

## PRESS RELEASE

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13 AUGUST 2013

### **Fubon Bank raised 2013 Interim Earnings by 7% to HK\$214 Million**

(Hong Kong: 13 August 2013) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$214 million for the first six months ended 30 June 2013, an increase of 7% or HK\$14 million over the corresponding period in 2012.

Net interest income rose 7% to HK\$369 million for the first half of 2013, mainly due to lower deposit costs resulting from improved market liquidity and the Bank’s effort in improving the customer deposit mix during the first half of 2013. In addition, the Group’s average interest-earning assets were up 4%, underpinned by the growth in its investment portfolio and trade-related lending. Net interest margin improved by 4 basis points to 1.26% for the first half of 2013.

Non-interest income grew 34% to HK\$223 million and net fee income increased 31% to HK\$143 million, partly because the unit trust fee income has been doubled on the back of continuous improvement in global market sentiment since early 2013. Satisfactory growth in fee and commission income was also recorded from credit related services, securities brokerage and insurance activities over the corresponding period. The ratio of non-interest income to total operating income rose from 32.45% to 37.69% for the first half of 2013.

Operating expenses increased 4% to HK\$408 million, mainly due to the increase in staff-related costs and marketing expenditures to achieve business growth. Investment in IT infrastructure was also reflected in the moderate increase in expenses incurred in electronic data processing and computer systems, representing a 9% increase over the corresponding period. The Group attained savings in legal and premises costs and the cost to income ratio improved significantly from 76.78% to 68.81%. The Group’s net operating profit before impairment allowances registered a year-on-year increase of 55% to HK\$185 million, attributable to the improved momentum in revenue generation.

Coupled with prudent risk management and credit monitoring framework, the asset quality of the Group remained sound. There was a write-back of impairment losses of HK\$1 million for the first half of 2013 when compared with a write-back of HK\$22 million over the corresponding period in 2012. The impaired loans ratio stayed at 0.05%, the same level as at 31 December 2012. The coverage of impaired loans slightly reduced from 75.75% at 31 December 2012 to 75.05% at 30 June 2013.

The share of profits of Xiamen Bank Co., Ltd, in which the Bank owns a 19.99% stake, amounted to HK\$61 million in the first half of 2013. After accounting for the impairment charges and other gains, the Group attained a profit after taxation of HK\$214 million for the first six months ended June 2013. Return on average assets and return on average equity were 0.66% and 5.62% respectively for the first half of 2013.

Total assets increased 8% over the 6-month period to HK\$68 billion as at 30 June 2013. Gross advances to customers, including trade bills, rose 6% to HK\$33 billion while customer



**Fubon Bank**  
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deposits increased 2% to HK\$47 billion. As a result, the loan-to-deposit ratio increased to 68.20% from 66.57% as at 31 December 2012. The Group's capital and liquidity positions remained strong. The total capital ratio and Tier 1 capital ratio stood at 16.79% and 10.63% respectively. The average liquidity ratio for the first half of 2013 was 49.60%.

2013 remains a challenging year for the Hong Kong banking industry. High levels of uncertainties in the global economic environment, including possible interest rate upward movements and volatility in fund flow against the backdrop of changes in policies, both domestically and internationally, continue to pose threats to investor confidence. Nevertheless, the steady growth of Mainland China and the development of Hong Kong as a leading offshore Renminbi centre will bring ample business opportunities for the banking industry. We will take advantage of these opportunities by leveraging our solid foundation and endeavour to provide our customers with safe, reliable and high quality services to meet their banking needs. We will continue to strengthen our franchise in Hong Kong and acquire new customers to support sustainable growth.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**For the six months ended 30 June 2013**

