

# A Breakthrough in Core Performance



## Fubon Bank (Hong Kong) Limited 1H 2006 Financial Results

8 August 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”.

## 2006 1H : A Breakthrough in Core Performance

**Net Interest Income**

**20%**



**Other Operating Income**

**37%**



**Operating Profit Before Provisions and Gains**

**60%**



**Profit Attributable to Shareholders**

**10%**



**Proposed Interim Dividend of 6 Hong Kong cents per share**

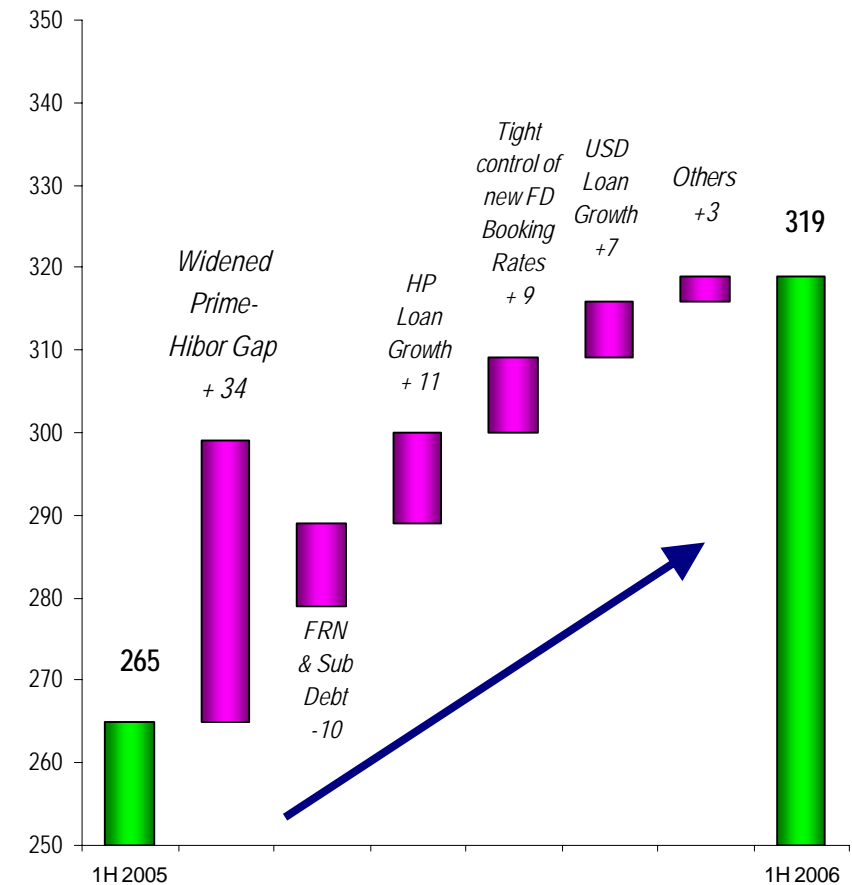
# Net Interest Income Grew by 20%

## Net Interest Income

- Net interest income increased HK\$54 million or 20%
- Widening of Prime-HIBOR gap was the main contributor of increase

