

PRESS RELEASE

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12 AUGUST 2014

Fubon Bank's 2014 Interim Earnings Hit a Record High of HK\$254 Million

(Hong Kong: 12 August 2014) Fubon Bank (Hong Kong) Limited ("the Bank") and its subsidiaries ("the Group") reported a net profit of HK\$254 million for the first six months ended 30 June 2014, an increase of 19% or HK\$40 million over the corresponding period in 2013, reaching a record high since the acquisition of the Group by Fubon Financial Holding Co., Ltd ("Fubon Financial") in 2004.

Net interest income grew by 7% to HK\$395 million for the first half of 2014. The Group's average interest-earning assets rose by 14%, mainly contributed by the growth in trade-related and corporate lending. Average loan yield also increased, demonstrating the Bank's continuous effort in repricing the loan portfolio and improving the loan mix. Due to competition among the Bank's peers for customer deposits, however, deposit costs outpaced the upward trends of loan and investment returns and dragged down the net interest margin, which narrowed by 8 basis points to 1.18%.

Non-interest income amounted to HK\$252 million, representing an increase of 13% over the same period in 2013. Fees from trade finance and credit related services registered a year-on-year increase of 63% and 17% respectively. The year-on-year growth was underpinned by the growth in trade-related and corporate loan businesses. Credit card business maintained its expansion momentum, attributed to the increase in cardholder spending and merchant acquiring volume. Retail banking products demonstrated diverse performance in the first half of 2014 with increase in fee and commission income from sales of insurance products offset by the decline in brokerage fee income.

Operating expenses increased by 9% to HK\$446 million and cost-to-income ratio remained at a similar level as in the first half of 2013 at 68.93%. Significant investments were made in staff developments and the development of information technology, including the upgrade and maintenance of hardware and software to improve the Bank's operational efficiency.

Loan impairment charges on advances to customers were HK\$7 million versus a write-back of HK\$1 million during the same period of 2013. Asset quality remained sound under the existing robust risk management framework. Continual refinement of the already prudent approval policy resulted in a consistently low impaired loans ratio. As at 30 June 2014, impaired loans ratio remained at the very low level of 0.03% (with 65.77% coverage), as compared to 0.04% (with 70.52% coverage) as at 31 December 2013.

Xiamen Bank Co., Ltd ("Xiamen Bank") continued to deliver strong performance in the first half of 2014. The Group's share of profits from Xiamen Bank recorded a year-on-year increase of 47% to HK\$90 million. 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 the shareholding dilution, the Bank recognized a deemed disposal gain of HK\$11 million. In July 2014, the Bank participated in Xiamen Bank's rights issue exercise and fully subscribed its allocated 57.63 million rights



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shares at a price of RMB3.50 per share. In addition, the Bank is now undergoing relevant procedures to acquire additional shares of Xiamen Bank to restore its shareholding to the regulatory permitted maximum level of 19.99%.

To further strengthen the 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 at the price of HK\$5.56 each. The Bank's share capital therefore increased by HK\$1.5 billion at the end of June 2014.

Adjusting for the very short-term impact of HK\$1.5 billion new capital acquired at the end of June 2014, return on average assets and return on average equity increased from 0.66% to 0.67% and from 5.62% to 6.11% respectively when compared with the first half of 2013.

Total assets rose by HK\$11 billion, or 15%, to HK\$83 billion from the end of 2013. Gross advances to customer including trade bills increased by 11% to HK\$42 billion. Customer deposits grew by 5% to HK\$51 billion. After taking into account all the certificates of deposit issued by the Bank, the loan-to-deposit ratio as at 30 June 2014 was 76.26%, increased from 75.49% as at 31 December 2013.

The Group continued to solidify its capital and liquidity positions. The total capital ratio and Tier 1 capital ratio stood at the comfortable levels of 17.93% and 12.72% respectively as at 30 June 2014, compared with 16.33% and 10.44% at end-December 2013. The average liquidity ratio was 47.88% for the first half of 2014 versus 49.60% for the first half of 2013.

