

Building A Regional Platform



Fubon Bank (HK) 2005 Financial Results

1st March 2006



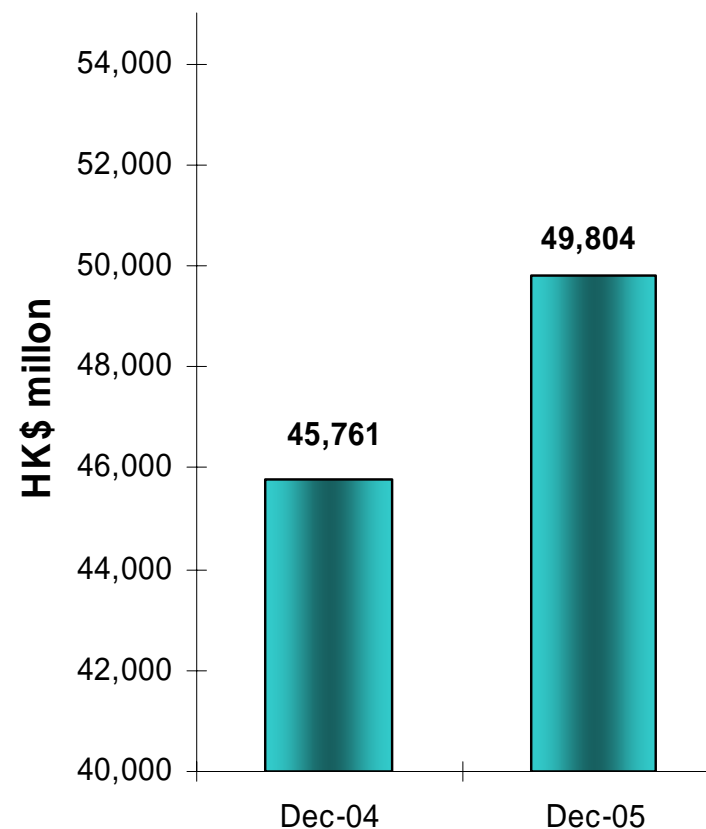
This meeting may contain forward-looking statements with respect to the financial condition, results of operations and business of the bank. These forward-looking statements represent the bank’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that 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

2005 Achievements

- Total assets over US\$6 billion
- Gross loans grew 18%
- Established several integrated product platforms
- Taiwan sales proceeded as infrastructure built up
- Successfully organized name change
- Credit ratings upgraded

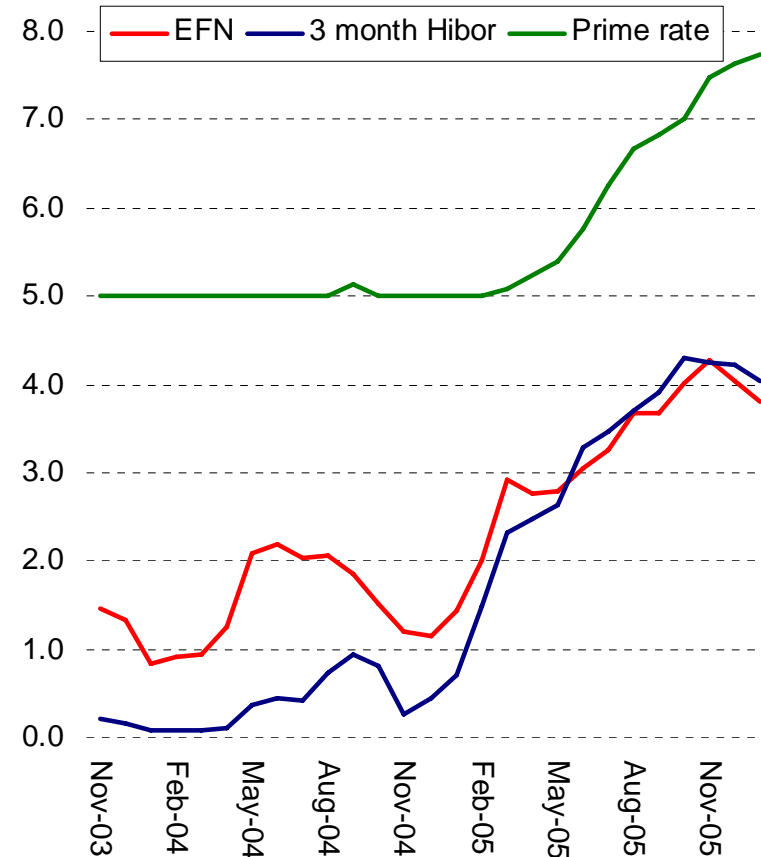
Total Assets



2005 Market Conditions

- **Rising interest rate environment, created net interest margin pressure**
- **Competitive wealth management product environment**
- **Narrowing of Prime-HIBOR gap earlier in the year, and lagging Prime rate increases**

