enterprises ("SME") customers. This year, we are going to take further steps to enhance our service channels with the launch of new branches and SME Banking Services Centre. The enhancement of our digital capabilities and expansion of our retail outlets will allow us to improve service experiences, strengthen our brand, and develop new customers from different target market segments.

Financial inclusion has always been one of our major corporate objectives as we strive for sustainable development. We are keen to explore ways to increase access to our services. In addition to offering accessible digital banking platform and expanding our service outlets, we remain a trusted partner to our customers amid the pandemic. The Bank has rolled out relief measures and participated in various government schemes, including the SME Financing Guarantee Scheme and the Pre-Approved Principal Payment Holiday Scheme, to support SMEs through hard times. We will continue to launch more initiatives in the future to further promote financial inclusion across the community.

Amid the volatile market environment, Fubon Bank (Hong Kong) will adhere to its growth-yet-prudent business strategy. Looking ahead, we will stay vigilant and proactive in our risk management while capitalizing on the opportunities arising from the Greater Bay Area and post-pandemic economic recovery. Embracing Fubon's positive energy and together with our professional and dynamic team of staff, we are poised to deliver exceptional financial services through the seamless integration of our physical banking and virtual banking services.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Interest income calculated using effective interest method	1,809,863	2,431,425
Other interest income	8,289	11,497
Interest income	<u>1,818,152</u>	<u>2,442,922</u>
Interest expense	<u>(532,537)</u>	<u>(1,260,345)</u>
Net interest income	<u>1,285,615</u>	<u>1,182,577</u>
Fee and commission income	379,466	328,025
Fee and commission expense	(88,294)	(79,152)
Net fee and commission income	<u>291,172</u>	<u>248,873</u>
Other operating income	90,975	97,846
Operating income	<u>1,667,762</u>	<u>1,529,296</u>
Operating expenses	<u>(976,291)</u>	<u>(951,218)</u>
Operating profit before other gains and impairment losses	<u>691,471</u>	<u>578,078</u>
Impairment losses on advances to customers	(262,237)	(402,706)
Write back of / (charge for) impairment losses on other financial instruments	44,582	(70,656)
(Charge for) / write back of impairment losses on other assets	(5,380)	290
Impairment losses on fixed assets	(1,500)	-
Write back of impairment losses on assets acquired under lending agreements	200	300
Impairment losses	<u>(224,335)</u>	<u>(472,772)</u>
Gain / (loss) on revaluation of investment properties	3,505	(4,600)
Net losses on disposal of fixed assets	(606)	(134)
Gain on disposal of assets held for sale	41	-
Gain on disposal of an investment property	-	8,010
Net gains on disposal of financial assets at amortized cost	-	258
Profit before taxation	<u>470,076</u>	<u>108,840</u>
Taxation	<u>(83,967)</u>	<u>(33,500)</u>
Profit for the year	<u>386,109</u>	<u>75,340</u>
Other comprehensive income for the year, net of tax:		
Items that will not be reclassified to profit or loss:		
Premises: net movement in premises revaluation reserve	43,298	(151,318)
Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling)	(425,930)	203,256
Remeasurement of net defined benefit liability	20,921	(47,222)
	<u>(361,711)</u>	<u>4,716</u>
Total comprehensive income for the year	<u>24,398</u>	<u>80,056</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
ASSETS		
Cash and short-term funds	4,463,482	4,966,655
Balances with banks and other financial institutions	779,806	458,770
Trading assets	1,951,019	1,948,454
Derivative financial instruments	723,055	563,443
Advances to customers	60,143,187	54,913,063
Trade bills	1,060,757	915,668
Accrued interest and other assets	1,390,335	2,256,692
Debt securities measured at amortized cost	43,109,311	41,185,231
Equity securities designated at fair value through other comprehensive income	783,682	1,316,272
Fixed assets	3,696,161	3,749,930
Investment properties	14,000	49,500
Deferred tax assets	84	6
Total assets	118,114,879	112,323,684
LIABILITIES		
Deposits and balances of banks and other financial institutions	8,378,889	10,041,639
Deposits from customers	84,420,922	76,538,430
Trading liabilities	1,951,043	1,948,454
Certificates of deposit issued	3,860,688	4,167,874
Debt securities issued	2,062,439	1,544,626
Derivative financial instruments	399,267	1,080,890
Other liabilities	1,762,164	1,670,574
Deferred tax liabilities	527,839	603,967
Total liabilities	103,363,251	97,596,454
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	9,921,180	9,896,782
Total equity	14,751,628	14,727,230
Total equity and liabilities	118,114,879	112,323,684

Note: The financial information relating to the financial years ended 31 December 2021 and 2020 that is included in this press release 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 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, 1 SME Banking Services 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.

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