

# A Breakthrough in Core Performance

Fubon Bank (Hong Kong) Limited  
FY2006 Financial Results  
7 March 2007



Fubon Bank  
富邦銀行

Value Banking



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".



# Performance Highlights

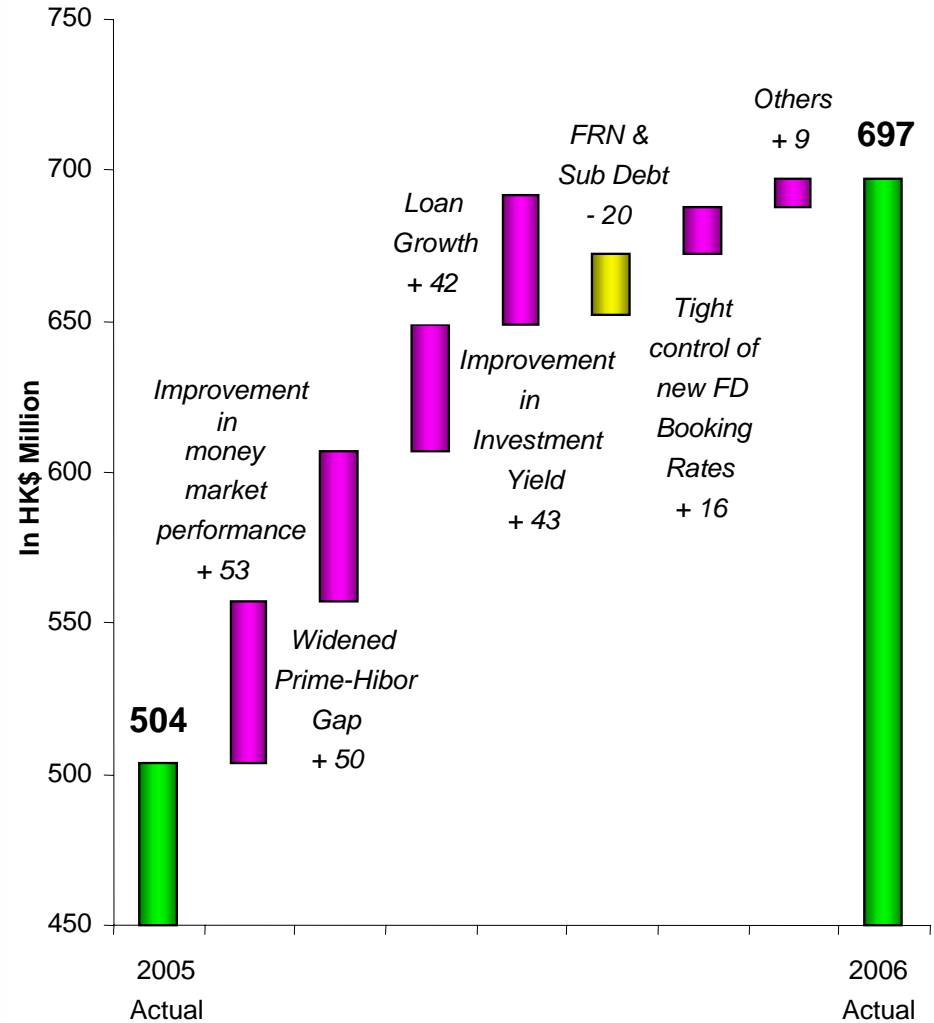
## FY 2006 : A Breakthrough in Core Performance

Net Interest Income	38%	↑
Other Operating Income	32%	↑
Operating Profit Before Gains and Impairment Losses	80%	↑
Profit Attributable to Shareholders	36%	↑
Proposed Final Dividend of 12 Hong Kong cents per share		



# Net Interest Income Rose 38%

- Net interest income was higher than 2005 by HK\$193 million or 38%
- Of which, 11% growth was from improvement in money market performance
- The remaining 27% growth was from widening of Prime-HIBOR gap, loan growth and investment yield improvement





