



Fubon Bank
富邦銀行

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PRESS RELEASE

FOR IMMEDIATE RELEASE

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Fubon Bank Registered a Record High Earnings of HK\$481 Million for Year 2014

(Hong Kong: 10 March 2015) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) registered a net profit of HK\$481 million for the year ended 31 December 2014, representing an increase of 27% as compared with 2013. The Group’s operating income rose by 11% year-on-year to HK\$1,306 million while operating expenses increased by only 7%.

Net interest income amounted to HK\$842 million in 2014, an increase of 12% when compared with 2013. The improvement was driven by a 16% growth in average interest-earning assets coupled with a higher-yielding loan portfolio. We made good progress in optimizing the loan portfolio mix and delivered solid growth in corporate and commercial lending businesses. Nevertheless, keen competition for deposits during the first half of the year resulted in significantly higher deposit costs, outpacing the improvement in asset returns. The net interest margin narrowed by 4 basis points to 1.20%.

Non-interest income rose by 9% to HK\$465 million, underpinned by solid growth in fee and commission income across our core businesses. Credit related and trade finance fee income surged by 34% when compared with 2013, reflecting the solid expansion of our commercial lending business. Insurance and unit trust commission income together grew 13% and credit card fee income continued its steady growth of the past few years. Other operating income decreased by 5%, attributed mainly to the increased revaluation loss on financial instruments. As well, the unanticipated depreciation in Renminbi in the first half of 2014 dampened customers’ interest in Renminbi-denominated treasury marketing products resulting in a lower treasury product fee income. The percentage of non-interest income to total operating income ratio was 35.56% for 2014, versus 36.16% a year ago.

Operating expenses increased by 7% to HK\$897 million and cost-to-income ratio declined by 2.93 percentage points to 68.70%. Despite the inflationary pressure over the year, we managed to cope with the needs of our growing business while exercising tight control over our operating expenses. Information technology continued to be a crucial investment area and represented a major element in our expenses increase. In 2014, we have completed several milestone projects including data centre relocation, disaster recovery site upgrade and bank-wide operating system enhancement.

There was a net charge of HK\$16 million for impairment losses on advances to customers, compared with HK\$5 million in 2013. Other impairment charges remained low at HK\$10 million. The Group is committed to exercise effective controls on asset quality through the



adoption of sound credit risk management practices and resulted in a very low impaired loans ratio of 0.02% as of 31 December 2014.

Xiamen Bank Co., Ltd (“Xiamen Bank”) continued its strong performance and deliver good results in 2014. The Group’s share of profits from Xiamen Bank reached a record high of HK\$158 million, representing a 27% growth from 2013. The Bank’s shareholding in Xiamen Bank was reduced from 19.99% to 17.29% after a private placement of additional share capital to a new strategic investor by Xiamen Bank on 5 June 2014. As a result of this dilution, the Bank recognized a deemed disposal gain of HK\$11 million. The Bank restored its original ownership percentage in January 2015 by acquiring additional existing shares.

After accounting for other gains, other impairment losses and income tax, the Group’s profit after taxation stood at HK\$481 million, achieving the highest net profit since the financial turmoil of 2008.

Total assets rose by HK\$12 billion, or 17%, to HK\$84 billion as of 31 December 2014. We managed to achieve a 16% increase in the Group’s loan portfolio in 2014 while maintaining a high quality loan book. The increase in lending was supported by an 8% year-on-year growth in customer deposits, which amounted to HK\$53 billion as of 31 December 2014. Loan to deposit ratio remained at a very comfortable level of 75.09%.

To further strengthen Tier 1 capital and to allow greater flexibility in business development within the region, the Bank issued 269,784,173 new Ordinary Shares which were fully allotted to Fubon Financial Holding Co., Ltd. at the price of HK\$5.56 each. With the HK\$1.5 billion increase in share capital, the total capital ratio and Tier 1 capital ratio increased to 17.96% and 12.65% respectively as at 31 December 2014, compared with 16.33% and 10.44% at end-December 2013. The Bank’s liquidity position also remained strong, with the average liquidity ratio standing at a comfortable level of 48.56% in 2014 versus 48.06% in 2013.

While registering a solid expansion in assets in 2014, the Group continued to exercise prudent balance sheet management. Return on average assets edged up to 0.62%, compared with 0.56% in 2013. Return on average equity also rose by 0.37 percentage points to 5.18% in 2014, reflecting the Group’s effective deployment of the additional capital from the parent company.

