

# Delivering Growth

Fubon Bank (Hong Kong) Limited  
FY2007 Financial Results  
11 March 2008



Fubon Bank  
富邦銀行

Value Banking



# Fubon Bank (HK) Limited – Disclaimer

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 2007 : Delivering Growth

|   |     |   |
|---|-----|---|
| Net Interest Income                                     | 23% | ↑ |
| Non-interest Operating Income                           | 32% | ↑ |
| Operating Profit Before Gains and Impairment Losses     | 43% | ↑ |
| Profit Attributable to Shareholders                     | 41% | ↑ |
| Proposed Final Dividend of 13 Hong Kong cents per share |     |   |

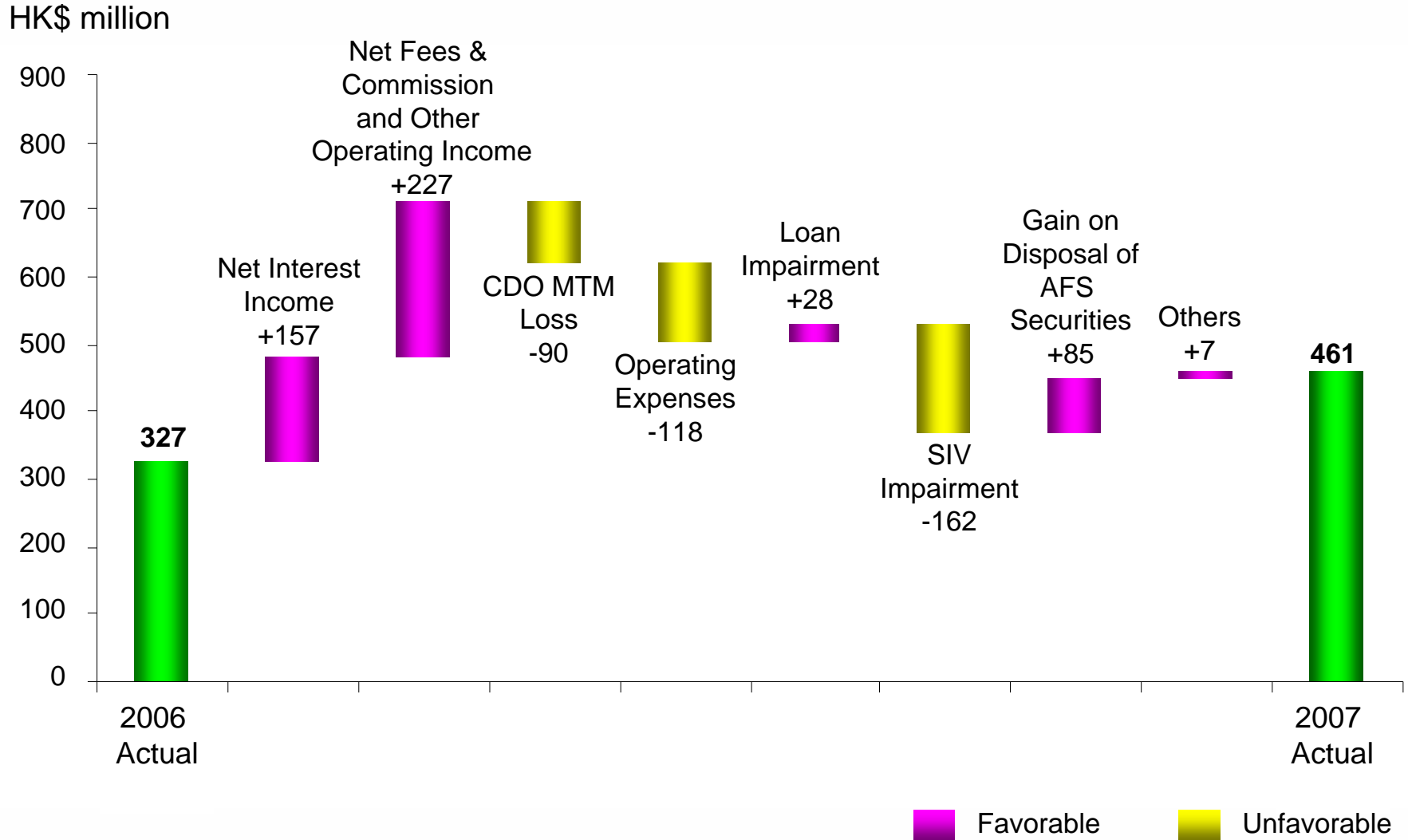


# Key Drivers for 2007 Earnings

- Improvement in net interest margin resulted from loan growth, improvement in investment yield and balance sheet mix
- Growth in customer franchise
- Further enhancement of wealth management and financial markets product platform