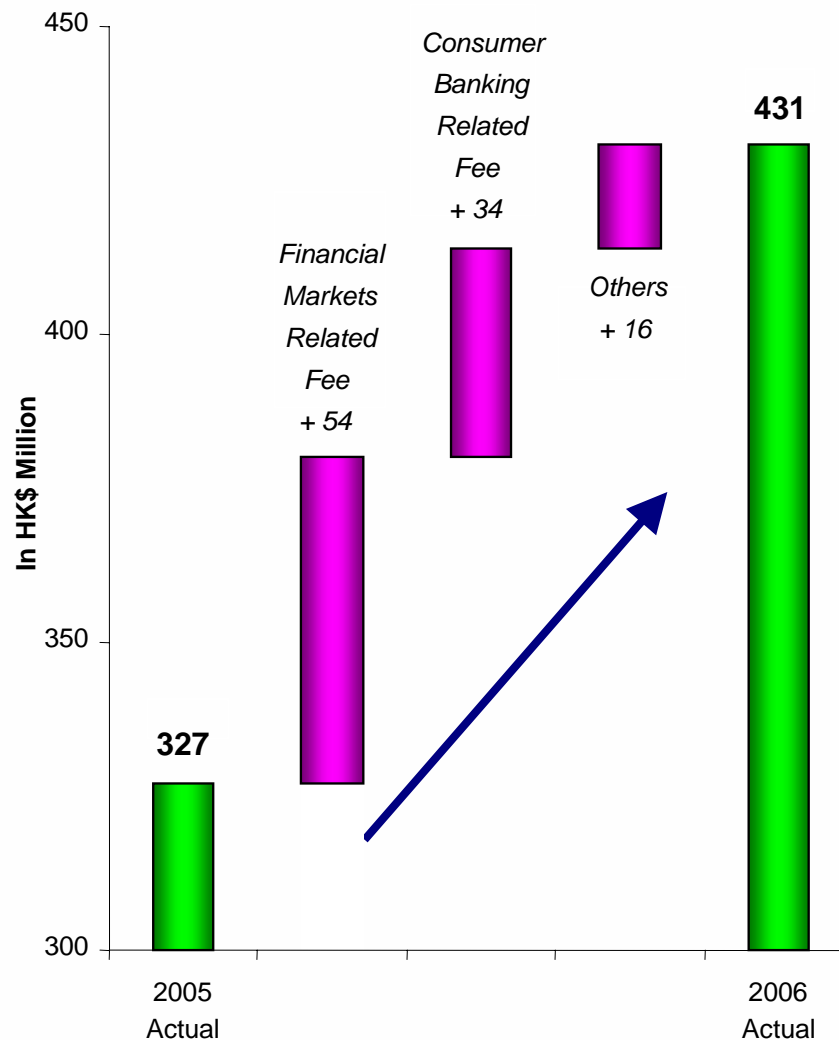
# Strong Growth in Non Interest Income

## Financial Markets Related Fee (↑26%)

- Recurring sales of financial markets products (↑101%)
- Brokerage-related (↑37%)
- Reclassification of net gain from short selling activities of HK\$76 million in 2005

