



PRESS RELEASE

FOR IMMEDIATE RELEASE

9 AUGUST 2016

Fubon Bank posted HK\$231 Million for the First Half of 2016

(Hong Kong: 9 August 2016) Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) registered an operating profit before impairment losses of HK\$291 million for the first six months ended 30 June 2016, representing a decrease of 19% over the corresponding period in 2015. Net profit declined by 39% year-on-year to HK\$231 million. The decline in net profit, which was mainly attributable to the worsening economic and credit environment as well as dampened investment sentiment since the second half of 2015, was reflected in higher impairment losses on advances to customers and a contraction in Group fee income. Return on average assets and return on average equity declined to 0.50% and 4.26% respectively when compared with 0.88% and 7.18% for the first half of 2015.

Net interest income rose 13% year-on-year to HK\$566 million. The increase was driven by the widening of net interest margin by 13 basis points to 1.46% as the Group managed to gradually reduce the cost of funds and acquire more low-cost demand deposits. Average interest-earning assets also increased by 3% which was mainly a result of the expanded debt securities investment portfolio.

Non-interest income decreased by 37% to HK\$197 million and as a result its percentage to total operating income declined to 25.8%. Treasury products income dropped more than half when compared to the same period of last year, due to the decrease in foreign exchange hedging needs from corporate customers after the weakening of the Renminbi against the US dollar from a year ago. Securities brokerage and investment services income was also impacted by a significant turnover shrinkage on the stock market, and declined by 59%. Nevertheless, insurance services income continued to achieve an encouraging growth of 12% under the challenging market conditions, demonstrating the success of our new retail banking strategy.

Operating expenses increased by 4% to HK\$472 million and the cost-to-income ratio rose by 5.8 percentage points to 61.8%. The Group continued to cautiously manage its operating expenses while making sufficient investment in upgrading its infrastructure and operating system to support its business growth. In the mid-term, substantial resources will be deployed



to the replacement of core banking system, refurbishment of the Bank's premises and retail outlets, revamp of corporate website and upgrade of e-banking platform in order to enrich customer experience and enhance operational effectiveness.

Impairment losses amounted to HK\$127 million, mostly on advances to customers. In view of the increasing downside risks of the global economy, the Group has increased the coverage on impaired advances to over 70%. The Group will further enhance its credit control by closely monitoring and proactively managing its customers' exposure. As of 30 June 2016, the impaired loans ratio was 0.76%.

The Group's share of profits from Xiamen Bank Co., Ltd recorded a 5% decrease to HK\$103 million amid the economic slowdown of Mainland China.

Total assets rose by HK\$3 billion, or 3%, to HK\$94 billion as of 30 June 2016. Gross advances to customers attained a mild growth of 1% to HK\$43 billion given the subdued loan demand in Hong Kong. The increase in lending was more than matched by a 6% growth in customer deposits, which amounted to HK\$62 billion. Taking into account the trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio decreased from 69.4% at 31 December 2015 to 66.4% at 30 June 2016.

The Group's capital and liquidity position remained strong. The total capital ratio and Tier 1 capital ratio stood at 16.33% and 11.92% respectively as at 30 June 2016, compared with 16.62% and 11.81% at end-December 2015. The average liquidity maintenance ratio also stood at a comfortable level of 47.81%.

There are many uncertainties in the global economy, including the US interest rate rise timing, monetary policies of major central banks, geopolitical risks and the growth momentum of Mainland China. The UK vote to leave the European Union in June created additional complications resulting in a complex operating environment. Amidst the challenging market conditions, Fubon Bank (Hong Kong) will adopt a cautious approach in expanding our business while pursuing sustainable profit. Our continuing efforts to strengthen risk management, together with enhanced service channels and product portfolio, will enable us to remain competitive in the local banking industry while further enhancing our commitment to a customer-driven strategy by providing customers with high-quality financial services and a unique customer experience – the FUBON EXPERIENCE.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2016

	For the six months ended	
	30 June 2016	30 June 2015
	HK\$'000	HK\$'000
Interest income	936,226	880,537
Interest expense	(370,307)	(381,191)
Net interest income	565,919	499,346
Fee and commission income	231,811	249,294
Fee and commission expense	(48,311)	(51,104)
Net fee and commission income	183,500	198,190
Other operating income	13,288	114,981
Operating income	762,707	812,517
Operating expenses	(471,643)	(455,318)
Operating profit before gains and impairment losses	291,064	357,199
Impairment losses on advances to customers	(146,934)	(9,596)
Write back of / (charge for) impairment losses on available-for-sale financial assets	26,990	(8,447)
(Charge for) / write back of impairment losses on other assets	(7,415)	3
Write back of impairment losses on assets acquired under lending agreements	-	100
Impairment losses	(127,359)	(17,940)
Net gains on disposals of available-for-sale financial assets	5,536	850
Net (losses) / gains on disposals of fixed assets	(28)	10
Share of profits of an associate	103,431	108,432
Profit before taxation	272,644	448,551
Taxation	(41,561)	(70,863)
Profit for the period	231,083	377,688
Other comprehensive income for the period, net of tax:		
Items that will not be reclassified to profit or loss:		
Premises: net movement in premises revaluation reserve	(710)	11,015
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets: net movement in investment revaluation reserve	13,617	(281)
Exchange differences on translation of an associate	(40,339)	(6,503)
	(26,722)	(6,784)
Total comprehensive income for the period	203,651	381,919



CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2016

	As at	
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
ASSETS		
Cash and short-term funds	6,621,474	8,678,184
Balances with banks and other financial institutions	2,674,332	885,449
Trading assets	1,999,807	2,326,410
Financial assets designated at fair value through profit or loss	40,512	40,502
Derivative financial instruments	722,975	966,857
Advances to customers less impairment allowances	42,974,429	42,494,918
Trade bills	472,393	254,331
Accrued interest and other assets	1,360,851	1,450,915
Available-for-sale financial assets	29,834,422	26,512,482
Held-to-maturity investments	1,550,570	1,548,781
Interests in associates	2,121,782	2,080,585
Fixed assets	3,720,453	3,707,902
Assets held for sale	45,300	45,300
Deferred tax assets	7	22
	94,139,307	90,992,638
LIABILITIES		
Deposits and balances of banks and other financial institutions	11,369,544	11,967,879
Deposits from customers	61,788,622	58,385,089
Trading liabilities	1,989,935	2,271,493
Financial liabilities designated at fair value through profit or loss	403,930	399,334
Certificates of deposit issued	1,793,127	1,540,518
Debt securities issued	1,792,285	1,383,814
Derivative financial instruments	873,498	963,656
Other liabilities	1,088,983	1,262,631
Deferred tax liabilities	485,463	470,318
Subordinated notes issued	1,544,387	1,542,024
	83,129,774	80,186,756
EQUITY		
Share capital	4,830,448	4,830,448
Reserves	6,179,085	5,975,434
Shareholders' funds	11,009,533	10,805,882
	94,139,307	90,992,638



Fubon Bank
富邦銀行

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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”), the second largest financial holding company in Taiwan. Fubon Financial Holdings is now the only Taiwanese financial institution with banking subsidiaries in China, Taiwan and Hong Kong. Fubon Bank operates 23 branches, 2 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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