## Net Interest Income

In HK\$ Million



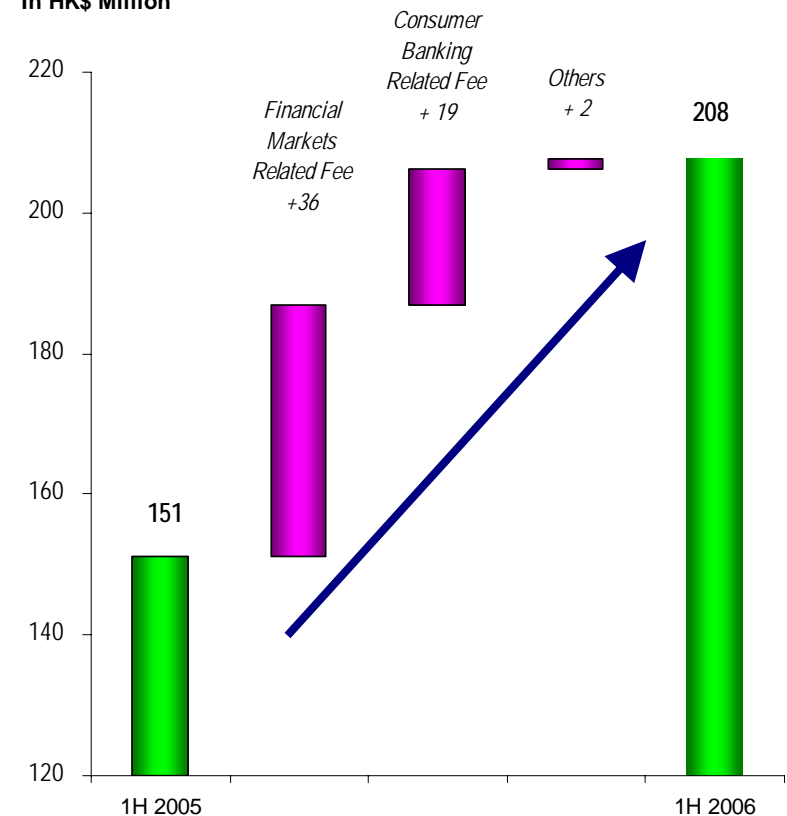
# Strong Growth in Non Interest Income

## Non Interest Income

- Strong recurring sales of Financial Markets Products throughout all Segments, 98% increase over 1H 2005
- Brokerage Income increased by 61%
- Insurance & Unit Trust Commission Income doubled
- Net Fee Income from Credit Card increased by 21%

## Non Interest Income

In HK\$ Million

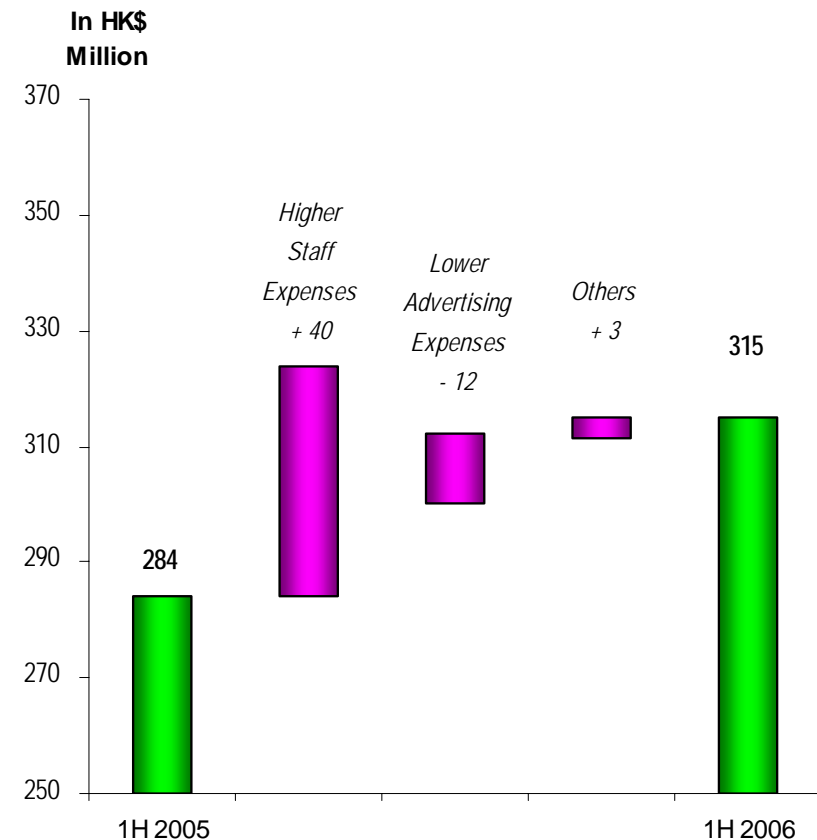


# Operating Expenses Rose Moderately

## Operating Expenses

- Operating Expenses Up by 11% resulted from the hiring of new staff for supporting business growth
- Number of full-time equivalent employees grew by 135 to 831 (60% for Front Office and 40% for Back Office)
- Due to robust income growth, cost to income ratio improved from 68.2% to 59.8%

