



PRESS RELEASE

FOR IMMEDIATE RELEASE

8 AUGUST 2017

Fubon Bank achieved Net Profit of HK\$312 Million for the First Half of 2017

(Hong Kong: 8 August 2017) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$312 million for the first six months ended 30 June 2017, representing an increase of 35% over the corresponding period in 2016. Return on average equity increased from 4.26% to 5.36% and return on average assets increased from 0.50% to 0.65%.

Net interest income rose 5% to HK\$594 million. The growth was due mainly to the expanded debt securities investment portfolio, which boosted average interest-earning assets by 8%. On the other hand, deposit cost reversed its long downward trend and started to rise in late 2016, which was in line with the market interest rate hike. The increase in cost of funds more than offset the improvement in the overall asset yield, causing the net interest margin to fall 4 basis points to 1.42%.

Non-interest income fell 16% to HK\$166 million and as a result, non-interest income to total operating income declined to 21.8%. The decrease was mostly attributed to the higher mark-to-market losses on foreign exchange swaps. Insurance services income and credit card related fee income also declined when compared with the same period in 2016. Nevertheless, securities brokerage and investment services income recorded an encouraging growth of 32%, underpinned by the increase in turnover of the stock market. Unit trust services income also increased by 25% year-on-year.

Operating expenses decreased by 1% to HK\$469 million. As a result, the cost-to-income ratio dropped to 61.6%. The Bank continued to strengthen its retail banking service channels and outlets by opening its third and fourth iBranches in Mongkok and Shatin, respectively. In addition, the Bank also made progress in its strategic plan for information technology with the implementation of phase two of the new treasury system in April 2017, which enhanced the Bank’s operating effectiveness, market risk monitoring and analytical capabilities.

Total impairment losses amounted to HK\$31 million, which included HK\$24 million on loans and advances and HK\$7 million on other assets. The amount decreased significantly when compared with the total impairment losses of HK\$127 million in the first half of 2016. Asset quality improved



with our continuous effort in strengthening the risk management framework. The impaired loan ratio was reduced from 0.77% in December 2016 to 0.49% as of 30 June 2017.

The Group's share of profits from Xiamen Bank Co., Ltd ("Xiamen Bank") rose 23% to HK\$128 million in the first half of 2017. The Bank's shareholding in Xiamen Bank was reduced from 19.99% to 18.83% after a private placement of additional share capital to new strategic investors by Xiamen Bank in June 2017. As a result of the shareholding dilution, the Bank recognized a deemed disposal loss of HK\$18 million.

The Group's total assets rose HK\$1 billion, or 2%, to HK\$97 billion as of 30 June 2017. Gross advances to customers attained a mild growth of 4% to HK\$45 billion mainly from loan to corporate customers. Customer deposits maintained at a similar level of HK\$63 billion. Taking into account the trade bills and certificates of deposits issued by the Bank, the loan-to-deposit ratio increased from 64.8% at 31 December 2016 to 68.2% at 30 June 2017.

The Group's capital and liquidity position remained strong and healthy. The total capital ratio and Tier 1 capital ratio stood at 16.53% and 12.64% respectively as at 30 June 2017, compared with 17.02% and 12.60%, respectively, at end-December 2016. The average liquidity maintenance ratio also stood at a comfortable level of 51.19%.

The Hong Kong economy gradually improved and maintained its stabilizing trend since the second half of last year. Although the tourism and retail industries are still weak, overall economic performance was strong in Q2. Meanwhile, major economies, including the U.S., China and Eurozone, also maintained stable growth. Nevertheless, there are still a number of uncertainties in 2017. The Brexit negotiation and the implementation of economic stimulus policy in the U.S. continue to create uncertainties. However, the Bank will continue to strengthen its local franchise by expanding its online and digital platforms and enhancing its service delivery channels. The Bank is also confident in expanding its penetration into the SME market following the launch of its first Commercial Banking Centre in July. Furthermore, our close collaboration with our parent company, Fubon Financial Holding Co., Ltd., our continuing investments in information technology and system enhancement, and reinforcement in risk management, will put us in a strong position to capture business opportunities across the region, acquire new customers and deliver the exceptional customer experience – the FUBON EXPERIENCE.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2017

	For the six months ended	
	30 June 2017	30 June 2016
	HK\$'000	HK\$'000
Interest income	1,053,009	936,226
Interest expense	(458,532)	(370,307)
Net interest income	594,477	565,919
Fee and commission income	214,137	231,811
Fee and commission expense	(48,209)	(48,311)
Net fee and commission income	165,928	183,500
Other operating income	277	13,288
Operating income	760,682	762,707
Operating expenses	(468,826)	(471,643)
Operating profit before gains and impairment losses	291,856	291,064
Impairment losses on advances to customers (Charge for) / write back of impairment losses on available- for-sale financial assets	(23,974) (849)	(146,934) 26,990
Impairment losses on other assets	(6,270)	(7,415)
Write back of impairment losses on assets acquired under lending agreements	450	-
Impairment losses	(30,643)	(127,359)
Net gains on disposals of available-for-sale financial assets	1,097	5,536
Net losses on disposals of fixed assets	(9)	(28)
Dilution loss arising from investment in an associate	(17,969)	-
Share of profits of an associate	127,618	103,431
Profit before taxation	371,950	272,644
Taxation	(60,189)	(41,561)
Profit for the period	311,761	231,083
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	5,725	(710)
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets: net movement in investment revaluation reserve	307,806	13,617
Exchange differences on translation of an associate	71,085	(40,339)
	378,891	(26,722)
Total comprehensive income for the period	696,377	203,651



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2017

	30 June	As at
	2017	31 December
	HK\$'000	2016
		HK\$'000
ASSETS		
Cash and short-term funds	3,987,362	6,019,614
Balances with banks and other financial institutions	1,870,165	3,264,233
Trading assets	1,997,396	2,310,246
Financial assets designated at fair value through profit or loss	-	39,226
Derivative financial instruments	644,560	753,244
Advances to customers less impairment allowances	44,957,208	43,318,839
Trade bills	663,612	230,137
Accrued interest and other assets	1,204,470	1,095,107
Available-for-sale financial assets	34,239,544	31,124,545
Held-to-maturity investments	1,560,191	1,549,884
Interests in associates	2,221,179	2,129,493
Fixed assets	3,758,566	3,770,394
Assets held for sale	42,700	42,700
Deferred tax assets	6	6
	97,146,959	95,647,668
LIABILITIES		
Deposits and balances of banks and other financial institutions	11,972,971	10,976,404
Deposits from customers	63,333,505	63,563,861
Trading liabilities	1,997,396	2,010,295
Financial liabilities designated at fair value through profit or loss	-	406,185
Certificates of deposit issued	2,674,618	2,834,890
Debt securities issued	1,248,747	821,482
Derivative financial instruments	342,238	443,714
Other liabilities	1,394,737	1,177,114
Deferred tax liabilities	558,523	496,785
Subordinated notes issued	1,555,213	1,544,304
	85,077,948	84,275,034
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	7,238,563	6,542,186
Shareholders' funds	12,069,011	11,372,634
	97,146,959	95,647,668



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 Holdings”), one of the largest financial holding companies 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 and 2 Securities Services Centres 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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