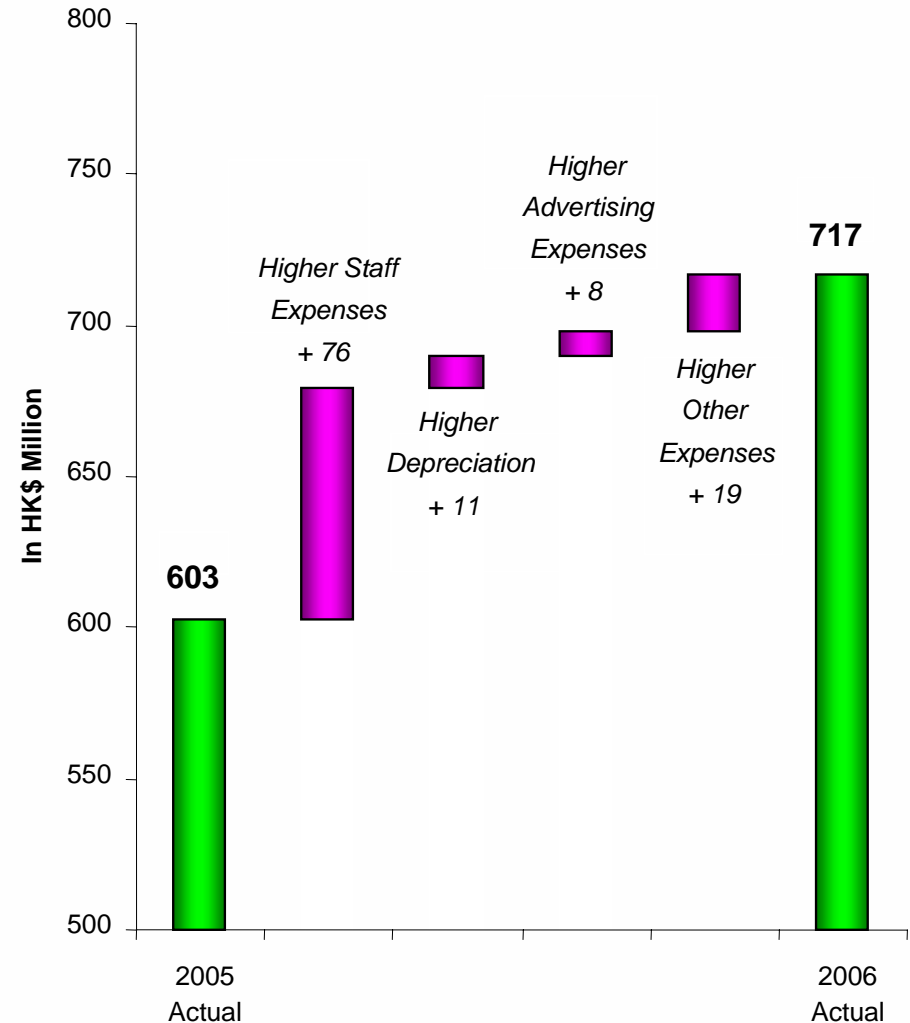
## Consumer Banking Related Fee (↑44%)

- Unit Trust Commission Income (↑86%) and Insurance (↑55%)
- Net Fee Income from Credit Card increased by 21%



# Operating Expenses Increased By 19%

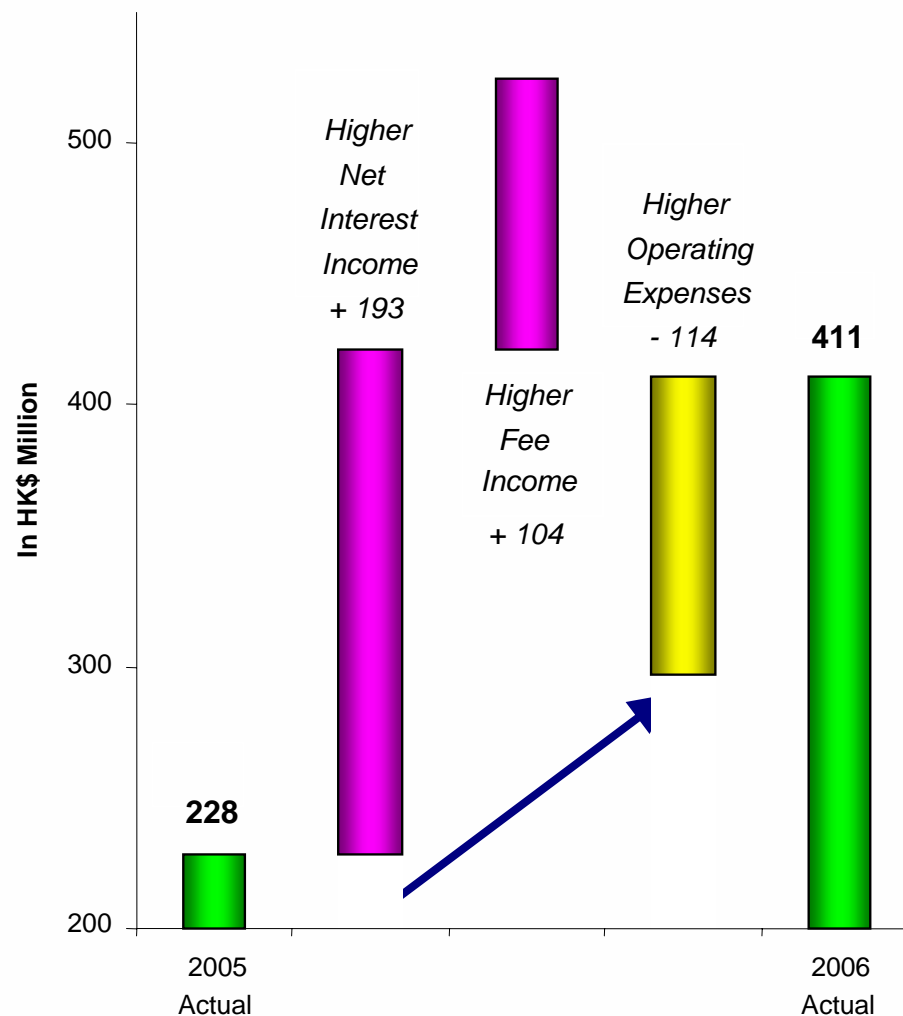
- Operating Expenses increased by HK\$114 million or 19%
- Major increase was in compensation & staff related expenses. Headcount growth (Dec-05: 803; Dec-06: 911)
- Due to office space re-arrangement in 2007, depreciation was higher than last year by HK\$11 million, mainly due to write-off of leasehold improvements and furniture & equipments