## Operating Expenses



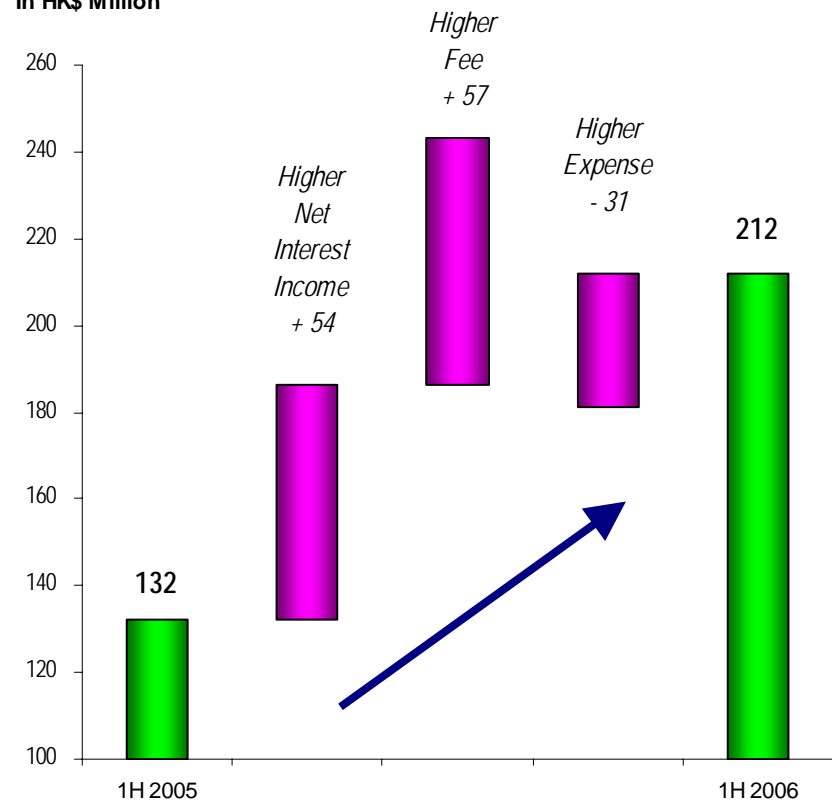
# Stellar Growth in Operating Profit before Provisions

## Operating Profit

- Strong Growth in Net Interest Income (+20%)
- Strong Growth in Non Interest Income (+37%)
- Offset by moderate rise in Operating Expenses (+11%)
- Operating Profit before Provisions and Gains increased 60% to HK\$212 million

