

PRESS RELEASE

FOR IMMEDIATE RELEASE

Fubon Bank Achieved Net Profit of HK\$449 Million for the First Half of 2023

(Hong Kong: 8 August 2023) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$449 million for the first six months ended 30 June 2023, representing a year-on-year increase of 121%. The increase in net profit was mainly attributed to an increase in net interest income by 35% and a substantial decline in impairment losses by 85%. Return on average equity and return on average assets were 5.78% and 0.68%, respectively, compared with 2.73% and 0.34% for the first half of 2022.

Net interest income surged by 35% to HK\$938 million, underpinned by both the widening of the net interest margin and an expansion of average interest-earning assets. Net interest margin widened by 30 basis points from 1.27% to 1.57%. Market interest rate maintained at a high level since the fourth quarter of 2022, leading to an increase in the asset yield upon repricing. The improvement in the overall asset yield outweighed the increase in deposit costs. Average interest-earning assets grew by 9%, driven by increase in advances to customers and debt securities investment portfolios. Average customer deposits grew by 13% year-on-year in the first half.

Non-interest income declined by 19% to HK\$183 million and the non-interest income-to-total operating income ratio decreased to 16.3%. The drop was mainly owing to the decrease in credit related services, as well as securities brokerage and investment services income by 54% and 33%, respectively. However, treasury marketing and credit card services income recorded an encouraging growth of 47% and 38%, respectively. Insurance services income also rose by 6%.

Operating expenses increased by 13% to HK\$560 million alongside an increase in operating income by 21%, and the cost-to-income ratio decreased from 53.5% to 49.9%. The growth in operating expenses were mainly due to higher staff costs and some one-off consultancy service fees to cope with risk management and regulatory requirements. The Group continued to exercise effective cost control measures while making further investments in acquiring talents and skills to support long-term business growth.

Total impairment losses declined by 85% to HK\$27 million, mainly resulted from the improved asset quality and continued recovery of global economies. The Group recorded a charge of stages 1 and 2 impairment losses of HK\$11 million for loans while a write back of HK\$9 million for other financial

instruments. Loan impairment losses for stage 3 (net of bad debt recovery) were HK\$24 million. The impaired loan ratio, including that of trade bills and advances to banks, was 0.49%, and the coverage ratio was 92.3% as at 30 June 2023.

The Group's total assets rose by HK\$4 billion, or 3%, from 31 December 2022 to HK\$134 billion as at 30 June 2023. Gross advances to customers and banks increased by 1% to HK\$66 billion. Customer deposits increased by 6% to HK\$103 billion. Taking into account of the trade bills and advances to banks, the loan-to-deposit ratio decreased from 67.9% as at 31 December 2022 to 64.7% as at 30 June 2023.

The Group's capital and liquidity positions stayed strong. As at 30 June 2023, the Group's Common Equity Tier 1 Capital Ratio and Tier 1 Capital Ratio were both 16.54%, and its Total Capital Ratio was 18.28%, which exceeded the statutory requirements. The Liquidity Maintenance Ratio also stood at a comfortable level of 84.69%.

The first half of 2023 remained complex and volatile. The banking sector turmoil in the US and Europe earlier this year, the lingering Russia-Ukraine War and continuing US-China tensions have posed high degree of uncertainty to the global market. In Hong Kong, the economy has maintained recovery momentum and improved markedly in the first quarter, mainly due to the strong recovery of inbound tourism and domestic consumption. Against the challenging market environment, Fubon Bank (Hong Kong) adhered to its growth-yet-prudent business strategy and achieved sustainable growth. We have been stepping up our efforts to enhance our digital service capabilities for both retail and corporate customers. Following the launch of the revamped Mobile Banking App "Fubon+" and the brand new "FB Invest+" Securities Trading App in late 2022, we will launch mobile account opening service for our corporate customers in the third quarter of 2023, enabling them to open corporate accounts anytime, anywhere. As an advocate of the "Fintech 2025" strategy of the Hong Kong Monetary Authority ("HKMA") and to demonstrate the Bank's effort in promoting Central Bank Digital Currency development in Hong Kong, the Bank participates in HKMA's e-HKD Pilot Programme to explore the potential application of e-HKD to residential mortgage loans.

In addition to the opening of Offshore Banking Centre in March 2023, we have kicked off the renovation of our Central Main Branch to further enhance the customer experience. The newly renovated Central Main Branch will also comprise a wealth management centre, underscoring our commitment to strengthen our wealth management and financial planning services. Moreover, we will continue to realign our service outlets to better our banking services and deliver a better in-branch experience. Adhering to the sustainability vision of Fubon Financial Holdings, we are keen to promote the

development of green and sustainable finance in Hong Kong by providing advisory and financing solutions to support our customers in their sustainability journey. To deepen our commitment to financial inclusion, we will continue to upgrade our digital banking platform and branch services, and also launch more financial education initiatives to foster financial literacy in the community.