# Stellar Growth in Operating Profit Before Gains & Impairment Losses

- Strong Growth in Net Interest Income (↑38%)
- Strong Growth in Non Interest Income (↑32%)
- Offset by rise in Operating Expenses (↑19%)
- Operating Profit before Gains and Impairment Losses increased 80% to HK\$411 million

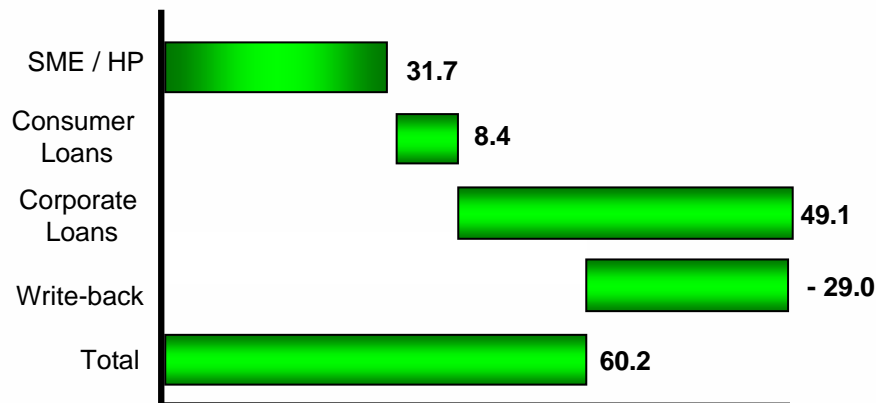




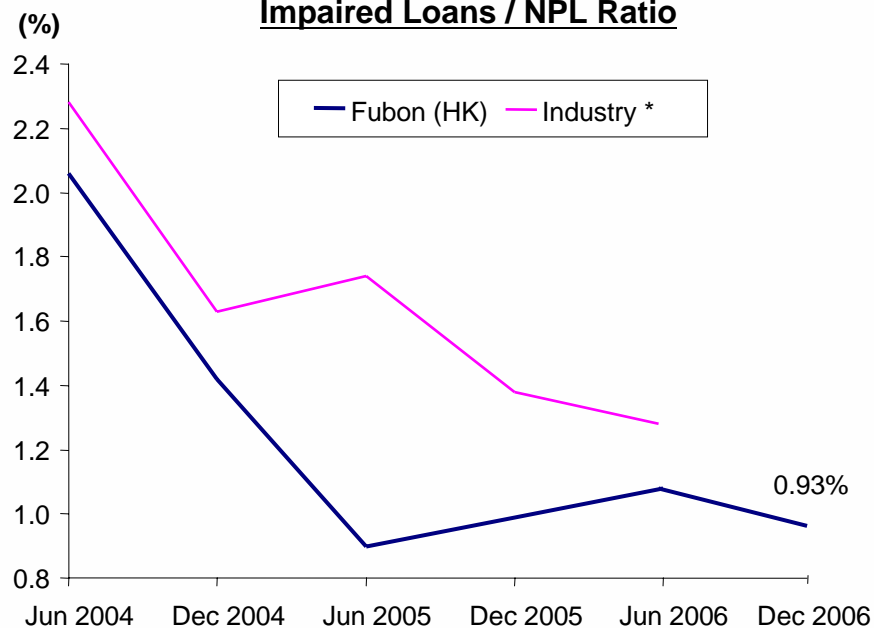
# Sound Asset Quality

- Net charge of individual impairment losses for 2006 is HK\$60.2 million
- Mostly due to charge of individual impairment losses made for corporate loans (HK\$49.1 million)
