



PRESS RELEASE

FOR IMMEDIATE RELEASE

15 MARCH 2017

Fubon Bank Full Year 2016 Net Profit Rises 22% to HK\$635 Million

(Hong Kong: 15 March 2017) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$635 million for the year ended 31 December 2016, representing an increase of 22% as compared with 2015 notwithstanding the increasingly challenging operating environment in Hong Kong and worldwide. Return on average equity increased from 4.92% to 5.72% and return on average assets increased from 0.60% to 0.68%.

Net interest income increased by 9% to HK\$1,169 million, driven by both the widening of net interest margin and the growth in average interest-earning assets. Net interest margin widened by 5 basis points to 1.45%. The increase was attributable to a decrease in deposit cost coupled with continued yield improvement in the loan portfolio. Average interest-earning assets grew by 5%, mainly underpinned by the expanding debt securities investment portfolio.

Net fee income increased by 3% to HK\$364 million while total non-interest income which included other operating income of HK\$57 million decreased by 2% to HK\$421 million. As a result the percentage of total non-interest income to total operating income declined to 26.5%, compared with 28.6% in 2015. Compared to the previous year, treasury products fee income contracted by more than half, mainly due to the diminished demand for Renminbi-related structured products from corporate customers because of the continued expectation of the depreciation of Renminbi against the US dollar. Securities brokerage and investment services income was impacted by significant turnover shrinkage in the stock market and declined by 36%. Despite the challenging market conditions, insurance services income achieved a notable growth of 40%. Last year, the Group also entered into a partnership with Fubon Life Hong Kong to broaden the range of insurance products and services we offer to our customers.

Operating expenses decreased by 7% to HK\$957 million. Excluding a provision of HK\$100 million made in 2015 against a 2002 lawsuit involving a transaction that originated in 1998, operating expenses would have increased by 3%. Cost-to-income ratio decreased to 60.2%, compared with the adjusted ratio of 61.6% in 2015. Premises costs, excluding depreciation, increased by 23%, due mainly to the improvement work to Fubon Bank Building. However, despite the increase in premises costs, the Group’s effective tight cost control measures resulted in only a mild growth in total expenses.



The unfavourable credit environment that started in 2015 continued into 2016. Net impairment losses amounted to HK\$203 million, which included a loan impairment provision of HK\$224 million, offset by a net write-back of impairment losses on other assets totaling HK\$21 million, mainly due to the disposal of the remaining fully impaired structured investment vehicles held by the Bank. As of 31 December 2016, the impaired loan ratio was 0.77%, with a coverage ratio of over 80%.

For other non-operating income, Xiamen Bank Co., Ltd sustained its growth momentum and delivered satisfactory results with the Group's share of profits amounted to HK\$225 million, representing a year-on-year increase of 9%. In addition, the Group disposed its investment in Vietnam during the year and recognized a gain of HK\$48 million.

The Group's total assets rose by HK\$5 billion, or 5%, to HK\$96 billion as of 31 December 2016. Gross advances to customers increased by 2% to HK\$44 billion, where the growth was constrained by the sluggish market environment. Customer deposits increased at a faster pace of 9% to HK\$64 billion, aligning with the Group's strategy of maintaining a solid deposit base in times of uncertainty. Taking into account the trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio decreased from 69.4% at 31 December 2015 to 64.8% at 31 December 2016.

The Group's capital and liquidity position remained strong and healthy. The total capital ratio and common equity tier 1 capital ratio stood at 17.02% and 12.60% respectively as at 31 December 2016, compared with 16.62% and 11.81% at end-December 2015. The average liquidity maintenance ratio also stood at a comfortable level of 48.49% in 2016.

