



## **PRESS RELEASE**

**FOR IMMEDIATE RELEASE**

**19 MARCH 2019**

### **Fubon Bank Achieves Record-High Earnings of HK\$823 Million for Year 2018**

(Hong Kong: 19 March 2019) Despite the challenging operating environment, Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a record-high net profit of HK\$823 million for the year ended 31 December 2018, representing a year-on-year increase of 41% as compared with 2017. Return on average equity and return on average assets were 5.61% and 0.82% respectively, compared with 4.81% and 0.60% in 2017.

Net interest income rose by 12% to HK\$1,356 million, driven by both the widening of the net interest margin and the growth in average interest-earning assets. The net interest margin widened by 10 basis points to 1.53%, benefiting from the continued yield improvement in the loan and debt securities investment portfolios which offset the increase in deposit costs. Average interest-earning assets grew by 4%, mainly underpinned by the expanding loan portfolio.

Net fee and commission income declined by 9% to HK\$289 million. The decline was primarily due to the decrease in insurance services and unit trust services income by 23% and 17%, respectively. On the other hand, trade finance services and credit card services income recorded growth of 42% and 6%, respectively.

The increase in other operating income was mainly the result of lower mark-to-market losses on foreign exchange swaps. In spite of an increase in total non-interest income of 3% to HK\$331 million, the percentage of non-interest income to total operating income declined to 19.6%.

Operating expenses slightly increased by 1% to HK\$965 million. However, with a higher operating income, the cost-to-income ratio dropped to 57.2% compared with 61.8% in 2017. During the year, the Group exercised effective cost control measures including optimizing its branch network and streamlining its workflow. In the face of the emerging FinTech era, the Group has remained committed to deploying resources and investing in the development of innovative information technology.



Total impairment losses amounted to HK\$21 million, including a HK\$49 million charge on loans and advances and a HK\$28 million write-back on other assets. The amount decreased significantly by 71% when compared with 2017, reflecting the sound asset quality of the Bank. The impaired loan ratio was 0.49% at 2018 year-end, with a coverage ratio of 95%. Effective from 1 January 2018, the new expected credit loss model in Hong Kong Financial Reporting Standard 9 replaced the incurred loss model in Hong Kong Accounting Standard 39 for the measurement of impairment losses of the Group.

The Group's share of profits from Xiamen Bank Co., Ltd ("Xiamen Bank") increased by 14% to HK\$270 million in 2018. In June 2018, the Bank acquired approximately 99 million ordinary shares of Xiamen Bank at a price of RMB4.80 per share. The Bank's shareholding in Xiamen Bank increased to 19.95% upon completion of the transaction. The Bank recognized a gain on bargain purchase of HK\$70 million, which represented the excess of Xiamen Bank's fair value of RMB5.41 per share over the purchase consideration for the acquired shares.

On 30 November 2018, the Bank completed the disposal of its entire shareholding in Xiamen Bank to its parent company, Fubon Financial Holding Co., Ltd. ("Fubon Financial Holdings") as part of the Fubon Group's realignment initiative. The Bank recorded a loss on disposal of HK\$119 million which was partially offset by the reversal of deferred tax of HK\$57 million.

The Group's total assets rose by HK\$4 billion, or 4%, to HK\$103 billion as at 31 December 2018. Gross advances to customers were HK\$48 billion, almost the same level as at the 2017 year-end. Customer deposits, on the other hand, attained a double-digit growth of 10% to HK\$68 billion, maintaining the strong deposit portfolio considered necessary in times of market uncertainty. Taking into account the trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio decreased from 73.2% at 31 December 2017 to 66.7% at 31 December 2018.

On 27 December 2018, the Bank redeemed US\$193 million of undated non-cumulative subordinated Additional Tier 1 Capital Securities from Fubon Financial Holdings. Despite this capital reduction, the Group's capital and liquidity position remain strong and healthy. As at 31 December 2018, the Group's common equity tier 1 capital ratio and tier 1 capital ratio had risen to 16.75%, and the total capital ratio to 20.60%, which was well above statutory requirements. The average liquidity maintenance ratio also stood at a comfortable level of 54.83%.



**Fubon Bank**  
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Looking ahead, there are signs that global economic growth momentum may continue to weaken. Uncertainty in interest rates, trade conflicts between the U.S. and China, and Brexit will continue to affect economic growth and market sentiments in 2019. Against a backdrop of the rapidly changing market environment, we will continue to pursue our customer-centric and prudent growth strategy to strengthen our local franchise. We continue to enhance customer engagement by widening our range of products and services, diversifying our service delivery channels, and upgrading our service outlets and digital platforms. To align with our customer-centric strategy and in support of the Hong Kong Monetary Authority's Smart Banking initiative, we remain committed to investing in information technology and infrastructure, aiming to enhance the digital customer experience by launching more secure and convenient financial services. Furthermore, we will continue to leverage on the inherent strengths of our parent company, Fubon Financial Holdings, to strengthen our relationships with customers and to capture business opportunities across the region. We remain committed to become the preferred banking partner of our customers and focus on delivering the exceptional "Fubon Experience".