- Impaired loans ratio at 0.93%

**Individual Impairment Allowance**



**Impaired Loans / NPL Ratio**



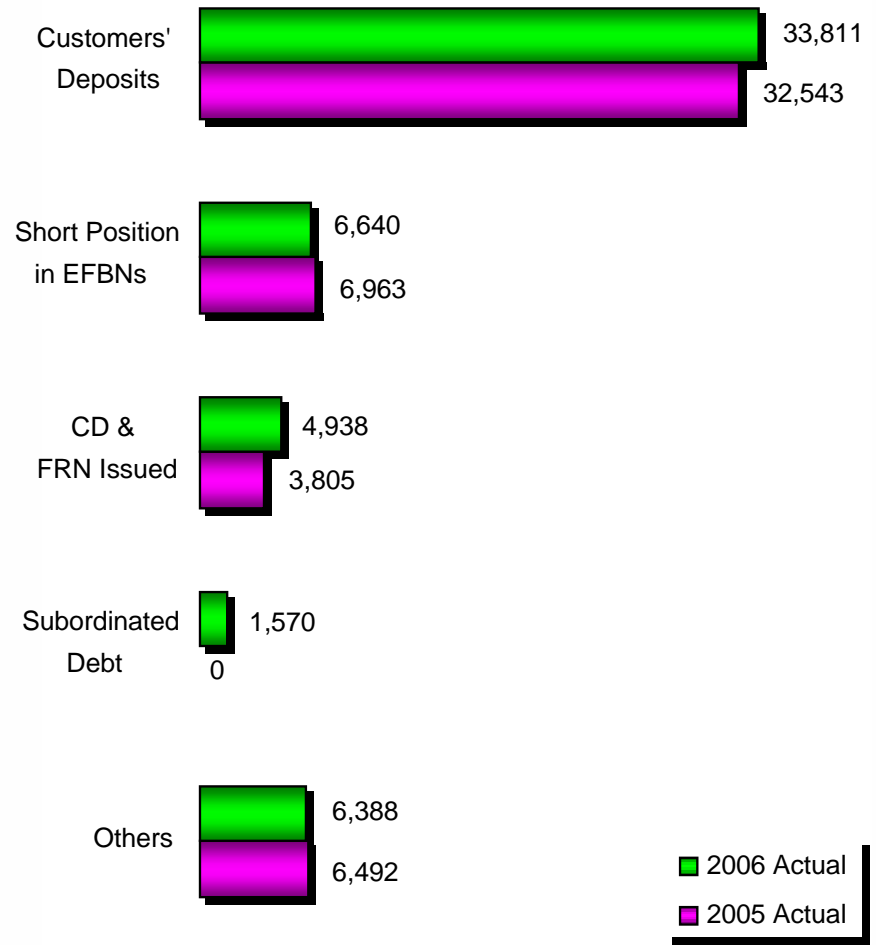
\* Source from the HKMA





# Diversified Funding

- Increased long term funding
- Issues in 2006 via Euro Medium Term Notes Program:
  - Subordinated debt: US\$200 million
  - Floating rate notes: US\$150 million
  - Equity linked notes: HK\$250 million
- Other issues included HK\$950 million of FRCD
- Customers' deposits grew by 4%, accounted for 63% of total funding (2005: 65%)

