

# Building A Regional Platform



**Fubon Bank (HK)**  
**1H 2005 Financial Results**  
**11 August 2005**



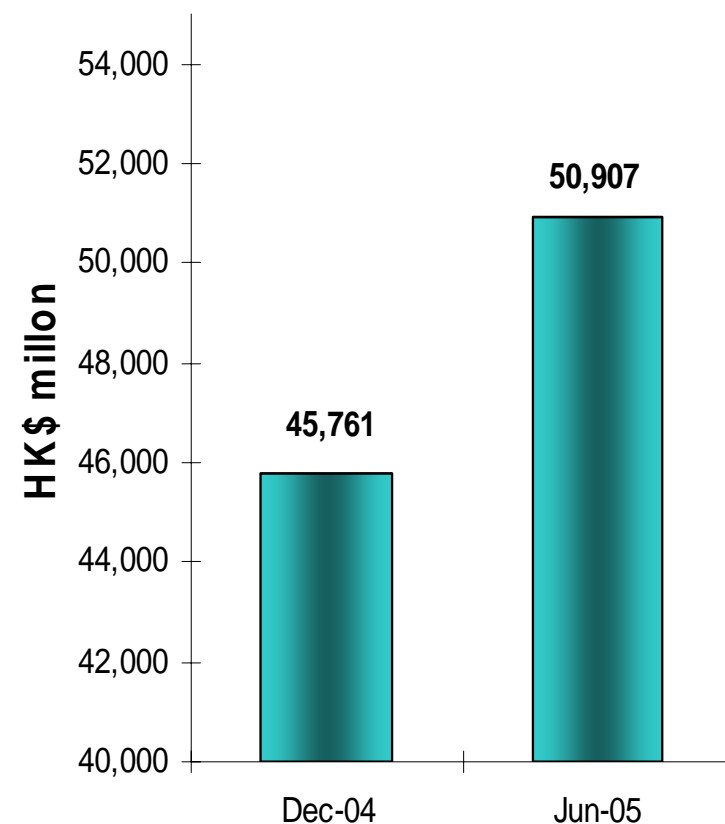
This meeting may contain forward-looking statements with respect to the financial condition, results of operations and business of the bank. These forward-looking statements represent the bank’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed. Certain statements, such as those that include the words “potential”, “estimated”, and similar expressions or variations on such expressions may be considered “forward-looking statements”

# Building A Regional Platform

## 1H 2005 Achievements

- Achieved HK\$50 billion in total assets
- Loans grew 9%
- Good asset quality
- Built the bank's product platform and increased headcount

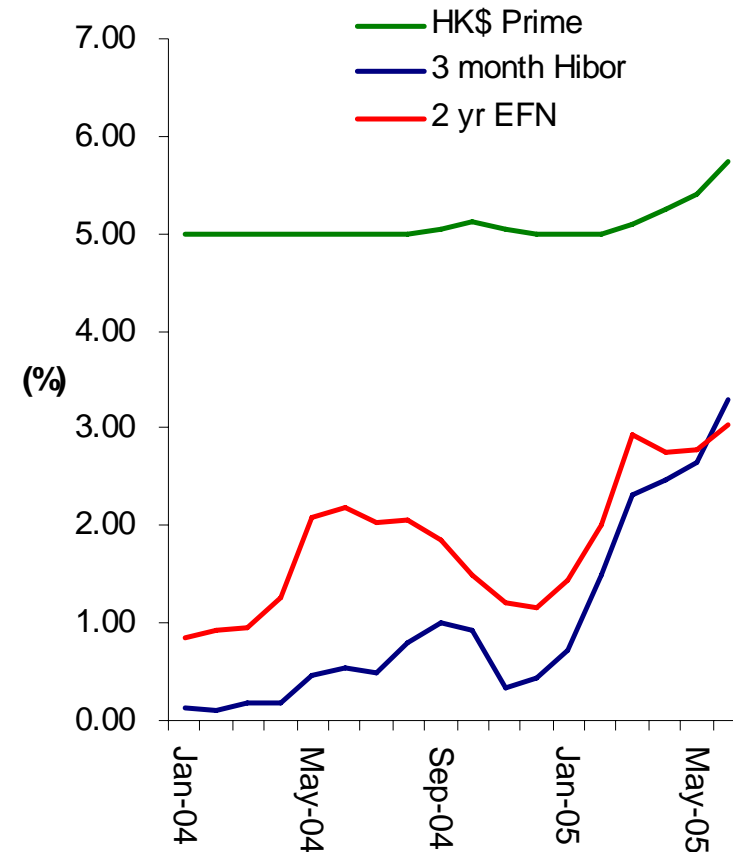
## Total Assets



## 1H05 Market Conditions

- Speculative attacks on HK\$
- Prime-Hibor spread narrowed
- Volatile bond/interest rate markets
- Net interest margin pressure