## Operating Profit

In HK\$ Million

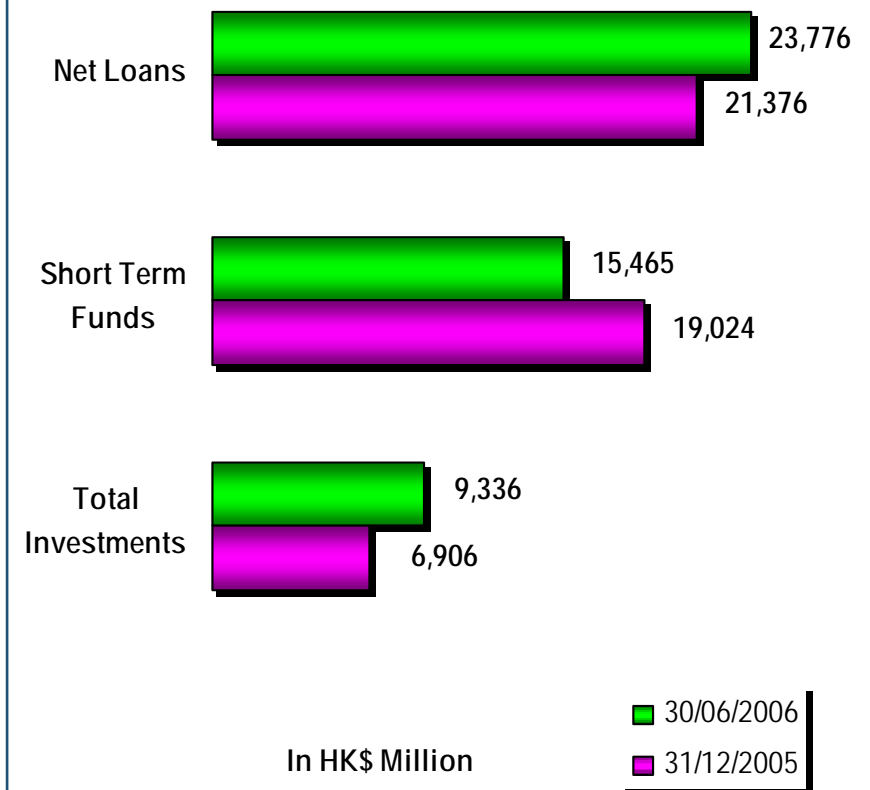


# Yield Improvement

## Balance Sheet Mix Improvement

- Increased the mix of higher yielding assets
- Gross loans grew 11%
- Reduced short term funds by 19%

## Yielding Assets



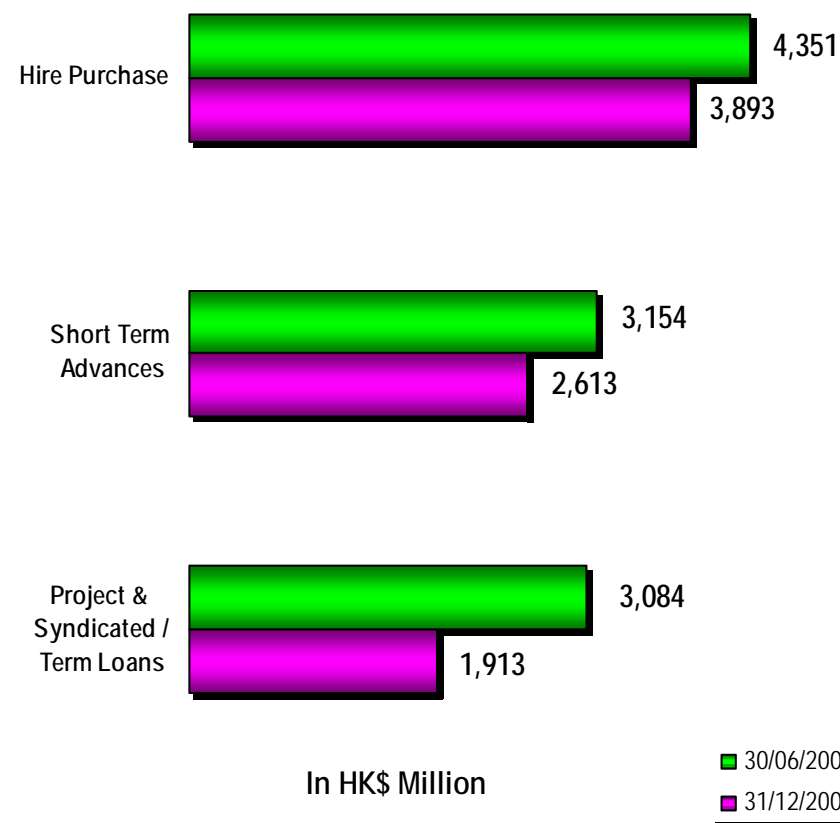


# Loan Growth Led to Increase in Interest Income

## Growth in Higher Yield Assets

- Growth in Short term Advances (21%), Hire Purchase (+12%), Project & Syndicated Loans (+61%)
- Contributed approximately HK\$18 million increase in net interest income (approximately 33% of total improvement in Net Interest Income)