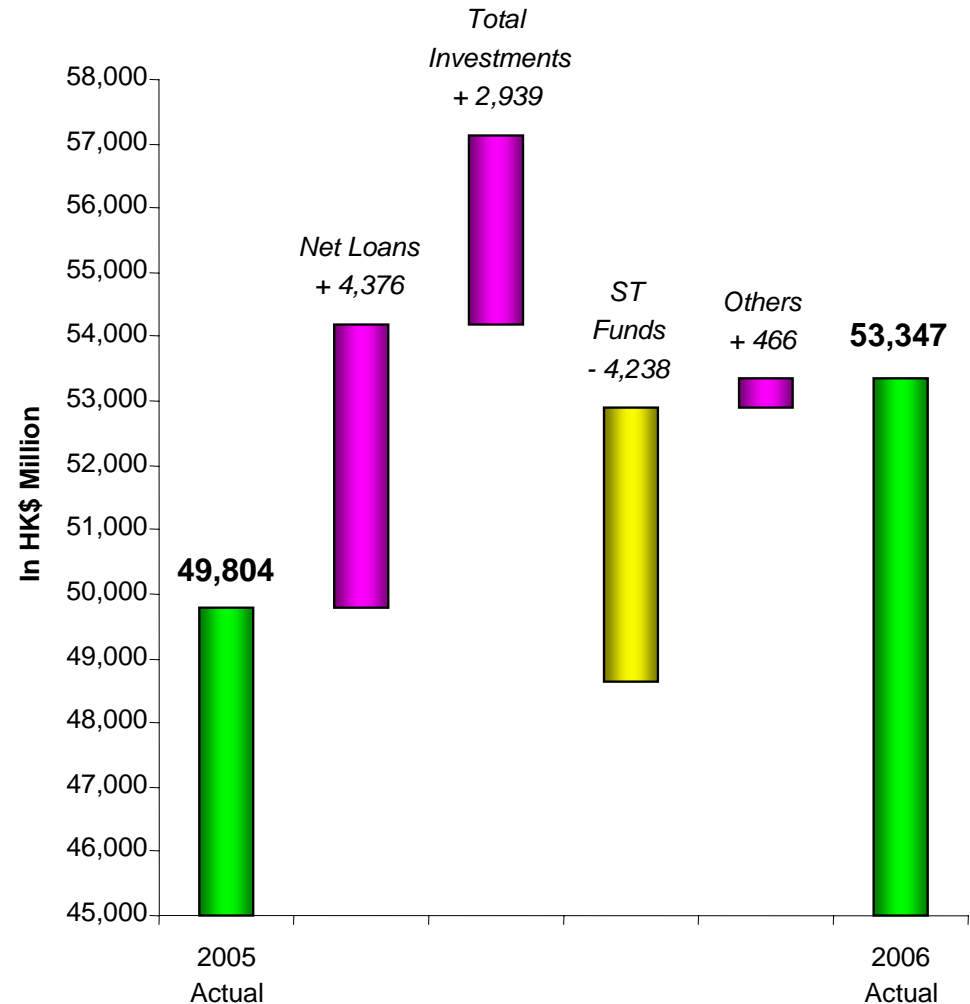


In HK\$ Million



# Improved Balance Sheet Mix

- 20% net loans growth
- Loan to Deposit ratio rose to 66%
- Investments (i.e. EFN & other debt securities) up HK\$2.9 billion or 43%
- Short term funds declined by 22%
- Total assets grew 7% to HK\$53.3 billion