## Asset/Liability Yields



# 1H 2005 Net Interest Income

## Net Interest Income

(HK\$m)	1H 2004	1H 2005	% change
Net interest income	304	265	-13
Fee income	109	115	5
Operating profit	413	380	-8
Expenses	-289	-284	-2
Pre-provision profit	123	95	-23
Provisions	2.7	8.3	207
Bond gains	96	29	-70
Pre-tax profit	222	133	-40
Net profit	199	114	-43

## Interest Income/Bond Gains

- Reduced investment portfolio size due to volatile bond/interest rate markets. Increased interbank placements
- Delayed rise in Prime rate
- Net interest margin pressured to 1.30% from 1.83%
- Loan demand recorded growth late in the period

# 1H 2005 Fee Income

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Fee Income
<ul style="list-style-type: none"><li>■ Demand for structured products strong early in the year</li><li>■ Flat stock market impacted brokerage income</li><li>■ Taiwan sales proceeded as infrastructure built up</li></ul>

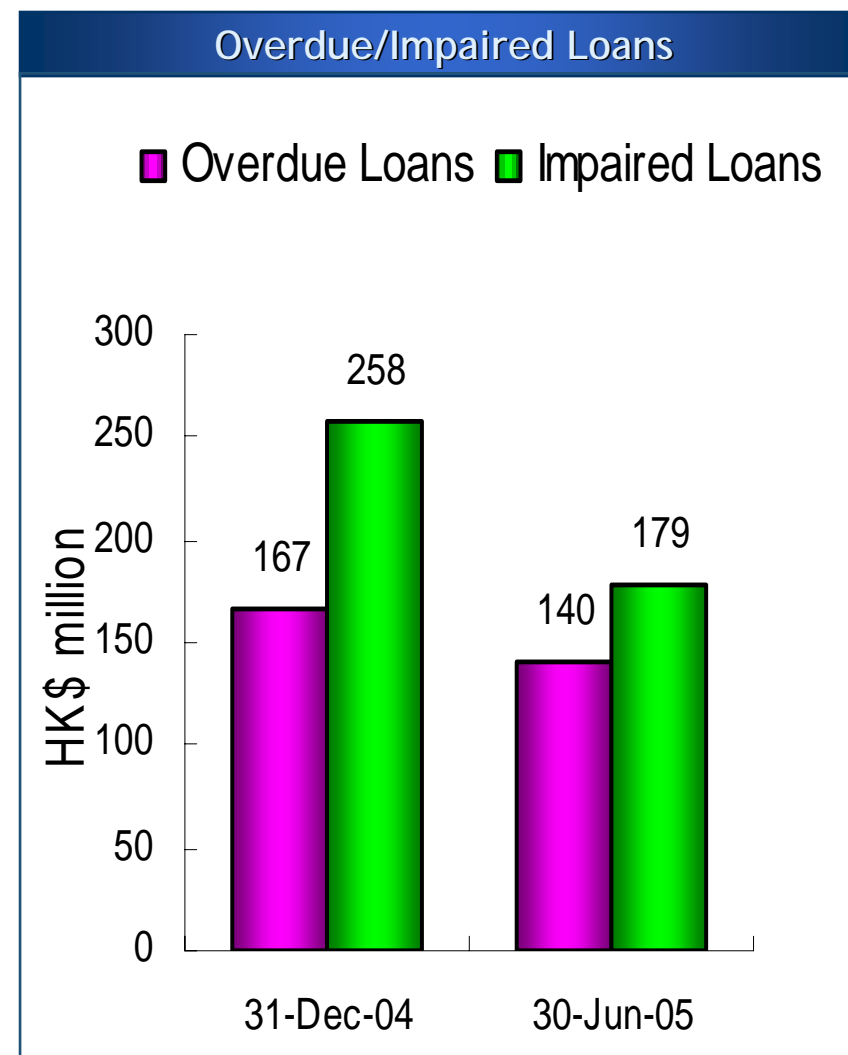
# 1H 2005 Operating Expenses

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Operating Expenses
■ Name change costs included in 1H expenses
■ Increased headcount
■ Particularly offshore team and Treasury
■ Branch rationalization and refurbished wealth management centres
■ Cost/income ratio rose to 74.8% from 70.1% due to weak revenue

# 1H 2005 Provisions

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Bond Gains
■ Lower bond gains due to volatile/rising interest rate environment
■ Reduction in duration ahead of interest rate increases
■ Investments fell to 11.6% of total assets from 16.5% in 1H 2004

# 1H 2005 Balance Sheet Extracts

## Balance Sheet Extracts

(HK\$m)	2004	1H 2005	% change
ST funds	19,888	22,406	13
Loans	18,002	19,678	9
Investments	5,626	5,923	5
Others	2,245	2,900	29
<b>Total assets</b>	<b>45,761</b>	<b>50,907</b>	<b>11</b>
Interbank takings	4,099	3,163	-23
Deposits	30,086	32,452	8
FRCs	2,368	2,960	25
Others	5,505	8,668	57
Equity	3,703	3,664	-1
<b>Total liabs &amp; equity</b>	<b>45,761</b>	<b>50,907</b>	<b>11</b>

