

PRESS RELEASE

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7 AUGUST 2012

Fubon Bank Posted 17% Increase in First Half Earnings

(Hong Kong: 7 August 2012) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$200 million for the first six months ended 30 June 2012, an increase of 17% or HK\$29 million over the corresponding period in 2011.

Net interest income rose 7% to HK\$347 million for the first half of 2012. Higher net interest income was bolstered by improvement in asset yields, especially from the increase in the pricing of mortgage loans and corporate loans plus higher investment yield. However, the high deposit costs carried forward from the fourth quarter of 2011 have led to increase in average deposit cost when compared to the same period in 2011, even though the cost has been easing down since February 2012. Net interest margin improved 10 basis points to 1.22% for the first half of 2012.

Non-interest income decreased HK\$141 million to HK\$167 million, mainly due to the recovery from collateral of Lehman Brothers Minibonds (“Minibonds”) for the first half of 2011. In addition, the higher fee and commission income from the Financial Markets Group and credit cards was eroded by a decrease in the income from brokerage activities and sales of unit trust products due to the volatile global stock market situation and subdued investment appetite. The ratio of non-interest income to total operating income decreased to 32.45% for the first half of 2012, compared with 48.73% for the first half of 2011.

Operating expenses were down HK\$131 million to HK\$394 million for the first half of 2012, mainly due to the collateral recovery payments to the Minibonds investors for the first half of 2011 and the Group was able to achieve cost savings by effective expense control planning. Staff costs slightly dropped 3% and non-staff costs, excluding the collateral recovery payments, trimmed 11% with lower IT-related cost resulting from the Group’s successful transformation to a complete in-house IT support service model since August 2011 and lower business promotion cost.

The Group’s robust risk management framework and prudent credit management continued to strengthen our asset quality. There was a write-back of impairment losses of HK\$22 million in the first half of 2012 compared with a write-back of HK\$13 million over the corresponding period of 2011. The impaired loans ratio significantly declined from 0.33% (with 96.54% coverage) as at 31 December 2011 to 0.07% (with 81.66% coverage) as at 30 June 2012.



The Bank maintained its 19.99% shareholding interest in Xiamen Bank and the Group's share of profits registered an increase of 100% to HK\$81 million in the first half of 2012. After accounting for the impairment charges and other gains, profit after taxation stood at HK\$200 million. Return on average assets rose from 0.58% to 0.65% but return on average equity decreased from 6.74% to 6.62% when compared with the corresponding period in 2011. The lower return on average equity was the result of the Group's decision to revalue its premises this year. The revaluation surplus was credited to the reserves which led to higher total equity as at 30 June 2012 and a consequent lower return on equity.

Total assets as at 30 June 2012 were at HK\$63 billion, representing a 4% increase from 31 December 2011. Gross advances to customers decreased 5% from December 2011 to HK\$31 billion. Customer deposits were maintained at HK\$44 billion whereas the Group has successfully issued HK\$2.3 billion of certificates of deposits during the first half of 2012. As a result, the loan-to-deposit ratio reduced from 70.47% as at 31 December 2011 to 65.68% as at 30 June 2012.

The Group's capital and liquidity positions remained strong. The consolidated capital adequacy ratio was 17.02% as at 30 June 2012 compared to 15.89% at end-December 2011. Average liquidity ratio was 49.29% for the first half of 2012 compared with 50.60% for the first half of 2011.

In 2012, various initiatives have been launched in the banking industry of Hong Kong, including Credit Card Enhanced Practices, migration of liquidity management to align with international standards and adaptation of comprehensive stress testing programme, aiming to strengthen the industry's stability and robustness. The Group has been utilizing its resources and investing in infrastructure to cope with the rapid changes in the industry, with the vision to manage stability and achieve a sustainable growth.