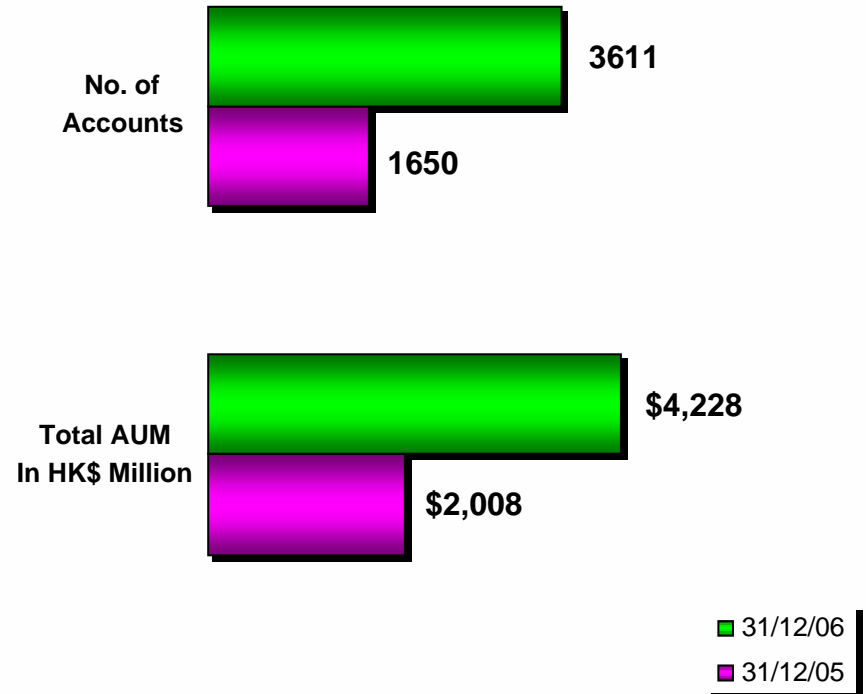


# Strong Growth in Taiwan-Related Business

## Wealth Management (as at 31/12/06)

- 3,611 accounts ( ↑ 119%) with assets under management of HK\$4.2 billion ( ↑ 111%)
- No. of new accounts acquired ~ 2,000
- New AUM for YTD Dec-06 reached US\$285 million

## Taiwan Business - Wealth Management



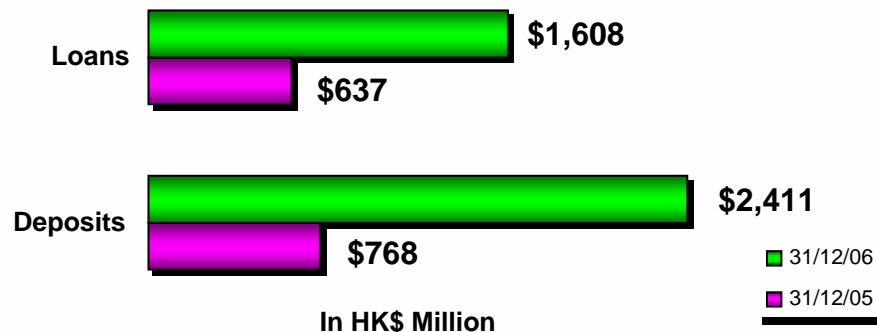


# Strong Growth in Taiwan-Related Business

## Corporate Banking – Taiwan Team

- Total corporate loans ~HK\$1.6 billion ( ↑ 152%)
- Total deposits ~HK\$2.4 billion ( ↑ 214%)

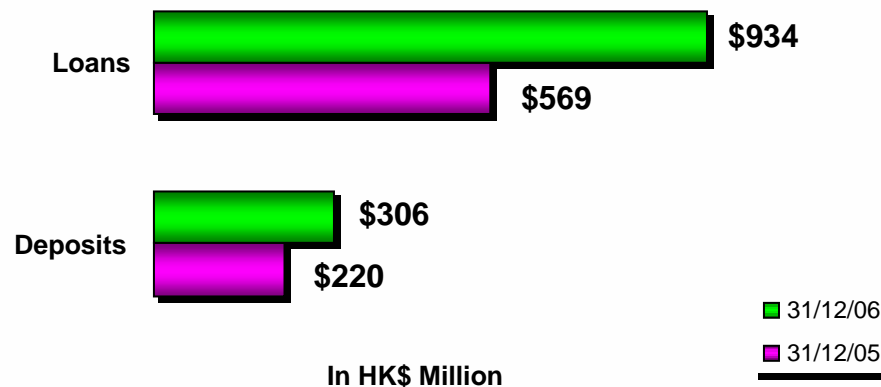
Taiwan Business - Corporate Banking



## Hire Purchase – Taiwan Team

- Total hire purchase ~HK\$0.9 billion ( ↑ 64%)
- Total deposits ~HK\$0.3 billion ( ↑ 39%)

