

## PRESS RELEASE

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20 MARCH 2012

### Fubon Bank Recorded 5% Increase in 2011 Earnings

*Net profits increased 5% or HK\$14 million year-on-year to HK\$280 million.*

(Hong Kong: 20 March 2012) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) registered a net profit of HK\$280 million for the financial year ended 31 December 2011, an increase of 5% from the HK\$266 million reported in 2010 notwithstanding the challenging environment in Hong Kong and worldwide.

*Net interest income decreased 25% to HK\$636 million, attributed to enduring high deposit costs.*

Gross interest income rose by 5% to HK\$1,254 million in 2011, underpinned by the higher average interest-earning assets resulting from the increase in mortgage business and commercial lending. Nevertheless, gross interest expense soared 80% to HK\$618 million as driven by the keen competition for deposits, which led to enduring high deposit costs in 2011. As a result, net interest income declined by HK\$216 million or 25% to HK\$636 million while net interest margin narrowed by 47 basis points to 1.09% from 1.56% for 2010.

*Non-interest income increased 3% to HK\$294 million.*

Non-interest income amounted to HK\$431 million in 2011, representing an increase of HK\$145 million when compared with 2010. Normalized non-interest income grew 3% and normalized ratio of non-interest income to total operating income reached 31.6%, versus 25.1% a year ago.

*Operating expenses reduced 4% year-on-year.*

Operating expenses was 9% higher than in 2010 whereas normalized operating expenses reduced 4% year-on-year. Normalized cost to income ratio was 88.8% for 2011.

*Prudent credit management and asset quality improvements resulted in further reduction in the impaired loans ratio to 0.33%.*

Further improvement in the credit environment, accompanied with our robust risk management framework and prudent credit management supported the Bank’s comparatively conservative loan growth. There was a write back of impairment losses on advances to customers of HK\$80 million for the full year of 2011 when compared with the charge for impairment losses of HK\$10 million in 2010. The impaired loans ratio dropped to 0.33% as of 31 December 2011 (0.66% as of 31 December 2010). The coverage of impaired loans improved from 96% at 31 December 2010 to 97% at 31 December 2011.

*Return on average equity increased from 5.31% to 5.53%.*

Benefiting from the robust economic growth in China, Xiamen Bank delivered a strong performance with the Bank's share of profits amounted to HK\$91 million. After accounting for impairment charges, other gains and tax charge, the Group registered profits after taxation stood at HK\$280 million. Return on average assets increased 3 basis points to 0.46% and return on average equity improved 22 basis points to 5.53% for 2011.

*Gross loans grew by 11% while customer deposits fell 5%. The Bank maintained sound financial positions, with capital adequacy ratio of 15.89%.*

Total assets slightly reduced by 2% to HK\$60 billion as at 31 December 2011. As at 31 December 2011, gross advances to customers rose 11% to HK\$32 billion whereas customer deposits decreased moderately from HK\$46 billion to HK\$44 billion. As a result, the loan-to-deposit ratio increased to 70.5% from 61.2% as at 31 December 2010. The Group's capital and liquidity positions remained strong. The capital adequacy ratio was 15.89% as at 31 December 2011 (18.23% at 2010 year-end). The average liquidity ratio stood at a healthy level of 49.37% for 2011.

*Leveraging on the integration with parent company to further strengthen local franchise.*

In 2011, the Bank continued to offer pragmatic products and services with balanced focus on both market expansion and risk management. While strict cost control was implemented, the Bank continued to invest in IT infrastructure in order to facilitate the use of our internet platform so as to improve customer experience. Following the successful privatization of the Bank by its parent company, Fubon Financial Holding Co., Ltd. ("Fubon Financial"), the Bank will collaborate more closely with Fubon Financial to strengthen its local franchise, enhance its product and service offering and pursue sustainable growth.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2011**

