

PRESS RELEASE

FOR IMMEDIATE RELEASE

Fubon Bank Reports Net Profit of HK\$543 Million for 2022

(Hong Kong: 14 March 2023) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$543 million for the year ended 31 December 2022, representing a year-on-year increase of 41% as compared with 2021. The increase in net profit was mainly attributed to a 18% rise in operating income, which was partially offset by a 33% increase in impairment losses. Return on average equity and return on average assets were 3.62% and 0.44%, respectively, compared with 2.62% and 0.34% in 2021.

Net interest income increased by 25% to HK\$1,607 million, contributed by both the widening of the net interest margin and an expansion of loan and debt securities investment portfolios. Starting from early 2022, market interest rates rebounded from a low level and rose sharply in the second half of the year, leading to an increase in the asset yield upon repricing. The improvement in overall asset yield outweighed the increase in deposit costs, resulting in the widening of the net interest margin by 13 basis points to 1.41%.

Non-interest income declined by 4% to HK\$368 million, which was mainly due to the decrease in unit trust services, and securities brokerage and investment services income by 52% and 30%, respectively, as market sentiment remained weak in 2022. However, credit-related services and insurance services income grew by 42% and 11%, respectively. Non-interest income-to-total operating income ratio was 18.7%.

Operating expenses increased by 7% to HK\$1,046 million. The cost-to-income ratio declined to 52.9% when compared with 58.5% in 2021. The Group continued to exercise effective cost control measures while making ongoing investment in various fintech initiatives to enhance its digital capabilities to support long-term business growth.

Total impairment losses amounted to HK\$299 million, an increase of 33% when compared with 2021. The Group recorded a charge of stages 1 and 2 impairment losses of HK\$51 million for loans and HK\$11 million for other financial instruments in the light of the combination effect of the anticipated downturn of some key economic factors and the continued growth of loans and debt securities investments. Loan impairment losses for stage 3 (net of bad debt recovery) were HK\$236 million. The

impaired loan ratio, including that of trade bills and advances to banks, was 0.45% and the coverage ratio was 95.6% as at 31 December 2022.

The Group's total assets rose by HK\$11 billion, or 10%, to HK\$130 billion as at 31 December 2022. Gross advances to customers and banks increased by 9% to HK\$66 billion, mainly contributed by the growth in corporate lending and mortgage loans. Customer deposits grew at a faster pace of 16% to HK\$98 billion. Taking into account of the trade bills and advances to banks, the loan-to-deposit ratio decreased from 73.1% at 31 December 2021 to 67.9% at 31 December 2022.

Despite the growth in loans and investment, the Group's capital and liquidity position remained strong and healthy. As at 31 December 2022, the Group's Common Equity Tier 1 Capital Ratio and Tier 1 Capital Ratio were both 16.01%, and its Total Capital Ratio was 17.78%, which were well above the statutory requirements. The Average Liquidity Maintenance Ratio also stood at a comfortable level of 71.94%.

Notwithstanding the challenges brought by the prolonged pandemic situation, geopolitical tensions and market volatilities arising from global economic conditions, Fubon Bank (Hong Kong) maintained a robust financial position in 2022. We stay committed to our digital transformation strategy as we endeavor to promote digitalization and financial inclusion. We remained a trusted partner to our customers by providing them with uninterrupted banking services via seamless integration of our physical and virtual banking services amid the pandemic. Meanwhile, the Bank is also expanding and redesigning its service outlets to offer better customer experience. Following the opening of an SME Banking Services Centre at Kwun Tong Branch and the Bank's first Green Branch in Taikoo Shing, respectively, in June and July 2022, the Bank opened an SME Banking Services Centre in Tsim Sha Tsui in the second half of 2022. We aim to provide our customers with a wide range of financial solutions and address their diverse financial and wealth management needs while forging sustainable business development. The strategic partnership with Hong Kong Quality Assurance Agency not only enables the Bank to support its corporate and small and medium-sized enterprise ("SME") customers in transforming their businesses to sustainable operations but also promotes green and sustainable finance. In December 2022, the Bank successfully arranged a syndicated green loan under a non-recourse project finance structure for a solar electricity producer operated under the Feed-in Tariff Scheme introduced by the HKSAR Government in collaboration with the two power companies to promote renewable electricity in Hong Kong, demonstrating the Bank's strong commitment as well as capability and expertise in green and sustainable finance.

Commercial Banking business remained a core focus of the Bank. In addition to rolling out relief measures and participating in various government schemes to help SME customers overcome their cash flow challenges under the difficult operating environment, the Bank has also participated in the Commercial Data Interchange (“CDI”) launched by the Hong Kong Monetary Authority, which aims to enable more efficient financial intermediation in the banking system and enhance financial inclusion in Hong Kong. Through the CDI platform, we will be able to better assess customer’s needs and financial objectives, and as a result, the loan application and approval processes will also be simplified. Regarding Retail Banking business, the Bank launched the revamped Mobile Banking App “Fubon+” and the brand new “FB Invest+” Securities Trading Mobile App in late 2022, bringing enhanced digital banking customer experience and added convenience to customers.