Taiwan Business - Hire Purchase





# 2006 Full Year – Key Ratios

As of 31 December (%)	2006	2005
Non Interest Income to Operating Income Ratio	38.19	39.35
Cost to Income Ratio	63.57	72.57
Loans to Deposits Ratio	66.46	58.81
Net Interest Margin	1.35	1.09
Return on Assets	0.63	0.51
Return on Equity	8.47	6.48
Impaired Loans Ratio	0.93	0.99



# 2007 Key Strategic Initiatives



# 2007 Key Strategic Initiatives

- Complete the assets mix improvement
  - Loan growth
  - Investment portfolio
    - Improve average portfolio yield
    - Achieve diversification in asset type and geographical concentration
  
- Further integrate with Fubon Group in all businesses, in particular,
  - Corporate & Investment Banking (CIB)
  - Offshore Wealth Management
  - Financial Markets



# 2007 Key Strategic Initiatives

- Continue to build the wealth management franchise
  - High net worth platform
  - Customer franchise
  
- Explore China opportunities
  
- Investments in infrastructures
  - Additional office space in Central Tower
  - Other major I.T. investments  
e.g. Various CRM/e-banking systems enhancements





# 2006 Full Year – Income Statement

(HK\$ million)	2006 Actual	2005 Actual	<u>Variance (%)</u> vs 2005
Interest income	2,523	1,572	60.5
Interest expense	<u>(1,826)</u>	<u>(1,068)</u>	71.0
Net interest income	697	504	38.3
Other operating income	<u>431</u>	<u>327</u>	31.8
Operating income	1,127	831	35.7
Operating expense	<u>(717)</u>	<u>(603)</u>	18.9
Operating profit before gains and impairment losses	411	228	80.3



# 2006 Full Year – Income Statement

(HK\$ million)	2006 Actual	2005 Actual	<u>Variance (%)</u> vs 2005
Operating profit before gains and impairment losses	411	228	80.3
(Charge) of individual impairment losses	(60)	(10)	521.5
(Charge)/write back of collective impairment losses	<u>(5)</u>	<u>30</u>	117.7
Operating profit after impairment losses on advances to customers	345	248	39.1
(Charge)/reversal for impairment losses on investments and acquired assets	(1)	5	111.2
Gains/(losses) from disposal of available-for-sale securities	47	(18)	363.4
Gains on disposal of fixed assets	<u>0</u>	<u>39</u>	(99.9)
Profit before taxation	391	274	43.0
Taxation	<u>(64)</u>	<u>(32)</u>	98.7
Profit attributable to shareholders	<u><u>327</u></u>	<u><u>241</u></u>	35.5



# 2006 Full Year – Balance Sheet

(HK\$ million)	2006 Actual	2005 Actual	<u>Variance (%)</u> vs 2005
Cash, short term funds & placements	14,786	19,024	(22.3)
Trade bills less reserves and CD	158	410	(61.5)
Advances to customers less reserves	25,751	21,376	20.5
Accrued interest and other accounts	1,688	937	80.0
Investments	9,845	6,906	42.6
Fixed assets	<u>1,119</u>	<u>1,151</u>	(2.7)
	<u><u>53,347</u></u>	<u><u>49,804</u></u>	7.1



# 2006 Full Year – Balance Sheet

(HK\$ million)	2006 Actual	2005 Actual	<u>Variance (%)</u> vs 2005
Deposits and balances of banks & FIs	962	1,196	(19.6)
Deposits from customers	33,811	32,543	3.9
CD and FRN issued	4,938	3,805	29.8
Short Position in Exchange Fund Papers	6,640	6,963	(4.6)
Other accounts and liabilities	1,447	1,547	(6.4)
Subordinated debts	1,570	0	NA
Shareholders' funds	<u>3,979</u>	<u>3,749</u>	6.1
	<u><u>53,347</u></u>	<u><u>49,804</u></u>	7.1

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**Thank you**

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