## Total Loans

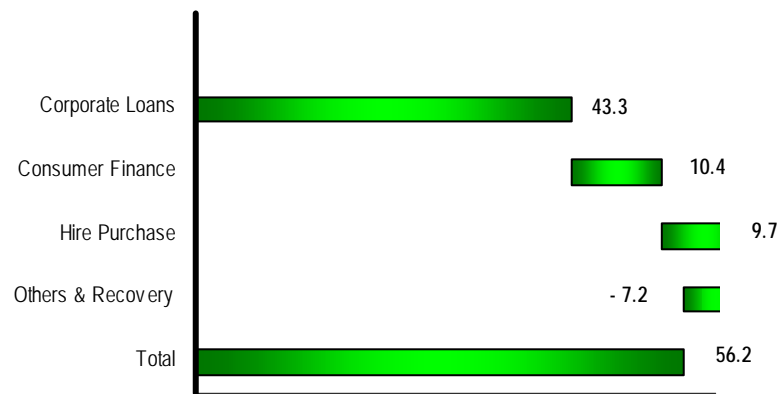


## Sound Assets Quality

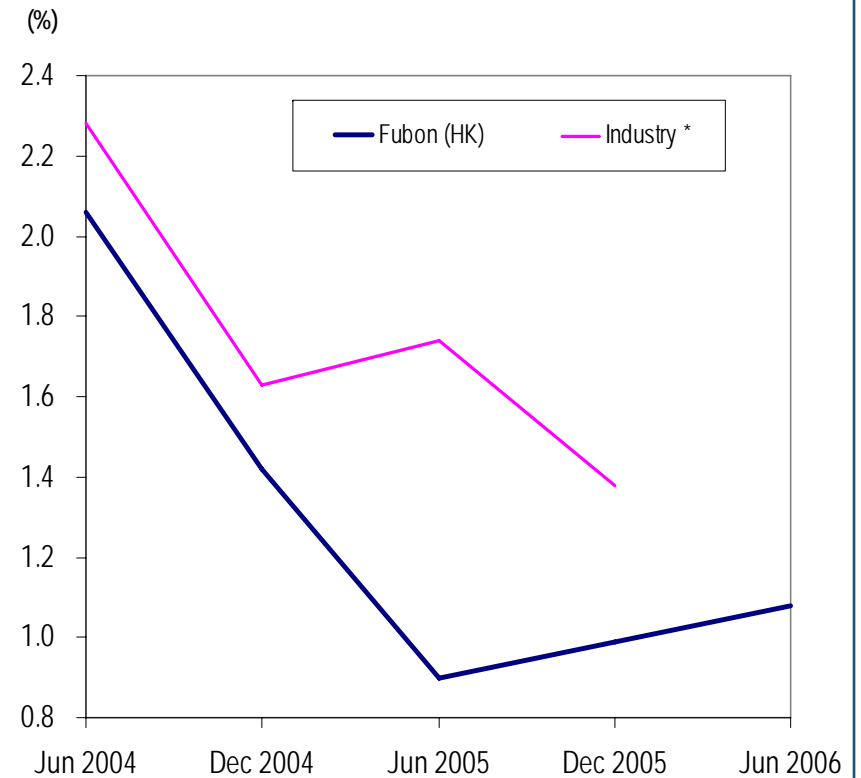
- **Though loans grew by 11%, the Bank was able to maintain its assets quality with impaired loans ratio at 1.08%**

