



PRESS RELEASE

FOR IMMEDIATE RELEASE

11 AUGUST 2015

Fubon Bank's 2015 Interim Earnings Achieved a New High of HK\$378 Million

(Hong Kong: 11 August 2015) Fubon Bank (Hong Kong) Limited ("the Bank") and its subsidiaries ("the Group") registered a net profit of HK\$378 million for the first six months ended 30 June 2015, representing an increase of 49% over the corresponding period in 2014. The strong performance proved the success of our business strategy and the healthy growth of our core businesses. The Group's operating income rose 26% year-on-year to HK\$813 million while operating expenses increased by only 2%, resulting in a remarkable 78% growth in operating profit.

On a year-on-year basis, net interest income increased 26% to HK\$499 million for the first half of 2015, driven by both the growth in average interest-earning assets and widening of net interest margin. Average interest-earning assets grew 12%, mostly from the expanded loan portfolio and debt securities investment. Net interest margin widened by 15 basis points to 1.33%. The increase was mainly attributable to a notable decrease in the Bank's cost of funds and our enduring effort to improve the loan portfolio yield.

Non-interest income amounted to HK\$313 million, representing an increase of 24%. Insurance services income recorded an encouraging growth of 47%, driven by our enriched product offerings and the success of our new premium financing product. Securities brokerage and investment services income benefited from an active stock market and posted a 85% increase. Credit card business continued its steady growth, attributed to the double-digit growth in both cardholder spending and merchant acquiring volume. Other operating income increased 20%, mostly contributed by the surge in treasury products income. The percentage of non-interest income to total operating income ratio was 38.5% for the first half of 2015, almost level with the same period last year.

In contrast, operating expenses increased only by 2% to HK\$455 million, allowing us to significantly reduce the cost-to-income ratio to 56.0%. We have been exercising rigid cost control while maintaining our investment in information technology to further enhance our system functionality, security and customer experience. We have kicked off the core banking system replacement project and the retail channel revamp programme, which will affect our operating expenses in the next 3 to 5 years.

There was a net charge of HK\$10 million for impairment losses on advances to customers, compared with HK\$7 million in the first half of 2014. There was a further impairment charge of HK\$8 million resulting from the decline in the fair value of certain available-for-sale equity securities. Asset quality remained sound under the existing robust risk management framework with continual efforts to refine our credit approval and monitoring process. Impaired loans ratio stayed at the very low level of 0.02% as of 30 June 2015.

Xiamen Bank Co., Ltd ("Xiamen Bank") continued to sustain its strong performance and deliver satisfactory results in the first half of 2015. The Group's share of profits from Xiamen Bank recorded a year-on-year increase of 21% to HK\$108 million.

Total assets rose HK\$6 billion, or 7%, to HK\$90 billion as of 30 June 2015. Gross advances to customers including trade bills attained a 7% increase to HK\$45 billion. The increase in lending was supported by an 8% growth in customer deposits, which amounted to HK\$57 billion as of 30



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June 2015. Taking into account the certificates of deposit issued by the Bank, the loan-to-deposit ratio as at 30 June 2015 was 74.3%, slightly decreased from 75.1% as at 31 December 2014.

We have been making good progress in expanding our business by following a well laid-down business strategy. Over the first half of 2015, we continued the momentum in asset growth to maximize the utilization of an increased capital base. While the Bank's capital position remained strong, this resulted in the reduction of the Group's total capital ratio and Tier 1 capital ratio to 16.6% and 11.8% respectively as at 30 June 2015, as compared to 18.0% and 12.7% at end-December 2014. The Bank's liquidity position also remained strong, with the average liquidity maintenance ratio standing at a comfortable level of 44.9% for the first half of 2015.

After making an adjustment to the total assets and equity at end-June 2014 with respect to the very short-term impact of HK\$1.5 billion new capital acquired from Fubon Financial Holding Co., Ltd., return on average assets increased from 0.67% to 0.88% and return on average equity increased from 6.11% to 7.18% when compared with the first half of 2014. The encouraging improvement reflected the Group's effective deployment of the additional capital.