Asset/Liability Yields



2005 Net Interest Income

Net Interest Income			
(HK\$m)	2004	2005	% change
Net interest income	610	504	-17
Non interest income	225	327	45
Operating income	835	831	-1
Expenses	-602	-603	0.1
Pre-provision profit	233	228	-2
Provisions	-4	25	656
Bond gains	93	-18	-119
Gain on F.A disposals	16	39	141
Pre-tax profit	338	274	-19
Net profit	300	241	-20

Interest Income/Bond Gains
<ul style="list-style-type: none">■ Significant expansion in interest earning assets and rising interest rates■ Gross interest income recorded a strong increase of 62%■ But successive increases in HKD and USD interest rates drove up gross interest expenses at a faster pace■ Net interest margin pressured to 1.10% from 1.55%

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Non Interest Income

- A higher proportion of the bank's total operating income, increased from 27% to 39%
- Improved income from sales of investment products, the wealth management services, unit trust and insurance products plus net gain from short selling activities

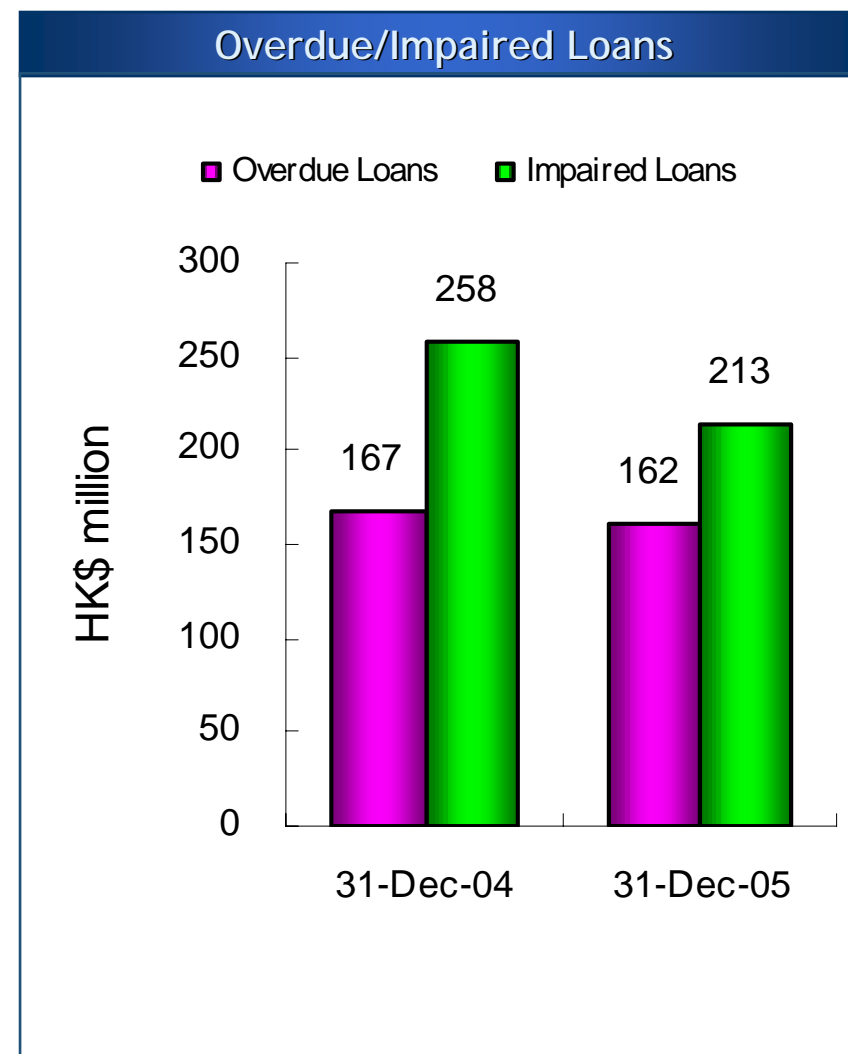
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Operating Expenses
■ Increase in operating expenses incurred relating to the name change campaign
■ Costs incurred to cultivate the bank's Taiwan business
■ Increased headcount (678 to 803)

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2005 Bond Gains

2005 Bond Gains / Fixed Assets Disposal

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Bond Gains / Fixed Assets Disposal

- Lower bond gains due to volatile/rising interest rate environment
- Disposal of surplus bank properties

