

PRESS RELEASE

FOR IMMEDIATE RELEASE

11 MARCH 2014

Fubon Bank posted HK\$380 million Net Profit for Year 2013

(Hong Kong: 11 March 2014) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported full-year 2013 net profit of HK\$380 million, representing an increase of 24% compared to 2012. During the year, the Group’s operating income rose by 19% year-on-year to HK\$1,175 million and its operating profit before gains and impairment losses registered an encouraging growth of 66%.

Net interest income in 2013 was HK\$750 million, an increase of 14% compared with full-year 2012. The improvement was driven by 8% growth in average interest earning assets mainly from commercial lending and the investment portfolio while deposit costs were generally at a lower level when compared with 2012. The net interest margin widened 7 basis points year-on-year to 1.24%.

Non-interest income rose by 27% to HK\$425 million, underpinned by solid growth in fee and commission income across our core businesses. Credit related and trade finance fee income surged by 36% compared to 2012, reflecting the impressive expansion in our commercial lending business. Insurance and unit trust commission income together grew by 26% and credit card fee income recorded consecutive growth in the last two years. Other operating income increased by 33%, attributed mainly to the fee income from customer-driven dealings in derivative financial instruments offered by our Financial Markets Division. Non-interest income to total operating income ratio stood at 36.16% for 2013, comparing favourably with 33.74% for 2012.

Operating expenses increased by 6% to HK\$842 million for 2013 when compared with 2012, reflecting our investments in information technology, increased marketing activities and higher staff costs.

There was a charge of HK\$5 million for impairment losses on advances to customers, versus a write-back of HK\$39 million in 2012, on the back of a steady growth in the loan portfolio in 2013. Other impairment charges remained low at HK\$6 million. The Group continued to adopt stringent controls on asset quality and the credit approval process with impaired loans ratio maintained at a low level of 0.04% as of 31 December 2013.

Xiamen Bank Co., Ltd (“Xiamen Bank”) continued to sustain its strong performance and delivered satisfactory results in 2013. The Group’s share of profits from Xiamen Bank reached a record high of HK\$124 million, representing an 8% growth from 2012. In January 2014, Xiamen Bank has initiated a private placement of additional share capital to a third party, subject to the approval from regulatory bodies and completion of legal procedures. Upon completion of this private placement, the Bank’s shareholding in Xiamen Bank will be reduced from 19.99% to 17.29%. The Directors of the Bank have approved in principle, in order to restore our shareholding to the regulatory permitted maximum level of 19.99%, the acquisition of additional shares from existing shareholders of Xiamen Bank subject to due process.

After accounting for other gains, impairment losses and income tax, the Group's profit after taxation advanced to HK\$380 million, achieving the highest net profit since the financial turmoil of 2008.

Total assets rose by HK\$9 billion, or 14%, to HK\$72 billion as of 31 December 2013. While we were able to maintain sound loan quality, we managed to achieve prudent growth in the Group's loan portfolio with customer advances growing by 14% to HK\$35 billion in 2013. The increase in lending was supported by a 7% year-on-year growth in customer deposits, which amounted to HK\$49 billion as of 31 December 2013.

Despite the substantial expansion in assets over the year, the Group continued to exercise prudent balance sheet management to generate solid earnings. Return on average assets edged up to 0.56% and return on average equity stood at 4.81% even though the Group has a higher average equity resulting from the revaluation of bank owned properties.

During the year, the Group exercised the option to redeem its outstanding preference shares. The total capital ratio and Tier 1 capital ratio were 16.33% and 10.44% respectively at the end of 2013. We maintained a sound liquidity position with the average liquidity ratio at a comfortable level of 48.06% in 2013.

Both the domestic and global financial industries have undergone significant changes in recent years. The implementation of various frameworks and standards as well as revamped regulations are deemed challenging yet necessary to uphold the stability of the banking sector and maintain the confidence of customers in this post-crisis era. Nevertheless, we will continue to uphold high corporate governance, adhere to a prudent credit policy and robust risk management to safeguard our asset quality and pursue sustainable growth in this rapidly changing economic and regulatory environment. The Group will also take advantage of the opportunities brought by the internationalization of Renminbi to expand its business and continue to play an important role in the Fubon Group's Greater China development strategy.