## Individual Impairment Allowance

In HK\$ Million



## Impaired Loans / NPL Ratio



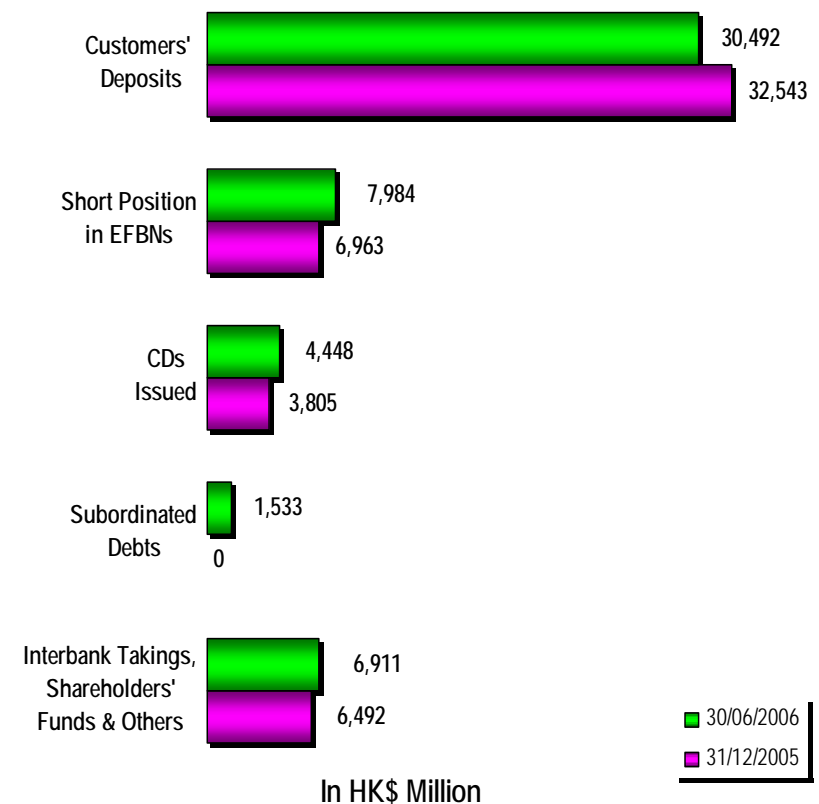
\* Source from the HKMA

# Diversified Funding

## Diversified Funding

- Issuance of US\$200 million subordinated debts & US\$150 million floating rate notes
- Increased short position of exchange fund bills/notes
- Further strengthened the Bank's capital base and liability structure
- Reduced the reliance on rate sensitive funding, such as customers' deposits which dropped 6% as planned

## Total Liabilities & Capital Resources



# Continuous Growth in Taiwan Related Business

## Taiwan Business

### Wealth Management

- 2,400 accounts (+44%) with assets under management of HK\$2.7 billion (+36%)

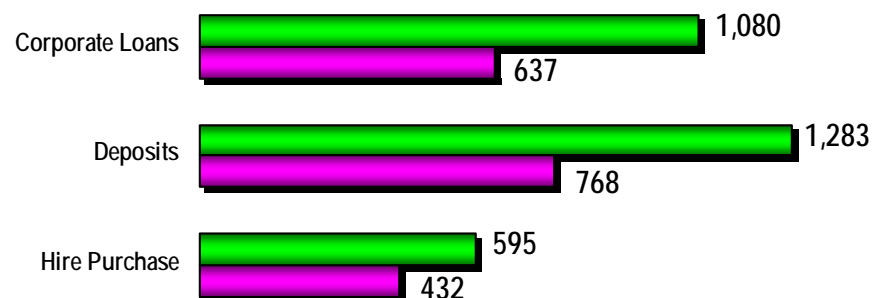
### Corporate Banking

- Total corporate loans ~HK\$1.1 billion (+70%)
- Total deposits ~HK\$1.3 billion (+67%)
- Hire purchase ~HK\$0.6 billion (+38%)

### Taiwan Business - Wealth Management



### Taiwan Business - Corporate Banking



In HK\$ Million

30/06/06

31/12/05

## 2006 Interim Results – Key Ratios

As of 30 June (%)	2006	2005
Non Interest Income to Income Ratio	39.42	36.30
Cost to Income Ratio	59.76	68.24
Loans to Deposits Ratio	68.05	58.81 (*)
Effective Net Interest Margin	1.29	1.19
Return on Assets	0.49	0.50 (#)
Return on Equity	6.83	6.32 (#)
Impaired Loan Ratio	1.08	0.99 (*)

(\*) As at 31 December 2005

(#) Annualized

## Strategic Initiatives for Transformational Growth

- Improve balance sheet mix
- Expand customer base
- Develop Taiwan-related business
- Explore China opportunities
- Establish Fubon Securities and Fubon Asset Management platform to institutional clients

***To Become the Regional Platform for  
Fubon Financial Group***

# Q & A