Although the global economic growth may slow down in the second half of 2023 and weigh on Hong Kong's external demand, the disbursement of consumption vouchers and various measures introduced by the HKSAR Government will provide support for domestic economy and boost consumer spending. Amid the uncertain operating environment, Fubon Bank (Hong Kong) recognizes the opportunities ahead and continues to strengthen its local franchise and capitalize on the opportunities arising from the Greater Bay Area. While our strategic plan to expand our business in the Greater Bay Area is making progress, we remain committed to providing comprehensive financial services to our customers by enhancing our digital platforms and service delivery capabilities as well as to respond quickly to the rapidly-changing market environment. Furthermore, the launch of our subsidiary Fubon Credit (Hong Kong) business, whose main business is to provide personal loan products and services by the latest financial technology, reaffirms our aspirations towards innovation, sustainability and financial inclusion. Looking ahead, we will continue to maintain good business momentum and to remain as the preferred choice of banking services of our customers.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2023

	For the six months ended	
	30 June 2023 HK\$'000	30 June 2022 HK\$'000
Interest income calculated using effective interest method	2,878,065	1,074,205
Other interest income	525	6,315
Interest income	<u>2,878,590</u>	<u>1,080,520</u>
Interest expense	<u>(1,940,250)</u>	<u>(383,395)</u>
Net interest income	<u>938,340</u>	<u>697,125</u>
Fee and commission income	208,563	218,847
Fee and commission expense	<u>(45,824)</u>	<u>(36,778)</u>
Net fee and commission income	<u>162,739</u>	<u>182,069</u>
Other operating income	<u>20,562</u>	<u>44,793</u>
Operating income	1,121,641	923,987
Operating expenses	<u>(560,046)</u>	<u>(493,951)</u>
Operating profit before other gains and impairment losses	<u>561,595</u>	<u>430,036</u>
Impairment losses on advances to customers	(35,816)	(175,190)
Write back of / (charge for) impairment losses on other financial instruments	9,127	(5,423)
Impairment losses on other assets	<u>(108)</u>	<u>(1,680)</u>
Impairment losses	<u>(26,797)</u>	<u>(182,293)</u>
Gain / (loss) on revaluation of investment properties	68	(500)
Net (losses) / gains on disposal of fixed assets	(25)	480
Net losses on disposal of financial assets at amortized cost	-	(86)
Profit before taxation	<u>534,841</u>	<u>247,637</u>
Taxation	<u>(86,266)</u>	<u>(44,366)</u>
Profit for the period	<u>448,575</u>	<u>203,271</u>
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	3,911	6,314
Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling)	171,395	75,725
	<u>175,306</u>	<u>82,039</u>
Total comprehensive income for the period	<u>623,881</u>	<u>285,310</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2023

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
ASSETS		
Cash and short-term funds	5,685,182	5,728,257
Balances with banks and other financial institutions	5,685,242	4,608,409
Trading assets	1,724,572	1,655,624
Derivative financial instruments	2,259,030	2,125,339
Advances to customers	64,360,400	64,414,547
Advances to banks	1,529,776	1,094,602
Trade bills	559,655	549,566
Accrued interest and other assets	1,515,286	1,416,849
Debt securities measured at amortized cost	45,759,038	43,644,361
Equity securities designated at fair value through other comprehensive income	1,024,333	820,314
Fixed assets	3,508,258	3,526,953
Investment properties	12,500	13,000
Assets held for sales	17,868	-
Current tax assets	291	573
Deferred tax assets	6	6
Total assets	<u>133,641,437</u>	<u>129,598,400</u>
LIABILITIES		
Deposits and balances of banks and other financial institutions	7,417,485	8,011,643
Deposits from customers	103,378,196	97,923,390
Trading liabilities	1,724,572	1,655,455
Certificates of deposit issued	299,360	1,930,195
Derivative financial instruments	49,007	51,430
Other liabilities	4,326,857	4,151,071
Current tax liabilities	122,732	131,075
Deferred tax liabilities	529,427	492,157
Total liabilities	<u>117,847,636</u>	<u>114,346,416</u>
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	10,963,353	10,421,536
Total equity	<u>15,793,801</u>	<u>15,251,984</u>
Total equity and liabilities	<u>133,641,437</u>	<u>129,598,400</u>

Note: The financial information relating to the financial year ended 31 December 2022 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 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 16 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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