

PRESS RELEASE

FOR IMMEDIATE RELEASE

1 MARCH 2013

Fubon Bank Recorded Earnings Growth of 10% for 2012

(Hong Kong: 1 March 2013) Despite the volatile market situation in 2012, Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) responded well to the challenges and registered a net profit of HK\$309 million for the financial year ended 31 December 2012, representing an increase of 10% compared to 2011. The Group’s operating profit before impairment allowances registered a year-on-year increase of 51% to HK\$203 million for 2012.

Net interest income increased 3% to HK\$657 million. Better asset yields, especially from increased mortgage and corporate loans, outweighed the higher interest expenses resulting from a healthy growth in customer deposits. Net interest margin widened by 8 basis points to 1.17%, attributed to the easing of deposit costs after reaching an apex in January 2012.

Non-interest income decreased 22% to HK\$334 million in 2012 compared with 2011, which included recoveries from collateral of Lehman Brothers Minibonds (“Minibonds”). Excluding this, the non-interest income would have increased by 14% due to lower revaluation loss on financial instruments and steady growth in fee income from credit card and insurance services. This was despite the lower credit related and securities brokerage fees registered in 2012. Excluding the non-recurring recovery in 2011, the ratio of non-interest income to total operating income increased from 31.59% to 33.72%.

Operating expenses were HK\$788 million, 15% lower than in 2011 when collateral recovery payments to the Minibonds investors were made. Excluding this non-recurring item in 2011, operating expenses were 5% lower than last year. Our proactive cost control measures, such as office space rationalization and information technology in-house transformation projects, have successfully reduced our costs of rental, electronic data processing and computer systems. Legal costs also reduced markedly compared with 2011, in which large expenses were incurred for one-off projects including the privatization of the Bank by its parent company, Fubon Financial Holding Co., Ltd (“Fubon Financial”).

We adhered to prudent credit policy and robust risk management to safeguard asset quality. There was a write-back of impairment losses on advances to customers of HK\$39 million, a decrease of HK\$42 million from 2011. Other impairment charges reduced 88% to HK\$4 million for the full year of 2012. The impaired loans ratio further dropped to 0.05% when compared to 0.33% at 31 December 2011.



Benefiting from the strong performance of Xiamen Bank Co., Ltd (“Xiamen Bank”), the Group’s share of its profits attained a record high of HK\$115 million, an increase of HK\$24 million or 26% over 2011. In August 2012, the Bank fully subscribed for its allocated 60,029,970 newly issued ordinary shares (“Rights Shares”) in Xiamen Bank in a rights issue exercise, to maintain its 19.99% shareholding interest. The consideration for the Rights Shares, which was RMB210,104,895 was financed from the Group’s own internal surplus funds.

After accounting for impairment charges, other gains and the tax charge, net profits after taxation stood at HK\$309 million. Return on average assets advanced from 0.46% to 0.50% while return on average equity decreased from 5.53% to 4.85% when compared with 2011. The decrease in return on average equity was due to substantially higher average equity resulting from the revaluation of premises in 2012.

Total assets were HK\$63 billion as at 31 December 2012, an increase of 4% from 2011. Following a managed reduction in credit related services due to improved balance sheet management, gross advances to customers decreased 6% year-on-year for 2012. Deposits from customers were steady at HK\$44 billion in the first half of 2012 and rose 5% to HK\$46 billion as of 31 December 2012. The loan-to-deposit ratio dropped from 71.29% to 66.57% as at 31 December 2012.

The Group maintained strong capital and liquidity positions. Both the consolidated capital adequacy ratio and core capital adequacy ratio were at comfortable levels of 16.71% and 12.13% respectively, compared with 15.89% and 8.54% at 31 December 2011. The average liquidity ratio for 2012 of 53.96% was well above the statutory requirement and allowed for more flexibility in managing the Bank’s investments.

In August 2012, the Bank completed the repurchase of 1,156,586,517 or 98.67% of its Cumulative Irredeemable Preference Shares of USD0.10237 each from its parent company, Fubon Financial. The transaction was funded by 199,328,916 newly issued Ordinary Shares of HK\$1.00 each which have been allotted to Fubon Financial at HK\$5.20 per share.

