



PRESS RELEASE

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16 MARCH 2016

Fubon Bank achieves Earnings of HK\$522 Million in 2015

(Hong Kong: 16 March 2016) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$522 million for the year ended 31 December 2015, representing an increase of 8% as compared with 2014, return on average equity and return on average assets were 4.92% and 0.60% respectively. This growth was recorded after a provision of HK\$100 million made against a 2002 lawsuit involving a transaction that originated in 1998. Excluding this extraordinary item, the Group’s net profit would have been HK\$622 million, representing a year-on-year increase of 29%, return on average equity would have increased from 5.18% to 5.86% when compared with 2014, and return on average assets would have increased from 0.62% to 0.71%.

The Group's core operating profit before impairment losses and provision for the one-off lawsuit posted an exceptionally strong performance with a year-on-year increase of 41%. Net interest income increased by 27% to HK\$1,073 million, mostly driven by the widening of net interest margin and further aided by the growth in average interest-earning assets. Net interest margin widened by 20 basis points to 1.40%. The increase was attributable to a decrease in the Group’s cost of funds as well as an encouraging improvement in the loan portfolio yield. Average interest-earning assets grew by 9% as a result of the larger loan portfolio and debt securities investment.

Net fee and commission income increased by 11% to HK\$353 million. Insurance services income recorded an encouraging growth of 19%, underpinned by the Group’s enriched product offerings and the success of new premium financing product. Securities brokerage and investment services income also benefited from a more active stock market, especially from April to July, and posted a 23% increase. Credit card business continued its steady growth with increases in both card spending and merchant acquiring volume.

Total non-interest income declined by 7% to HK\$431 million after accounting for a revaluation loss on derivative financial instruments. The percentage of non-interest income to total operating income was 28.6% in 2015.

Operating expenses increased by 14% to HK\$1,027 million, including the provision made for the above-mentioned lawsuit against the Bank. Excluding this item, operating expenses increased only by 3% resulting in a cost-to-income ratio of 61.6%, compared to 68.7% in 2014. While effective cost control measures was being exercised, the Group continued to invest in information technology (“IT”) to support its retail banking strategy to improve customer experience and to increase its capacity to support its long term business volume growth objectives.



In 2015, the Bank launched a number of critically important IT initiatives and completed several major projects. These major initiatives included the replacement of the Bank's core banking system due for completion in early 2018 as well as the conversion of its branch banking model from the traditional teller-dominant branch into industry leading iBranches. This latter project involved the introduction of i-Teller machines ("interactive teller machines") which can perform essentially all the functions ordinarily handled by a counter teller. It is anticipated that the majority of our branches will incorporate the i-Teller machines as a standard service within the next 3 to 5 years.

On asset quality, the Group noted that the credit environment has been worsening since the second half of 2015. There was a net provision charge of HK\$71 million for impairment losses on advances to customers and the decline in the fair value of certain available-for-sale equity securities. The Group will intensify its monitoring and review of customers' exposure by broadening its scope and deepening its analysis, and will enforce a more rigorous risk management approach in anticipation of further worsening of credit quality. As of 31 December 2015, the impaired loans ratio was 0.52%, with a coverage ratio of over 60%.

Xiamen Bank Co., Ltd ("Xiamen Bank") posted solid performance and deliver satisfactory results in 2015. The Group's share of profits from Xiamen Bank recorded a year-on-year increase of 30% to HK\$206 million.

Good progress was made in sustaining asset growth momentum in the first half of 2015. However, loan demand in Hong Kong was weakened by the pressures of the economic slowdown and interest rate cuts in Mainland China in the second half of 2015. The Group's total assets rose by HK\$7 billion, or 9%, to HK\$91 billion as of 31 December 2015. Gross advances to customers attained a 5% increase to HK\$43 billion. The increase in lending was more than matched by an 11% growth in customer deposits, which amounted to HK\$58 billion as of 31 December 2015. Taking into account trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio decreased from 75.1% at 31 December 2014 to 69.4% at 31 December 2015.

The Group's capital and liquidity position remain strong. The total capital ratio and Tier 1 capital ratio stood at 16.62% and 11.81% respectively as at 31 December 2015, compared to 17.96% and 12.65% at end-December 2014 as a result of our effort in expanding the Group's assets. The average liquidity maintenance ratio also stood at a comfortable level of 45.82% in 2015.