Economic uncertainties in the global market are expected to continue in the second half of 2015. The Greek debt issue will continue to weigh on the Eurozone while the US Fed has hinted at a possible interest rate hike in the second half of 2015. We do not foresee a significant market reaction in Hong Kong. However, the increasingly volatile Hong Kong and Mainland stock markets will increase our challenges and we will remain prudent and proactive in our balance sheet and risk management. We have been taking steps to ensure a stable and sustainable growth in the face of such challenges. Leveraging on our solid financial position, we will take steps to expand our franchise, strengthen our market presence and enhance our capability to provide comprehensive financial services to our customers. We remain committed to a customer-driven strategy and will continue to enhance customer experience in the second half by launching a new branch design, reinforcing the features of our online platform and providing customers with quality and a diverse range of products and services.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2015

	For the six months ended	For the six months ended
	30 June 2015	30 June 2014
	HK\$'000	HK\$'000
Interest income	880,537	796,575
Interest expense	(381,191)	(401,425)
Net interest income	499,346	395,150
Fee and commission income	249,294	201,455
Fee and commission expense	(51,104)	(45,120)
Net fee and commission income	198,190	156,335
Other operating income	114,981	95,781
Operating income	812,517	647,266
Operating expenses	(455,318)	(446,156)
Operating profit before gains and impairment losses	357,199	201,110
Impairment losses on advances to customers	(9,596)	(7,245)
Impairment losses on available-for-sale financial assets	(8,447)	(6,588)
Write back of impairment losses on other assets	3	12
Write back of / (charge for) impairment losses on assets acquired under lending agreements	100	(400)
Impairment losses	(17,940)	(14,221)
Net gains on disposals of available-for-sale financial assets	850	3,712
Net gains on disposals of fixed assets	10	32
Dilution gain arising from investment in an associate	-	11,180
Share of profits of an associate	108,432	89,588
Profit before taxation	448,551	291,401
Taxation	(70,863)	(37,653)
Profit for the period	377,688	253,748
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	11,015	2,477
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets: net movement in investment revaluation reserve	(281)	172,327
Exchange differences on translation of an associate	(6,503)	(37,297)
	(6,784)	135,030
Total comprehensive income for the period	381,919	391,255
Profit attributable to:		
- Equity shareholders of the Bank	377,688	253,751
- Non-controlling interests	-	(3)
Profit for the period	377,688	253,748
Total comprehensive income attributable to:		
- Equity shareholders of the Bank	381,919	391,258
- Non-controlling interests	-	(3)
Total comprehensive income for the period	381,919	391,255

CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2015

	30 June 2015	As at
	HK\$'000	31 December 2014
		HK\$'000
ASSETS		
Cash and short-term funds	6,903,877	6,310,793
Balances with banks and other financial institutions	627,658	1,243,834
Trading assets	2,212,970	2,430,009
Financial assets designated at fair value through profit or loss	87,152	126,994
Derivative financial instruments	699,951	583,534
Advances to customers less impairment allowances	44,292,169	40,321,603
Trade bills	973,970	1,910,355
Accrued interest and other assets	1,376,411	1,493,814
Available-for-sale financial assets	25,452,223	22,728,452
Held-to-maturity investments	1,549,038	1,549,487
Interests in associates	2,039,210	1,439,235
Fixed assets	3,650,372	3,676,309
Assets held for sale	45,444	45,444
Deferred tax assets	20	16
	89,910,465	83,859,879
LIABILITIES		
Deposits and balances of banks and other financial institutions	11,688,849	10,626,305
Deposits from customers	56,900,531	52,664,387
Trading liabilities	2,133,483	2,312,871
Financial liabilities designated at fair value through profit or loss	393,967	382,404
Certificates of deposit issued	1,637,356	513,473
Debt securities issued	2,091,024	2,746,729
Derivative financial instruments	617,933	673,035
Other liabilities	1,607,839	1,494,602
Deferred tax liabilities	499,787	488,385
Subordinated notes issued	1,541,720	1,541,631
	79,112,489	73,443,822
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	5,967,528	5,585,609
	10,797,976	10,416,057
	89,910,465	83,859,879



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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 Holdings”), a leading financial services group in Taiwan which is engaged in institutional banking, consumer finance, wealth management, investment management and insurance. Fubon Financial Holdings is now the only Taiwanese financial institution with banking subsidiaries in China, Taiwan and Hong Kong. Fubon Bank operates 22 branches, 3 Securities Services Centres and 1 Personal Loan 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.

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