2005 Balance Sheet Extracts

Balance Sheet Extracts

(HK\$m)	2004	2005	% change
ST funds	11,295	11,731	4
Loans	18,002	21,376	19
Investments	12,083	13,524	12
Others	4,381	3,173	-28
Total assets	45,761	49,804	9
Interbank takings	4,099	1,196	-71
Deposits	30,086	32,543	8
CDs Issued	2,368	3,805	61
Others	5,505	8,511	55
Equity	3,703	3,749	1
Total liabs & equity	45,761	49,804	9

Earning assets

- Net loans grew 19% with 35% increase in corporate loan portfolio
- Credit quality was good
- Impaired loans ratio decline to below 1%

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Funding

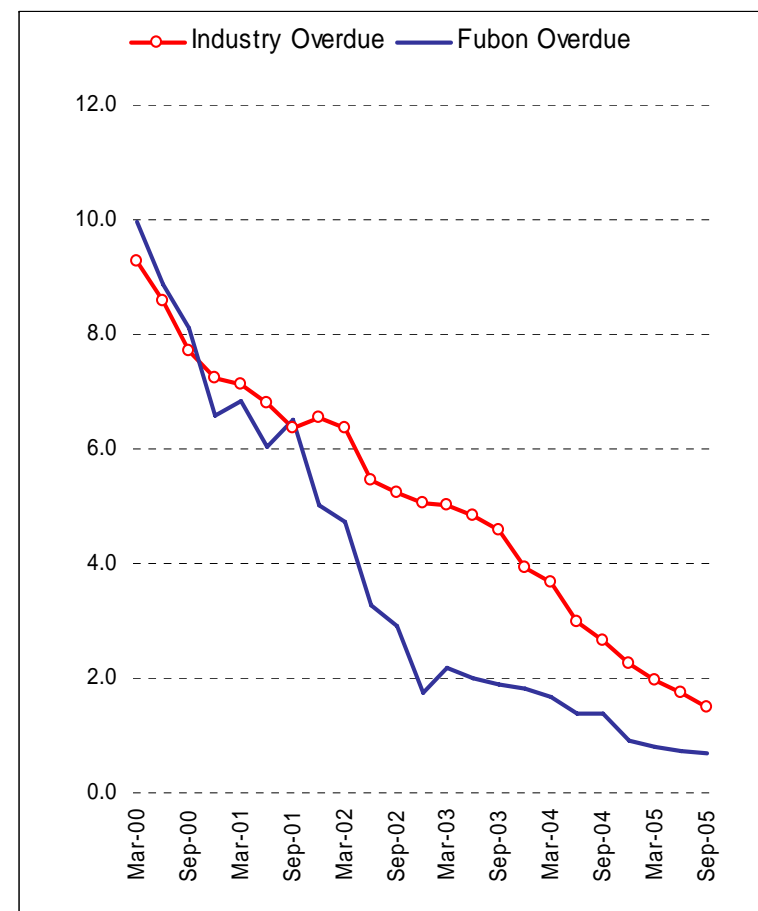
- Deposits rose 8%
- Deposit composition altered with customers shifting to fixed deposits
- Loan/deposit ratio rose from 55% to 59%
- Issued CDs to further broaden medium-term funding base

2005 Financial Ratios

2005/2004 Financial Ratios

	2004	2005
Capital Adequacy Ratio	18.5%	15.0%
Loan/Deposit Ratio	55.5%	58.8%
Liquidity Ratio	63.3%	44.7%
Return on Equity	8.0%	6.5%
Return on Assets	0.7%	0.5%
Net Interest Margin	1.55%	1.10%
Non interest income to Income Ratio	27.0%	39.4%
Cost/Income Ratio	72.1%	72.6%
Impaired Loans Ratio	1.42%	0.99%
Impaired Loans Coverage Ratio	93.8%	83.2%

Fubon Impaired Loan Ratio vs Industry



Taiwan Business

Wealth Management

- ❖ Up to 1,700 accounts with assets under management of HK\$2.0 billion
- ❖ Team built up to 29 headcount

Corporate Banking

- ❖ Total loans ~HK\$0.6 billion
- ❖ Hire purchase ~HK\$0.4 billion
- ❖ Total deposits ~HK\$0.8 billion
- ❖ Treasury services such as interest rate swaps and non-deliverable forwards

* Statistics as at 31 Dec, 2005

2006 Strategic Initiatives

- ❖ **Improve balance sheet mix**
- ❖ **Expand our customer base**
- ❖ **Implement culture change**
- ❖ **Explore China opportunities & establish our first China representative office**
- ❖ **Establish Fubon Securities and Fubon Asset Management as product platforms to institutional clients**

Thank You