## Earning assets

- Loans rose 9% on corporate and HP sector demand
- Credit quality was good
- Kept surplus funds in short term assets as interest rates rose

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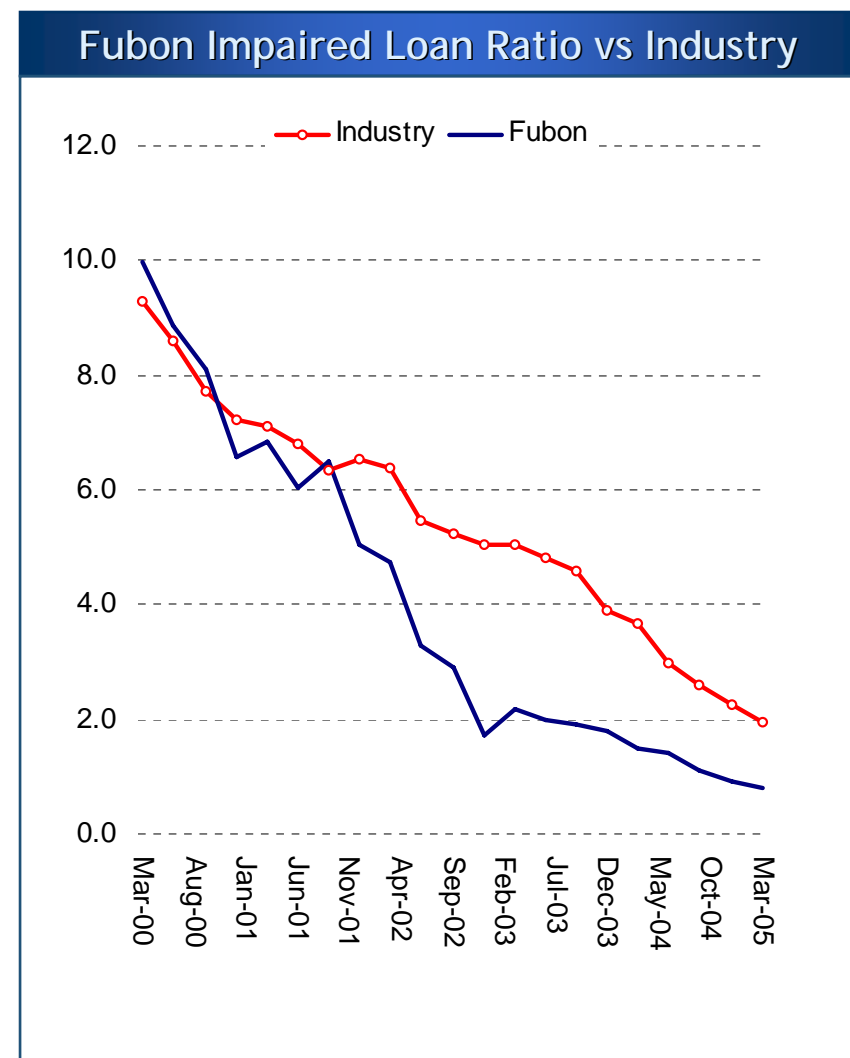
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## Funding

- Deposits rose 8%
- Deposit composition altered with customers shifting to fixed deposits
- Loan/deposit ratio rose to 56% from 50% at year-end
- Raised FRCDs to further broaden medium-term funding base

# 1H 2005 Financial Ratios

1H 2005/2004 Financial Ratios		
	2004	1H05
Capital Adequacy Ratio	18.5%	15.7%
Loan/Deposit Ratio	55.5%	55.6%
Liquidity Ratio	63.3%	44.6%
	1H04	1H05
Return on Equity	10.9%	6.3%
Return on Assets	1.1%	0.5%
Net Interest Margin	1.83%	1.30%
Fees to Income Ratio	26.4%	30.2%
Cost/Income Ratio	70.1%	74.8%
Impaired Loans Ratio	2.06%	0.91%
Impaired Loans Coverage Ratio	93.8%	97.8%



## Taiwan Business

### Wealth Management

- ❖ **+900 customers with assets under management of HK\$1.2 billion**

### Corporate Banking

- ❖ **Total loans ~HK\$360 million**
- ❖ **Hire purchase ~HK\$300 million**
- ❖ **Total deposits ~HK\$280 million**
- ❖ **Treasury services such as interest rate swaps and non-deliverable forwards**

\* Statistics as at 19 July, 2005

## Outlook for 2H 2005

- ❖ **Margin pressure likely to ease**
- ❖ **Fee income momentum should continue**
- ❖ **Expenses to remain high due to investments in the business**
- ❖ **Offshore platform built and ready to contribute**
- ❖ **Offices in Dongguan and Vietnam proceeding**

**Thank You**