This year is the Group's 10th Anniversary of being a member of Fubon Financial Holding Co., Ltd. Building on the strengths of our parent company, we have created a solid platform for growth. Going forward, we will maintain our service-oriented approach to become a reliable and preferred banking partner for our customers and provide them with safe and high quality financial services.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000 (Restated)
Interest income	1,382,350	1,339,781
Interest expense	<u>(632,295)</u>	<u>(683,091)</u>
Net interest income	750,055	656,690
Fee and commission income	367,677	309,990
Fee and commission expense	<u>(97,170)</u>	<u>(91,603)</u>
Net fee and commission income	270,507	218,387
Other operating income	154,365	115,930
Operating income	1,174,927	991,007
Operating expenses	<u>(841,558)</u>	<u>(790,637)</u>
Operating profit before gains and impairment losses	333,369	200,370
(Charge for) / write back of impairment losses on advances to customers	(4,495)	38,851
Impairment losses on available-for-sale financial assets	(5,613)	(3,805)
Impairment losses on other assets	(792)	(1,343)
Write back of impairment losses on assets acquired under lending agreements	<u>200</u>	<u>1,600</u>
(Charge for) / write back of impairment losses	(10,700)	35,303
Net gains / (losses) on disposals of available-for-sale financial assets	80	(1,705)
Net gain / (loss) on disposals of fixed assets	22	(432)
Share of profits of an associate	<u>124,372</u>	<u>114,862</u>
Profit before taxation	447,143	348,398
Taxation	<u>(67,390)</u>	<u>(42,127)</u>
Profit for the year	379,753	306,271
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	199,673	2,048,562
Remeasurement of net defined benefit liability	<u>9,648</u>	<u>(18,571)</u>
	209,321	2,029,991
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets: net movement in investment revaluation reserve	(50,810)	310,819
Exchange differences on translation of an associate	<u>34,447</u>	<u>11,047</u>
	(16,363)	321,866
Total comprehensive income for the year	572,711	2,658,128
Profit attributable to:		
- Equity shareholders of the Bank	379,760	306,303
- Non-controlling interests	<u>(7)</u>	<u>(32)</u>
Profit for the year	379,753	306,271
Total comprehensive income attributable to:		
- Equity shareholders of the Bank	572,718	2,658,160
- Non-controlling interests	<u>(7)</u>	<u>(32)</u>
Total comprehensive income for the year	572,711	2,658,128

CONSOLIDATED BALANCE SHEET
As at 31 December 2013

	31 December 2013 HK\$'000	31 December 2012 HK\$'000 (Restated)	1 January 2012 HK\$'000 (Restated)
ASSETS			
Cash and short-term funds	2,138,853	4,735,766	4,382,197
Balances with banks and other financial institutions	3,266,023	1,005,381	1,479,530
Trading assets	2,121,634	1,056,579	1,405,516
Financial assets designated at fair value through profit or loss	132,599	77,959	81,240
Derivative financial instruments	503,270	446,443	494,636
Advances to customers less impairment allowances	34,693,986	30,408,839	32,238,466
Trade bills	3,395,428	1,114,571	214,411
Other loans and receivables	550,129	831,983	1,204,789
Accrued interest and other assets	898,909	927,549	665,069
Available-for-sale financial assets	17,345,802	15,281,698	13,731,020
Held-to-maturity investments	1,869,276	2,313,737	2,466,707
Interests in associates	1,298,733	1,179,262	800,952
Fixed assets	3,562,853	3,394,825	1,046,107
Deferred tax assets	-	-	46,676
	71,777,495	62,774,592	60,257,316
LIABILITIES			
Deposits and balances of banks and other financial institutions	7,378,464	3,161,333	4,019,428
Deposits from customers	48,909,746	45,840,858	43,788,167
Trading liabilities	1,489,644	949,909	1,382,980
Financial liabilities designated at fair value through profit or loss	358,946	368,062	333,965
Certificates of deposit issued	763,459	776,042	942,780
Debt securities issued	488,709	448,732	683,041
Derivative financial instruments	437,865	540,657	538,491
Other liabilities	1,778,702	1,120,487	2,025,262
Deferred tax liabilities	454,827	412,248	681
Subordinated notes issued	1,540,077	1,538,430	1,540,299
	63,600,439	55,156,758	55,255,094
EQUITY			
Share capital	1,371,489	1,383,783	2,097,519
Share premium	1,586,959	1,586,959	749,778
Reserves	5,217,251	4,645,728	2,153,529
Shareholders' funds	8,175,699	7,616,470	5,000,826
Non-controlling interests	1,357	1,364	1,396
	8,177,056	7,617,834	5,002,222
	71,777,495	62,774,592	60,257,316

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”), a leading financial services group in Taiwan which is engaged in institutional banking, consumer finance, wealth management, investment management and insurance. Fubon Financial is the only Taiwanese financial services group having both a locally registered bank in Hong Kong and a strategic investment in a bank in the Mainland China. Fubon Bank operates 24 retail outlets in Hong Kong including 22 branches and 2 Securities Services Centres, and provides 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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