The Bank appointed Mr. Raymond Lee as Chief Executive Officer and Managing Director of the Bank in May 2012. Mr. Lee's extensive international banking experience and commercial acumen ideally suit him to lead the Bank to further strengthen its banking franchise in Hong Kong and develop the business of its parent company, Fubon Financial Holding Co., Ltd. ("Fubon Financial") in the Greater China region. The appointment also underscores Fubon Financial's strategic focus and commitment to the banking business in the region.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2012

	For the six months ended	
	30 June 2012	30 June 2011
	HK\$'000	HK\$'000
Interest income	693,961	588,135
Interest expense	(347,269)	(264,922)
Net interest income	346,692	323,213
Fee and commission income	153,434	173,006
Fee and commission expense	(43,686)	(56,420)
Net fee and commission income	109,748	116,586
Other operating income	56,822	190,558
Operating income	513,262	630,357
Operating expenses	(394,060)	(525,362)
Operating profit before gains and impairment losses	119,202	104,995
Write back of impairment losses on advances to customers	23,101	18,601
Impairment losses on available-for-sale financial assets	(869)	(227)
Impairment losses on other assets	(221)	(878)
Impairment losses on advances to an associate	-	(56)
Write back of / (charge for) impairment losses on assets acquired under lending agreements	300	(4,600)
Write back of impairment losses	22,311	12,840
Net gains on disposals of available-for-sale financial assets	3,401	40,825
Net losses on disposals of fixed assets	(171)	(3,903)
Share of profits of an associate	80,977	40,504
Profit before taxation	225,720	195,261
Taxation	(26,203)	(24,299)
Profit for the period	199,517	170,962
Other comprehensive income for the period, net of tax:		
Available-for-sale financial assets: net movement in investment revaluation reserve	125,960	(1,505)
Surplus on revaluation of premises	1,602,887	-
Exchange differences on translation of an associate	(7,851)	10,048
Total comprehensive income for the period	1,920,513	179,505
Profit attributable to:		
- Equity holders of the Bank	199,543	171,362
- Non-controlling interests	(26)	(400)
Profit for the period	199,517	170,962
Total comprehensive income attributable to:		
- Equity holders of the Bank	1,920,539	179,905
- Non-controlling interests	(26)	(400)
Total comprehensive income for the period	1,920,513	179,505

CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2012

	30 June 2012	As at
	HK\$'000	31 December 2011
		HK\$'000
ASSETS		
Cash and short-term funds	4,495,400	4,382,197
Balances with banks and other financial institutions	2,273,609	1,479,530
Trading assets	1,775,621	1,405,516
Financial assets designated at fair value through profit or loss	85,571	81,240
Derivative financial instruments	477,228	494,636
Advances to customers less impairment allowances	30,783,514	32,238,466
Other loans and receivables	900,030	1,204,789
Accrued interest and other assets	1,433,806	887,916
Available-for-sale financial assets	14,612,141	13,731,020
Held-to-maturity investments	2,311,423	2,466,707
Interests in associates	846,685	800,952
Fixed assets	2,946,049	1,046,107
Deferred tax assets	-	36,784
	62,941,077	60,255,860
LIABILITIES		
Deposits and balances of banks	3,617,642	4,019,428
Deposits from customers	43,857,994	43,788,167
Trading liabilities	1,722,930	1,382,980
Financial liabilities designated at fair value through profit or loss	355,381	333,965
Certificates of deposit issued	1,309,070	942,780
Debt securities issued	1,344,564	683,041
Derivative financial instruments	588,932	538,491
Other liabilities	1,369,020	1,973,748
Deferred tax liabilities	305,962	681
Subordinated notes issued	1,538,720	1,540,299
	56,010,215	55,203,580
EQUITY		
Share capital	2,097,519	2,097,519
Share premium	749,778	749,778
Reserves	4,082,195	2,203,587
Shareholders' funds	6,929,492	5,050,884
Non-controlling interests	1,370	1,396
	6,930,862	5,052,280
	62,941,077	60,255,860



Fubon Bank
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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”), 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 Financial is the only Taiwanese financial services group having both a locally registered bank in Hong Kong and a strategic investment in a bank in the Mainland China. 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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