This year marks the Group's 10th Anniversary of being a member of Fubon Financial. To continue extending our banking and financial services, we strengthened our local franchise by upgrading our Tsuen Wan Branch to a flagship branch with the opening of the Bank's first personal loan centre and a new securities services centre in July 2014. Stepping into the second decade of presence in Hong Kong, the Bank will remain committed to the community and continue to maintain our service-oriented approach to provide customers with high quality financial services which we hope will further improve customer experience and satisfaction. We will continue to strive for becoming our customers' most reliable and valuable banking partner.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2014

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
Interest income	796,575	663,616
Interest expense	(401,425)	(294,202)
Net interest income	395,150	369,414
Fee and commission income	201,455	190,156
Fee and commission expense	(45,120)	(46,885)
Net fee and commission income	156,335	143,271
Other operating income	95,781	80,197
Operating income	647,266	592,882
Operating expenses	(446,156)	(407,959)
Operating profit before gains and impairment losses	201,110	184,923
(Charge for) / write back of impairment losses on advances to customers	(7,245)	1,118
Impairment losses on available-for-sale financial assets	(6,588)	(218)
Write back of impairment losses on other assets	12	75
(Charge for) / write back of impairment losses on assets acquired under lending agreements	(400)	200
(Charge for)/ write back of impairment losses	(14,221)	1,175
Net gains on disposals of available-for-sale financial assets	3,712	80
Net gains on disposals of fixed assets	32	4
Dilution gain arising from investment in associate	11,180	-
Share of profits of an associate	89,588	61,102
Profit before taxation	291,401	247,284
Taxation	(37,653)	(33,225)
Profit for the period	253,748	214,059
Other comprehensive income for the period, net of tax:		
Available-for-sale financial assets: net movement in investment revaluation reserve	172,327	(107,133)
Premises: net movement in premises revaluation reserve	2,477	3,592
Exchange differences on translation of an associate	(37,297)	18,600
Total comprehensive income for the period	391,255	129,118
Profit attributable to:		
- Equity holders of the Bank	253,751	214,067
- Non-controlling interests	(3)	(8)
Profit for the period	253,748	214,059
Total comprehensive income attributable to:		
- Equity holders of the Bank	391,258	129,126
- Non-controlling interests	(3)	(8)
Total comprehensive income for the period	391,255	129,118

CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2014

	30 June 2014	As at
	HK\$'000	31 December 2013
		HK\$'000
ASSETS		
Cash and short-term funds	6,204,484	2,138,853
Balances with banks and other financial institutions	2,415,944	3,266,023
Trading assets	2,239,545	2,121,634
Financial assets designated at fair value through profit or loss	131,436	132,599
Derivative financial instruments	526,241	503,270
Advances to customers less impairment allowances	37,807,852	34,693,986
Trade bills	4,380,626	3,395,428
Other loans and receivables	549,923	550,129
Accrued interest and other assets	1,790,011	898,909
Available-for-sale financial assets	19,805,798	17,345,802
Held-to-maturity investments	1,869,973	1,869,276
Interests in associates	1,350,471	1,298,733
Fixed assets	3,471,588	3,562,853
Assets held for sale	92,669	-
	82,636,561	71,777,495
LIABILITIES		
Deposits and balances of banks and other financial institutions	11,742,871	7,378,464
Deposits from customers	51,164,449	48,909,746
Trading liabilities	2,177,646	1,489,644
Financial liabilities designated at fair value through profit or loss	373,156	358,946
Certificates of deposit issued	359,644	763,459
Debt securities issued	2,897,393	488,709
Derivative financial instruments	481,463	437,865
Other liabilities	1,352,050	1,778,702
Deferred tax liabilities	480,803	454,827
Subordinated notes issued	1,540,129	1,540,077
	72,569,604	63,600,439
EQUITY		
Share capital	4,830,448	1,371,489
Share premium	-	1,586,959
Reserves	5,236,509	5,217,251
Shareholders' funds	10,066,957	8,175,699
Non-controlling interests	-	1,357
	10,066,957	8,177,056
	82,636,561	71,777,495

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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