	2011 HK\$'000	2010 HK\$'000
Interest income	1,254,182	1,196,169
Interest expense	<u>(618,028)</u>	<u>(343,649)</u>
<b>Net interest income</b>	<b>636,154</b>	<b>852,520</b>
Fee and commission income	323,670	330,766
Fee and commission expense	<u>(102,726)</u>	<u>(73,574)</u>
<b>Net fee and commission income</b>	<b>220,944</b>	<b>257,192</b>
Revaluation loss on collateralised debt obligations	(177)	(13,673)
Other operating income	<u>210,248</u>	<u>42,074</u>
Operating income	1,067,169	1,138,113
Operating expenses	<u>(932,708)</u>	<u>(856,152)</u>
<b>Operating profit before gains and impairment losses</b>	<b>134,461</b>	<b>281,961</b>
Write back of / (charge for) impairment losses on advances to customers	80,481	(9,713)
Impairment losses on available-for-sale financial assets	(5,415)	(19,472)
Impairment losses on fixed assets	(15,733)	-
Impairment losses on other assets	(2,676)	(17,270)
Write back of / (charge for) impairment losses on advances to an associate	425	(681)
(Charge for) / write back of impairment losses on assets acquired under lending agreements	<u>(5,029)</u>	<u>417</u>
<b>Write back of / (charge for) impairment losses</b>	<b>52,053</b>	<b>(46,719)</b>
Net gains on disposals of available-for-sale financial assets	44,522	50,992
Net losses on disposals of fixed assets	(8,661)	(5,045)
Share of profits of an associate	<u>91,369</u>	<u>31,352</u>
<b>Profit before taxation</b>	<b>313,744</b>	<b>312,541</b>
Taxation	<u>(33,979)</u>	<u>(46,248)</u>
<b>Profit for the year</b>	<b>279,765</b>	<b>266,293</b>
<b>Other comprehensive income for the year, net of tax:</b>		
Available-for-sale financial assets: net movement in investment revaluation reserve	(228,622)	(6,766)
Exchange differences on translation of an associate	<u>26,147</u>	<u>14,434</u>
<b>Total comprehensive income for the year</b>	<b>77,290</b>	<b>273,961</b>
Profit attributable to:		
- Equity holders of the Bank	280,291	266,966
- Non-controlling interests	<u>(526)</u>	<u>(673)</u>
<b>Profit for the year</b>	<b>279,765</b>	<b>266,293</b>
Total comprehensive income attributable to:		
- Equity holders of the Bank	77,816	274,634
- Non-controlling interests	<u>(526)</u>	<u>(673)</u>
<b>Total comprehensive income for the year</b>	<b>77,290</b>	<b>273,961</b>

**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2011**

	2011 HK\$'000	2010 HK\$'000
<b>ASSETS</b>		
Cash and short-term funds	4,382,197	2,777,351
Balances with banks and other financial institutions	1,479,530	2,135,669
Trading assets	1,405,516	966,773
Financial assets designated at fair value through profit or loss	81,240	406,268
Derivative financial instruments	494,636	491,633
Advances to customers less impairment allowances	32,238,466	28,860,971
Other loans and receivables	1,204,789	2,802,314
Accrued interest and other assets	887,916	750,435
Available-for-sale financial assets	13,731,020	18,555,834
Held-to-maturity investments	2,466,707	2,462,681
Interests in associates	800,952	532,353
Fixed assets	1,046,107	1,035,542
Deferred tax assets	36,784	1,811
	<b>60,255,860</b>	<b>61,779,635</b>
<b>LIABILITIES</b>		
Deposits and balances of banks	4,019,428	3,382,793
Deposits from customers	43,788,167	46,038,161
Trading liabilities	1,382,980	920,695
Financial liabilities designated at fair value through profit or loss	333,965	263,986
Certificates of deposit issued	942,780	797,951
Debt securities issued	683,041	41,401
Derivative financial instruments	538,491	577,314
Other liabilities	1,973,748	1,525,734
Deferred tax liabilities	681	46
Subordinated notes issued	1,540,299	3,137,286
	<b>55,203,580</b>	<b>56,685,367</b>
<b>EQUITY</b>		
Share capital	2,097,519	2,097,519
Share premium	749,778	749,778
Reserves	2,203,587	2,245,049
Shareholders' funds	5,050,884	5,092,346
Non-controlling interests	1,396	1,922
	<b>5,052,280</b>	<b>5,094,268</b>
	<b>60,255,860</b>	<b>61,779,635</b>

**Fubon Bank (Hong Kong) Limited**

Fubon Bank ( Hong Kong ) Limited ( “Fubon Bank” ) is a wholly owned subsidiary of Fubon Financial Holding Co., Ltd., a leading financial services group in Taiwan which is engaged in corporate and investment banking, financial markets, consumer finance, wealth management, investment management and insurance. Fubon Bank operates 24 retail outlets in Hong Kong including 22 branches and 2 Securities Services Centres, and provides 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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