Looking ahead, the Bank will continue to play an important role in the Fubon Group’s Greater China development strategy by providing critical cross-border services to the Group’s Mainland and Taiwanese customers. At the same time, we will continue to focus on expanding our local franchise by improving our service delivery capabilities. This year, we will reinforce our service proposition for affluent retail customers with the launch of new branch design and configuration and an enhanced e-banking platform. We will remain and continue our service-oriented approach and will provide our customers with safe and high quality financial services. We are committed to create a new banking experience for our customers.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Interest income	1,676,810	1,382,350
Interest expense	(835,041)	(632,295)
Net interest income	841,769	750,055
Fee and commission income	416,636	367,677
Fee and commission expense	(99,220)	(97,170)
Net fee and commission income	317,416	270,507
Other operating income	147,133	154,365
Operating income	1,306,318	1,174,927
Operating expenses	(897,390)	(841,558)
Operating profit before gains and impairment losses	408,928	333,369
Impairment losses on advances to customers	(15,651)	(4,495)
Impairment losses on available-for-sale financial assets	(10,447)	(5,613)
Write back of / (charge for) Impairment losses on other assets	53	(792)
Write back of impairment losses on assets acquired under lending agreements	-	200
Impairment losses	(26,045)	(10,700)
Net gains on disposals of available-for-sale financial assets	3,949	80
Net (loss) / gain on disposals of fixed assets	(6,323)	22
Gain on disposal of assets held for sale	4,775	-
Dilution gain arising from investment in an associate	11,180	-
Share of profits of an associate	158,063	124,372
Profit before taxation	554,527	447,143
Taxation	(73,154)	(67,390)
Profit for the year	481,373	379,753
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	208,338	199,673
Remeasurement of net defined benefit liability	(8,394)	9,648
	199,944	209,321
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets: net movement in investment revaluation reserve	96,351	(50,810)
Exchange differences on translation of an associate	(37,313)	34,447
	59,038	(16,363)
Total comprehensive income for the year	740,355	572,711
Profit attributable to:		
- Equity shareholders of the Bank	481,376	379,760
- Non-controlling interests	(3)	(7)
Profit for the year	481,373	379,753
Total comprehensive income attributable to:		
- Equity shareholders of the Bank	740,358	572,718
- Non-controlling interests	(3)	(7)
Total comprehensive income for the year	740,355	572,711

CONSOLIDATED BALANCE SHEET
As at 31 December 2014

	31 December 2014 HK\$'000	31 December 2013 HK\$'000
ASSETS		
Cash and short-term funds	6,310,793	2,138,853
Balances with banks and other financial institutions	1,243,834	3,266,023
Trading assets	2,430,009	2,121,634
Financial assets designated at fair value through profit or loss	126,994	132,599
Derivative financial instruments	583,534	503,270
Advances to customers less impairment allowances	40,321,603	34,693,986
Trade bills	1,910,355	3,395,428
Other loans and receivables	-	550,129
Accrued interest and other assets	1,493,814	898,909
Available-for-sale financial assets	22,728,452	17,345,802
Held-to-maturity investments	1,549,487	1,869,276
Interests in associates	1,439,235	1,298,733
Fixed assets	3,676,309	3,562,853
Assets held for sale	45,444	-
Deferred tax assets	16	-
	<u>83,859,879</u>	<u>71,777,495</u>
LIABILITIES		
Deposits and balances of banks and other financial institutions	10,626,305	7,378,464
Deposits from customers	52,664,387	48,909,746
Trading liabilities	2,312,871	1,489,644
Financial liabilities designated at fair value through profit or loss	382,404	358,946
Certificates of deposit issued	513,473	763,459
Debt securities issued	2,746,729	488,709
Derivative financial instruments	673,035	437,865
Other liabilities	1,494,602	1,778,702
Deferred tax liabilities	488,385	454,827
Subordinated notes issued	1,541,631	1,540,077
	<u>73,443,822</u>	<u>63,600,439</u>
EQUITY		
Share capital	4,830,448	1,371,489
Share premium	-	1,586,959
Reserves	5,585,609	5,217,251
Shareholders' funds	<u>10,416,057</u>	<u>8,175,699</u>
Non-controlling interests	-	1,357
	<u>10,416,057</u>	<u>8,177,056</u>
	<u>83,859,879</u>	<u>71,777,495</u>



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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 22 branches, 3 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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