

PRESS RELEASE

FOR IMMEDIATE RELEASE

Fubon Bank 2023 Net Profit Rises 44% to HK\$784 Million

(Hong Kong: 12 March 2024) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) registered a net profit of HK\$784 million for the year ended 31 December 2023, representing a year-on-year increase of 44% as compared with 2022 notwithstanding a complex and difficult operating environment. The increase in net profit was mainly attributed to a 25% rise in operating income, which was partially offset by a 23% increase in impairment losses. Return on average equity and return on average assets were 5.02% and 0.58%, respectively, compared with 3.62% and 0.44% last year.

Net interest income increased by 32% to HK\$2,115 million, underpinned by the improved net interest margin and an expansion of interest-earning assets. Market interest rates remained high throughout 2023, 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 30 basis points to 1.71%. Average interest-earning assets grew by 9%, driven by the increases in debt securities investment portfolios and advances to banks. Average customer deposits grew by 13% year-on-year.

Non-interest income dropped by 4% to HK\$355 million. Owing to weak market sentiment in 2023, securities brokerage and investment services income, and credit related services income decreased by 28% and 27%, respectively. Nevertheless, insurance services income and credit card services income both recorded an encouraging growth of 24%. Non-interest income-to-total operating income ratio was 14.4%.

Operating expenses amounted to HK\$1,175 million, an increase of 12% year-on-year. Such growth was mainly attributable to higher staff costs and incurrence of professional consultancy costs for risk management and regulatory needs. The Group continued to exercise effective cost control measures while making ongoing investment in acquiring talents and skillsets to support its long-term business growth. The cost-to-income ratio declined to 47.6% when compared with 52.9% in 2022.

Total impairment losses increased by 23% to HK\$368 million. Stage 3 impairment losses for loans (net of bad debt recovery) and for other assets were HK\$427 million and HK\$16 million, respectively. The Group recorded a write back of stages 1 and 2 impairment losses of HK\$57 million for loans and HK\$18 million for other financial instruments. The impaired loan ratio, including that of trade bills and advances to banks, was 0.53% and the coverage ratio was 84.3% as at 31 December 2023.

As at 31 December 2023, the Group's total assets amounted to HK\$141.0 billion, an increase of HK\$11.4 billion or 9% compared with last year. Debt securities investment portfolios grew by 12% to HK\$49.0 billion as the Group increased its investments in high-quality public sector entities and government-related bonds. Advances to banks was tripled to HK\$3.3 billion. Customer deposits grew by 11% to HK\$109.1 billion. Taking into account of the trade bills and advances to banks, the loan-to-deposit ratio decreased from 67.9% at 31 December 2022 to 62.9% at 31 December 2023.

The Group's capital and liquidity position stayed strong and healthy. As at 31 December 2023, the Group's Common Equity Tier 1 Capital Ratio and Tier 1 Capital Ratio were both 16.28%, and its Total Capital Ratio was 17.89%, which were well above the statutory requirements. The Average Liquidity Maintenance Ratio stood at a comfortable level of 86.88%. In view of our improving funding profile and financial performance, S&P Global Ratings affirmed the Bank's BBB+ long-term and A-2 short-term issuer credit ratings and revised the Bank's rating outlook to Positive from Stable on 29 November 2023.

Looking ahead in 2024, the lingering geopolitical tensions may disrupt the recovery of the global economy and weigh on investment sentiment. However, the expected end of rising interest-rate cycle in the U.S. and the stimulating economic policies from Mainland China shall gradually support business sentiment domestically and worldwide. Amid a challenging operating environment, Fubon Bank (Hong Kong) will adhere to its growth-yet-prudent strategy and remain committed to providing a comprehensive range of financial services to customers by enhancing its service delivery channels and capabilities. Through the seamless integration of our physical and virtual channels, we will be able to stay at the forefront of the fast-moving markets and remain the preferred choice of banking services for our customers.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
Interest income calculated using effective interest method	6,449,656	3,151,676
Other interest income	2,391	20,127
Interest income	<u>6,452,047</u>	<u>3,171,803</u>
Interest expense	<u>(4,336,731)</u>	<u>(1,564,922)</u>
Net interest income	<u>2,115,316</u>	<u>1,606,881</u>
Fee and commission income	416,070	391,528
Fee and commission expense	<u>(95,587)</u>	<u>(89,140)</u>
Net fee and commission income	<u>320,483</u>	<u>302,388</u>
Other operating income	34,299	66,045
Operating income	<u>2,470,098</u>	<u>1,975,314</u>
Operating expenses	<u>(1,175,144)</u>	<u>(1,045,676)</u>
Operating profit before other gains and impairment losses	<u>1,294,954</u>	<u>929,638</u>
Impairment losses on advances to customers	<u>(369,555)</u>	<u>(287,827)</u>
Write back of / (charge for) impairment losses on other financial instruments	18,381	(10,772)
Impairment losses on other assets	<u>(15,697)</u>	<u>(634)</u>
Write back of impairment losses on fixed assets	-	1,500
Impairment losses on assets acquired under lending agreements	<u>(800)</u>	<u>(1,500)</u>
Impairment losses	<u>(367,671)</u>	<u>(299,233)</u>
Gain on revaluation of investment properties	868	20,130
Net (losses) / gains on disposal of fixed assets	<u>(194)</u>	<u>571</u>
Gain on disposal of assets held for sale	124	103
Net loss on disposal of financial assets at amortized cost	<u>(289)</u>	<u>(171)</u>
Profit before taxation	<u>927,792</u>	<u>651,038</u>
Taxation	<u>(143,526)</u>	<u>(107,807)</u>
Profit for the year	<u>784,266</u>	<u>543,231</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>(106,473)</u>	<u>(99,165)</u>
Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling)	121,716	34,653
Remeasurement of net defined benefit liability	<u>(3,813)</u>	<u>21,637</u>
	<u>11,430</u>	<u>(42,875)</u>
Total comprehensive income for the year	<u>795,696</u>	<u>500,356</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
ASSETS		
Cash and short-term funds	7,104,004	5,728,257
Balances with banks and other financial institutions	6,059,269	4,608,409
Trading assets	1,696,831	1,655,624
Derivative financial instruments	1,755,620	2,125,339
Advances to customers	64,298,938	64,414,547
Advances to banks	3,291,894	1,094,602
Trade bills	658,615	549,566
Accrued interest and other assets	2,749,147	1,417,422
Debt securities measured at amortized cost	48,975,907	43,644,361
Equity securities designated at fair value through other comprehensive income	963,092	820,314
Fixed assets	3,342,993	3,526,953
Investment properties	85,300	13,000
Deferred tax assets	6	6
Total assets	140,981,616	129,598,400
LIABILITIES		
Deposits and balances of banks and other financial institutions	7,854,320	8,011,643
Deposits from customers	109,124,496	97,923,390
Trading liabilities	1,696,831	1,655,455
Certificates of deposit issued	299,942	1,930,195
Derivative financial instruments	93,194	51,430
Other liabilities	5,277,772	4,151,644
Current tax liabilities	163,599	130,502
Deferred tax liabilities	505,846	492,157
Total liabilities	125,016,000	114,346,416
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	11,135,168	10,421,536
Total equity	15,965,616	15,251,984
Total equity and liabilities	140,981,616	129,598,400

Note: The financial information relating to the financial years ended 31 December 2023 and 2022 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 2022 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 15 branches, 3 SME Banking Services Centres, 1 Offshore Banking 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.

For more information about Fubon Bank, please visit Fubon Bank's website www.fubonbank.com.hk.

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