Going forward, Fubon Bank (Hong Kong) will adhere to its growth-yet prudent business strategy and remain committed to providing customer-centric and innovative digital services to customers. We will step up efforts to reinforce our digital service capabilities and expand our product suite for both retail and corporate customers. The establishment of our new Offshore Banking Centre earlier this year has further underscored our efforts in enhancing customer experience by offering professional banking service in a comfortable environment at a convenient location. Moreover, we will strengthen our wealth management and financial planning services as we are committed to supporting our customers at every stage of their lives and empowering their next generations. Adhering to Fubon Financial Holdings’ sustainability vision and meeting the market’s growing demand for green products and services, we will provide suitable advisory and financing solutions to support our customers in low-carbon transformation. Furthermore, we will continue to invest in people, technology and infrastructure to enhance our operational efficiency and provide our customers with reliable and unique financial services. The easing of anti-epidemic measures in late 2022 had a significant impact on the recovery of Hong Kong economy. The Bank is poised to capture the opportunities when the market recovers, while striving to contribute to the green and sustainable development in Hong Kong.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Interest income calculated using effective interest method	3,151,676	1,809,863
Other interest income	20,127	8,289
Interest income	<u>3,171,803</u>	<u>1,818,152</u>
Interest expense	<u>(1,564,922)</u>	<u>(532,537)</u>
Net interest income	<u>1,606,881</u>	<u>1,285,615</u>
Fee and commission income	391,528	379,466
Fee and commission expense	<u>(89,140)</u>	<u>(88,294)</u>
Net fee and commission income	<u>302,388</u>	<u>291,172</u>
Other operating income	<u>66,045</u>	<u>90,975</u>
Operating income	<u>1,975,314</u>	<u>1,667,762</u>
Operating expenses	<u>(1,045,676)</u>	<u>(976,291)</u>
Operating profit before other gains and impairment losses	<u>929,638</u>	<u>691,471</u>
Impairment losses on advances to customers	<u>(287,827)</u>	<u>(262,237)</u>
(Charge for) / write back of impairment losses on other financial instruments	<u>(10,772)</u>	<u>44,582</u>
Impairment losses on other assets	<u>(634)</u>	<u>(5,380)</u>
Write back of / (charge for) impairment losses on fixed assets	<u>1,500</u>	<u>(1,500)</u>
(Charge for) / write back of impairment losses on assets acquired under lending agreements	<u>(1,500)</u>	<u>200</u>
Impairment losses	<u>(299,233)</u>	<u>(224,335)</u>
Gain on revaluation of investment properties	20,130	3,505
Net gains / (losses) on disposal of fixed assets	571	(606)
Gain on disposal of assets held for sale	103	41
Net loss on disposal of financial assets at amortized cost	<u>(171)</u>	<u>-</u>
Profit before taxation	<u>651,038</u>	<u>470,076</u>
Taxation	<u>(107,807)</u>	<u>(83,967)</u>
Profit for the year	<u>543,231</u>	<u>386,109</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	<u>(99,165)</u>	<u>43,298</u>
Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling)	<u>34,653</u>	<u>(425,930)</u>
Remeasurement of net defined benefit liability	<u>21,637</u>	<u>20,921</u>
	<u>(42,875)</u>	<u>(361,711)</u>
Total comprehensive income for the year	<u>500,356</u>	<u>24,398</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
ASSETS		
Cash and short-term funds	5,728,257	4,463,482
Balances with banks and other financial institutions	4,608,409	779,806
Trading assets	1,655,624	1,951,019
Derivative financial instruments	2,125,339	723,055
Advances to customers	64,414,547	60,143,187
Advances to banks	1,094,602	-
Trade bills	549,566	1,060,757
Accrued interest and other assets	1,417,422	1,390,335
Debt securities measured at amortized cost	43,644,361	43,109,311
Equity securities designated at fair value through other comprehensive income	820,314	783,682
Fixed assets	3,526,953	3,696,161
Investment properties	13,000	14,000
Deferred tax assets	6	84
Total assets	129,598,400	118,114,879
LIABILITIES		
Deposits and balances of banks and other financial institutions	8,011,643	8,378,889
Deposits from customers	97,923,390	84,420,922
Trading liabilities	1,655,455	1,951,043
Certificates of deposit issued	1,930,195	3,860,688
Debt securities issued	-	2,062,439
Derivative financial instruments	51,430	399,267
Other liabilities	4,282,146	1,762,164
Deferred tax liabilities	492,157	527,839
Total liabilities	114,346,416	103,363,251
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	10,421,536	9,921,180
Total equity	15,251,984	14,751,628
Total equity and liabilities	129,598,400	118,114,879

Note: The financial information relating to the financial years ended 31 December 2022 and 2021 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 2021 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, 3 SME Banking Services Centres 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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