During the year, further steps were taken to enhance the Bank's retail banking service channels with the launch of a new retail banking strategy. As part of the Bank's service channels enhancement project, the Bank launched its first iBranch in November 2015 by refurbishing the Queen's Road East Branch in Wanchai. Subsequently, the Bank's second iBranch, also the 23rd branch of the Bank, was opened in Western District in December 2015. Conveniently located in the city with contemporary branch design and configuration, the iBranches feature a wide range of digital banking facilities, including the Bank's first full-



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service i-Teller, and also promote a paperless concept. Advances in the Bank's e-banking platform, including the launch of mobile banking, e-statement and e-cheque services, were also made during the year to offer customers a comprehensive range of digital banking services and enhanced customer experience.

Looking ahead, we believe the overall banking environment in Hong Kong will remain both challenging and volatile. The Bank will stay focused on global market developments to minimize risks while maintaining and improving services to our customers. We understand the importance of pursuing a sustainable growth strategy and will continue to attract high quality customers in selected market segments with enhanced services and market-leading delivery channels. The corporate banking customer base will continue its expansion by enhancing the range of products and services of the Bank, and through the strengthening of marketing resources in line with the Bank's corporate business strategy. The Bank will continue to play an anchor role in the Fubon Group's Greater China development strategy.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Interest income	1,809,400	1,676,810
Interest expense	(736,166)	(835,041)
Net interest income	1,073,234	841,769
Fee and commission income	457,949	416,636
Fee and commission expense	(105,023)	(99,220)
Net fee and commission income	352,926	317,416
Other operating income	77,664	147,133
Operating income	1,503,824	1,306,318
Operating expenses	(1,027,005)	(897,390)
Operating profit before gains and impairment losses	476,819	408,928
Impairment losses on advances to customers	(58,057)	(15,651)
Impairment losses on available-for-sale financial assets	(12,255)	(10,447)
(Charge for) / write back of impairment losses on other assets	(782)	53
Write back of impairment losses on assets acquired under lending agreements	400	-
Impairment losses	(70,694)	(26,045)
Share of profits of an associate	205,820	158,063
Net gains on disposal of available-for-sale financial assets	1,043	3,949
Net gain / (loss) on disposal of fixed assets	52	(6,323)
Gain on disposal of assets held for sale	-	4,775
Dilution gain arising from investment in an associate	-	11,180
Profit before taxation	613,040	554,527
Taxation	(91,409)	(73,154)
Profit for the year	521,631	481,373
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	85,877	208,338
Remeasurement of net defined benefit liability	(27,950)	(8,394)
	57,927	199,944
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets: net movement in investment revaluation reserve	(94,991)	96,351
Exchange differences on translation of an associate	(94,742)	(37,313)
	(189,733)	59,038
Total comprehensive income for the year	389,825	740,355
Profit attributable to:		
- Equity shareholders of the Bank	521,631	481,376
- Non-controlling interests	-	(3)
Profit for the year	521,631	481,373
Total comprehensive income attributable to:		
- Equity shareholders of the Bank	389,825	740,358
- Non-controlling interests	-	(3)
Total comprehensive income for the year	389,825	740,355



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	31 December 2015 HK\$'000	31 December 2014 HK\$'000
ASSETS		
Cash and short-term funds	8,678,184	6,310,793
Balances with banks and other financial institutions	885,449	1,243,834
Trading assets	2,326,410	2,430,009
Financial assets designated at fair value through profit or loss	40,502	126,994
Derivative financial instruments	966,857	583,534
Advances to customers less impairment allowances	42,494,918	40,321,603
Trade bills	254,331	1,910,355
Accrued interest and other assets	1,450,915	1,493,814
Available-for-sale financial assets	26,512,482	22,728,452
Held-to-maturity investments	1,548,781	1,549,487
Interests in associates	2,080,585	1,439,235
Fixed assets	3,707,902	3,676,309
Assets held for sale	45,300	45,444
Deferred tax assets	22	16
	90,992,638	83,859,879
LIABILITIES		
Deposits and balances of banks and other financial institutions	11,967,879	10,626,305
Deposits from customers	58,385,089	52,664,387
Trading liabilities	2,271,493	2,312,871
Financial liabilities designated at fair value through profit or loss	399,334	382,404
Certificates of deposit issued	1,540,518	513,473
Debt securities issued	1,383,814	2,746,729
Derivative financial instruments	963,656	673,035
Other liabilities	1,262,631	1,494,602
Deferred tax liabilities	470,318	488,385
Subordinated notes issued	1,542,024	1,541,631
	80,186,756	73,443,822
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	5,975,434	5,585,609
Shareholders' funds	10,805,882	10,416,057
	90,992,638	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 23 branches, 2 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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