We believe the global and domestic economies will remain uncertain and volatile in 2017, creating a complex operating environment for the banks in Hong Kong. Despite these uncertainties, we will continue to strengthen the Bank's local franchise and pursue a prudent growth strategy to stay resilient in the face of rapidly evolving business conditions. We remain committed to our service-oriented approach by offering a diverse range of financial services tailored to fit the needs of our target customer segments. We will continue to expand our online and digital platforms and upgrade our service delivery channels in order to capitalize on emerging Fintech opportunities and meet changing customer preferences. In corporate banking, we will continue to enhance our products and services through technology in order to expand our customer base and deepen customer relationships. Furthermore, our close collaboration with our parent company, Fubon Financial Holding Co., Ltd. will ensure that we have adequate support and resources in successfully implementing our business strategy.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	2016	2015
	HK\$'000	HK\$'000
Interest income	1,924,882	1,809,400
Interest expense	(756,322)	(736,166)
Net interest income	1,168,560	1,073,234
Fee and commission income	461,014	457,949
Fee and commission expense	(96,882)	(105,023)
Net fee and commission income	364,132	352,926
Other operating income	57,183	77,664
Operating income	1,589,875	1,503,824
Operating expenses	(956,908)	(1,027,005)
Operating profit before gains and impairment losses	632,967	476,819
Impairment losses on advances to customers	(224,291)	(58,057)
Write back of / (charge for) impairment losses on available-for-sale financial assets	24,149	(12,255)
Impairment losses on assets held for sale	(2,600)	(143)
Impairment losses on other assets	(1,055)	(639)
Write back of impairment losses on assets acquired under lending agreements	300	400
Impairment losses	(203,497)	(70,694)
Share of profits of an associate	225,308	205,820
Net gains on disposal of available-for-sale financial assets	53,612	1,043
Net (loss) / gain on disposal of fixed assets	(20)	52
Profit before taxation	708,370	613,040
Taxation	(73,727)	(91,409)
Profit for the year	634,643	521,631
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	55,866	85,877
Remeasurement of net defined benefit liability	19,061	(27,950)
	74,927	57,927
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets: net movement in investment revaluation reserve	(7,902)	(94,991)
Exchange differences on translation of an associate	(134,916)	(94,742)
	(142,818)	(189,733)
Total comprehensive income for the year	566,752	389,825



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	31 December 2016 HK\$'000	31 December 2015 HK\$'000
ASSETS		
Cash and short-term funds	6,019,614	8,678,184
Balances with banks and other financial institutions	3,264,233	885,449
Trading assets	2,310,246	2,326,410
Financial assets designated at fair value through profit or loss	39,226	40,502
Derivative financial instruments	753,244	966,857
Advances to customers less impairment allowances	43,318,839	42,494,918
Trade bills	230,137	254,331
Accrued interest and other assets	1,095,107	1,450,915
Available-for-sale financial assets	31,124,545	26,512,482
Held-to-maturity investments	1,549,884	1,548,781
Interests in associates	2,129,493	2,080,585
Fixed assets	3,770,394	3,707,902
Assets held for sale	42,700	45,300
Deferred tax assets	6	22
	95,647,668	90,992,638
LIABILITIES		
Deposits and balances of banks and other financial institutions	10,976,404	11,967,879
Deposits from customers	63,563,861	58,385,089
Trading liabilities	2,010,295	2,271,493
Financial liabilities designated at fair value through profit or loss	406,185	399,334
Certificates of deposit issued	2,834,890	1,540,518
Debt securities issued	821,482	1,383,814
Derivative financial instruments	443,714	963,656
Other liabilities	1,177,114	1,262,631
Deferred tax liabilities	496,785	470,318
Subordinated notes issued	1,544,304	1,542,024
	84,275,034	80,186,756
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	6,542,186	5,975,434
Shareholders' funds	11,372,634	10,805,882
	95,647,668	90,992,638



Fubon Bank
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Note: The financial information relating to the years ended 31 December 2016 and 2015 included in this press release do not constitute the Group's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Bank's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 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"), the second largest financial holding company in Taiwan. 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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