Looking forward to 2013, the implementation of various regulatory measures, while safeguarding market stability and upholding the operation soundness of financial institutions, will bring more challenges to the banking industry. Nevertheless, there are ample opportunities amid the strengthening of the Hong Kong economy and positive growth in Asia. By building a solid foundation, we are poised to capture the opportunities ahead and deliver growth as we strengthen our franchise in Hong Kong.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	2012 HK\$'000	2011 HK\$'000
Interest income	1,337,912	1,254,182
Interest expense	<u>(680,803)</u>	<u>(618,028)</u>
Net interest income	<u>657,109</u>	<u>636,154</u>
Fee and commission income	309,990	323,670
Fee and commission expense	<u>(91,603)</u>	<u>(102,726)</u>
Net fee and commission income	<u>218,387</u>	<u>220,944</u>
Other operating income	115,930	210,071
Operating income	991,426	1,067,169
Operating expenses	<u>(788,160)</u>	<u>(932,708)</u>
Operating profit before gains and impairment losses	<u>203,266</u>	<u>134,461</u>
Write back of impairment losses on advances to customers	38,851	80,481
Impairment losses on available-for-sale financial assets	<u>(3,805)</u>	<u>(5,415)</u>
Impairment losses on fixed assets	-	(15,733)
Impairment losses on other assets	<u>(1,343)</u>	<u>(2,676)</u>
Write back of impairment losses on advances to an associate	-	425
Write back of / (charge for) impairment losses on assets acquired under lending agreements	<u>1,600</u>	<u>(5,029)</u>
Write back of impairment losses	<u>35,303</u>	<u>52,053</u>
Net (losses) / gains on disposals of available-for-sale financial assets	<u>(1,705)</u>	44,522
Net losses on disposals of fixed assets	<u>(432)</u>	(8,661)
Share of profits of an associate	<u>114,862</u>	<u>91,369</u>
Profit before taxation	<u>351,294</u>	<u>313,744</u>
Taxation	<u>(42,604)</u>	<u>(33,979)</u>
Profit for the year	<u>308,690</u>	<u>279,765</u>
Other comprehensive income for the year, net of tax:		
Available-for-sale financial assets: net movement in investment revaluation reserve	310,819	(228,622)
Premises: net movement in premises revaluation reserve	<u>2,048,562</u>	-
Exchange differences on translation of an associate	<u>11,047</u>	<u>26,147</u>
Total comprehensive income for the year	<u>2,679,118</u>	<u>77,290</u>
Profit attributable to:		
- Equity holders of the Bank	308,722	280,291
- Non-controlling interests	<u>(32)</u>	<u>(526)</u>
Profit for the year	<u>308,690</u>	<u>279,765</u>
Total comprehensive income attributable to:		
- Equity holders of the Bank	2,679,150	77,816
- Non-controlling interests	<u>(32)</u>	<u>(526)</u>
Total comprehensive income for the year	<u>2,679,118</u>	<u>77,290</u>

CONSOLIDATED BALANCE SHEET
As at 31 December 2012

	2012 HK\$'000	2011 HK\$'000
ASSETS		
Cash and short-term funds	4,735,766	4,382,197
Balances with banks and other financial institutions	1,005,381	1,479,530
Trading assets	1,056,579	1,405,516
Financial assets designated at fair value through profit or loss	77,959	81,240
Derivative financial instruments	446,443	494,636
Advances to customers less impairment allowances	30,408,839	32,238,466
Other loans and receivables	831,983	1,204,789
Accrued interest and other assets	2,052,331	887,916
Available-for-sale financial assets	15,281,698	13,731,020
Held-to-maturity investments	2,313,737	2,466,707
Interests in associates	1,179,262	800,952
Fixed assets	3,394,825	1,046,107
Deferred tax assets	-	36,784
	62,784,803	60,255,860
LIABILITIES		
Deposits and balances of banks	3,161,333	4,019,428
Deposits from customers	45,840,858	43,788,167
Trading liabilities	949,909	1,382,980
Financial liabilities designated at fair value through profit or loss	368,062	333,965
Certificates of deposit issued	776,042	942,780
Debt securities issued	448,732	683,041
Derivative financial instruments	540,657	538,491
Other liabilities	1,045,611	1,973,748
Deferred tax liabilities	426,287	681
Subordinated notes issued	1,538,430	1,540,299
	55,095,921	55,203,580
EQUITY		
Share capital	1,383,783	2,097,519
Share premium	1,586,959	749,778
Reserves	4,716,776	2,203,587
Shareholders' funds	7,687,518	5,050,884
Non-controlling interests	1,364	1,396
	7,688,882	5,052,280
	62,784,803	60,255,860



Fubon Bank
富邦銀行

富邦銀行(香港)有限公司 香港中環德輔道中 38 號富邦銀行大廈
Fubon Bank (Hong Kong) Limited
Fubon Bank Building, 38 Des Voeux Road Central, Hong Kong
T (852) 2842 6222 F (852) 2810 1483
Website www.fubonbank.com.hk

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 corporate and investment banking, financial markets, 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.

- End -

For further enquiries, please contact:

Henry Wang, Senior Vice President & Chief Financial Officer
Tel: 3607 6800 Fax: 2501 5481 e-mail: henry.hj.wang@fubon.com

Juliana Chiu, Company Secretary
Tel: 3767 6224 Fax: 2537 1512 e-mail: juliana.chiu@fubon.com

Website: www.fubonbank.com.hk