	<b>For the six months ended</b>	
	<b>30 June 2013</b>	<b>30 June 2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	663,616	693,961
Interest expense	<u>(294,202)</u>	<u>(347,269)</u>
<b>Net interest income</b>	<b>369,414</b>	<b>346,692</b>
Fee and commission income	190,156	153,434
Fee and commission expense	<u>(46,885)</u>	<u>(43,686)</u>
<b>Net fee and commission income</b>	<b>143,271</b>	<b>109,748</b>
Other operating income	<u>80,197</u>	<u>56,822</u>
Operating income	592,882	513,262
Operating expenses	<u>(407,959)</u>	<u>(394,060)</u>
<b>Operating profit before gains and impairment losses</b>	<b>184,923</b>	<b>119,202</b>
Write back of impairment losses on advances to customers	1,118	23,101
Impairment losses on available-for-sale financial assets	(218)	(869)
Write back of / (charge for) impairment losses on other assets	75	(221)
Write back of impairment losses on assets acquired under lending agreements	<u>200</u>	<u>300</u>
<b>Write back of impairment losses</b>	<b>1,175</b>	<b>22,311</b>
Net gains on disposals of available-for-sale financial assets	80	3,401
Net gains / (losses) on disposals of fixed assets	4	(171)
Share of profits of an associate	<u>61,102</u>	<u>80,977</u>
<b>Profit before taxation</b>	<b>247,284</b>	<b>225,720</b>
Taxation	<u>(33,225)</u>	<u>(26,203)</u>
<b>Profit for the period</b>	<b>214,059</b>	<b>199,517</b>
<b>Other comprehensive income for the period, net of tax:</b>		
Available-for-sale financial assets: net movement in investment revaluation reserve	(107,133)	125,960
Premises : net movement in premises revaluation reserve	3,592	1,602,887
Exchange differences on translation of an associate	<u>18,600</u>	<u>(7,851)</u>
<b>Total comprehensive income for the period</b>	<b>129,118</b>	<b>1,920,513</b>
Profit attributable to:		
- Equity holders of the Bank	214,067	199,543
- Non-controlling interests	<u>(8)</u>	<u>(26)</u>
<b>Profit for the period</b>	<b>214,059</b>	<b>199,517</b>
Total comprehensive income attributable to:		
- Equity holders of the Bank	129,126	1,920,539
- Non-controlling interests	<u>(8)</u>	<u>(26)</u>
<b>Total comprehensive income for the period</b>	<b>129,118</b>	<b>1,920,513</b>

**CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
**As at 30 June 2013**

	<b>As at</b>	<b>As at</b>
	<b>30 June 2013</b>	<b>31 December 2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Restated)</b>
<b>ASSETS</b>		
Cash and short-term funds	3,584,016	4,735,766
Balances with banks and other financial institutions	2,193,173	1,005,381
Trading assets	2,226,021	1,056,579
Financial assets designated at fair value through profit or loss	-	77,959
Derivative financial instruments	451,972	446,443
Advances to customers less impairment allowances	31,143,826	30,408,839
Other loans and receivables	550,340	831,983
Accrued interest and other assets	3,876,428	2,042,120
Available-for-sale financial assets	17,452,018	15,281,698
Held-to-maturity investments	1,930,614	2,313,737
Interests in associates	1,257,308	1,179,262
Fixed assets	3,363,364	3,394,825
	<b>68,029,080</b>	<b>62,774,592</b>
<b>LIABILITIES</b>		
Deposits and balances of banks	5,046,999	3,161,333
Deposits from customers	46,876,848	45,840,858
Trading liabilities	2,010,974	949,909
Financial liabilities designated at fair value through profit or loss	352,645	368,062
Certificates of deposit issued	282,300	776,042
Debt securities issued	1,428,169	448,732
Derivative financial instruments	503,338	540,657
Other liabilities	1,852,075	1,120,487
Deferred tax liabilities	389,271	412,248
Subordinated notes issued	1,540,064	1,538,430
	<b>60,282,683</b>	<b>55,156,758</b>
<b>EQUITY</b>		
Share capital	1,383,783	1,383,783
Share premium	1,586,959	1,586,959
Reserves	4,774,299	4,645,728
Shareholders' funds	<b>7,745,041</b>	<b>7,616,470</b>
Non-controlling interests	1,356	1,364
	<b>7,746,397</b>	<b>7,617,834</b>
	<b>68,029,080</b>	<b>62,774,592</b>

**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.

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