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 HK\$'000	2017 HK\$'000
Interest income calculated using effective interest method	2,692,504	2,170,044
Other interest income	15,736	10,698
Interest income	2,708,240	2,180,742
Interest expense	(1,351,788)	(964,563)
<b>Net interest income</b>	<b>1,356,452</b>	<b>1,216,179</b>
Fee and commission income	396,600	415,986
Fee and commission expense	(107,287)	(97,618)
<b>Net fee and commission income</b>	<b>289,313</b>	<b>318,368</b>
Other operating income	42,007	3,597
Operating income	1,687,772	1,538,144
Operating expenses	(964,707)	(950,493)
<b>Operating profit before gains and impairment losses</b>	<b>723,065</b>	<b>587,651</b>
Impairment losses on advances to customers	(48,953)	(67,829)
Write back of impairment losses on other financial assets	20,010	-
Write back of / (charge for) impairment losses on other assets	5,492	(5,553)
Write back of impairment losses on assets held for sale	1,543	1,200
Write back of impairment losses on assets acquired under lending agreements	1,100	1,700
Impairment losses on available-for-sale financial assets	-	(1,286)
<b>Impairment losses</b>	<b>(20,808)</b>	<b>(71,768)</b>
Share of profits of an associate	269,921	237,103
Gain on bargain purchase of an associate	70,255	-
Loss on disposal of an associate	(118,768)	-
Dilution loss arising from investment in an associate	-	(60,883)
Net gains on disposal of financial assets at amortized cost	399	-
Net gains on disposal of available-for-sale financial assets	-	1,310
Net gains on disposal of fixed assets	16	51
<b>Profit before taxation</b>	<b>924,080</b>	<b>693,464</b>
Taxation	(101,252)	(110,081)
<b>Profit for the year</b>	<b>822,828</b>	<b>583,383</b>
<b>Other comprehensive income for the year, net of tax:</b>		
Items that will not be reclassified to profit or loss:		
Premises: net movement in premises revaluation reserve	262,501	331,448
Equity securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (non-recycling)	225,939	-
Remeasurement of net defined benefit liability	1,199	(6,607)
	<b>489,639</b>	<b>324,841</b>
Items that may be reclassified subsequently to profit or loss:		
Debt securities designated at fair value through other comprehensive income: net movement in investment revaluation reserve (recycling)	68,501	-
Available-for-sale financial assets: net movement in investment revaluation reserve	-	399,900
Net movement in foreign exchange reserve	9,637	171,192
	<b>78,138</b>	<b>571,092</b>
<b>Total comprehensive income for the year</b>	<b>1,390,605</b>	<b>1,479,316</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2018**

	31 December 2018 HK\$'000	1 January 2018 HK\$'000	31 December 2017 HK\$'000
<b>ASSETS</b>			
Cash and short-term funds	5,981,567	5,131,404	5,133,534
Balances with banks and other financial institutions	2,060,262	557,437	558,348
Trading assets	1,898,372	1,846,823	1,846,823
Derivative financial instruments	796,595	705,165	705,165
Advances to customers	47,699,240	47,668,418	47,583,317
Trade bills	907,964	879,838	880,255
Accrued interest and other assets	1,385,311	1,436,269	1,436,269
Debt securities measured at amortized cost	36,889,767	33,005,143	-
Equity securities designated at fair value through other comprehensive income	809,330	544,409	-
Available-for-sale financial assets	-	-	32,243,660
Held-to-maturity investments	-	-	1,561,796
Interests in associates	-	2,390,675	2,390,809
Fixed assets	4,312,504	4,100,320	4,100,320
Assets held for sale	45,827	43,900	43,900
Deferred tax assets	7	9	6
<b>Total assets</b>	<b>102,786,746</b>	<b>98,309,810</b>	<b>98,484,202</b>
<b>LIABILITIES</b>			
Deposits and balances of banks and other financial institutions	9,467,425	11,207,295	11,207,295
Deposits from customers	68,247,798	62,067,793	62,067,793
Trading liabilities	1,898,372	1,846,819	1,846,819
Certificates of deposit issued	4,551,273	3,311,457	3,311,457
Debt securities issued	388,774	1,179,009	1,179,009
Derivative financial instruments	133,347	228,216	228,216
Other liabilities	1,836,703	2,084,571	2,074,503
Liabilities associated with assets held for sale	25	-	-
Deferred tax liabilities	676,552	612,924	643,338
Subordinated notes issued	1,562,870	1,557,472	1,557,472
<b>Total liabilities</b>	<b>88,763,139</b>	<b>84,095,556</b>	<b>84,115,902</b>
<b>EQUITY</b>			
Share capital	4,830,448	4,830,448	4,830,448
Reserves	9,193,159	7,876,009	8,030,055
<b>Total equity attributable to shareholders of the Bank</b>	<b>14,023,607</b>	<b>12,706,457</b>	<b>12,860,503</b>
Additional equity instruments	-	1,507,797	1,507,797
<b>Total equity</b>	<b>14,023,607</b>	<b>14,214,254</b>	<b>14,368,300</b>
<b>Total equity and liabilities</b>	<b>102,786,746</b>	<b>98,309,810</b>	<b>98,484,202</b>



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Note: Balances as at 1 January 2018 have incorporated opening adjustments on balances as at 31 December 2017 in accordance with new accounting standard – Hong Kong Financial Reporting Standard 9, Financial Instruments. The balances as at 31 December 2017 have not been represented. The financial information relating to the financial years ended 31 December 2018 and 2017 that is included in this press release does not constitute the Bank’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

The Bank has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Bank’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 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”), 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 21 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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