- Further integration with Fubon Financial
- Maintaining sound asset quality



# Profit Attributable to Shareholders Grew 41%

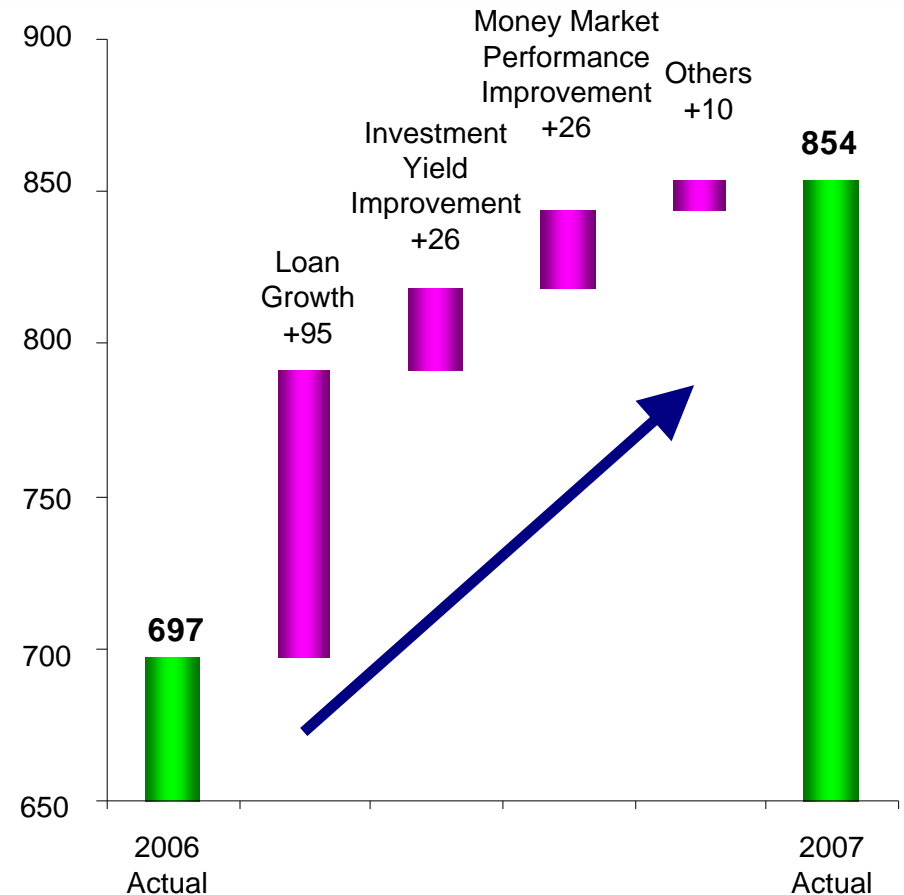




# Net Interest Income Rose 23%

- Net interest income was higher than 2006 by HK\$157 million or 23%.
- Of which, 14% or HK\$95 million growth was attributed to loan growth. Average loan balance increased HK\$5 billion (↑ 21%).
- The remaining 9% growth was from investment yield (HK\$26 million) & money market performance improvement (HK\$26 million).

HK\$ million





# Non-Interest Operating Income Up 32%

Non-Interest Operating Income grew by HK\$137 million or 32% to HK\$568 million from 2006's HK\$431 million.

## Wealth Management Products Commission Income (↑ 78% or HK\$177 million)

- Unit Trust commission income (↑ HK\$81 million or 197%)
- Recurring sale of financial markets products (↑ HK\$79 million or 47%)
- Insurance commission income (↑ HK\$17 million or 101%)

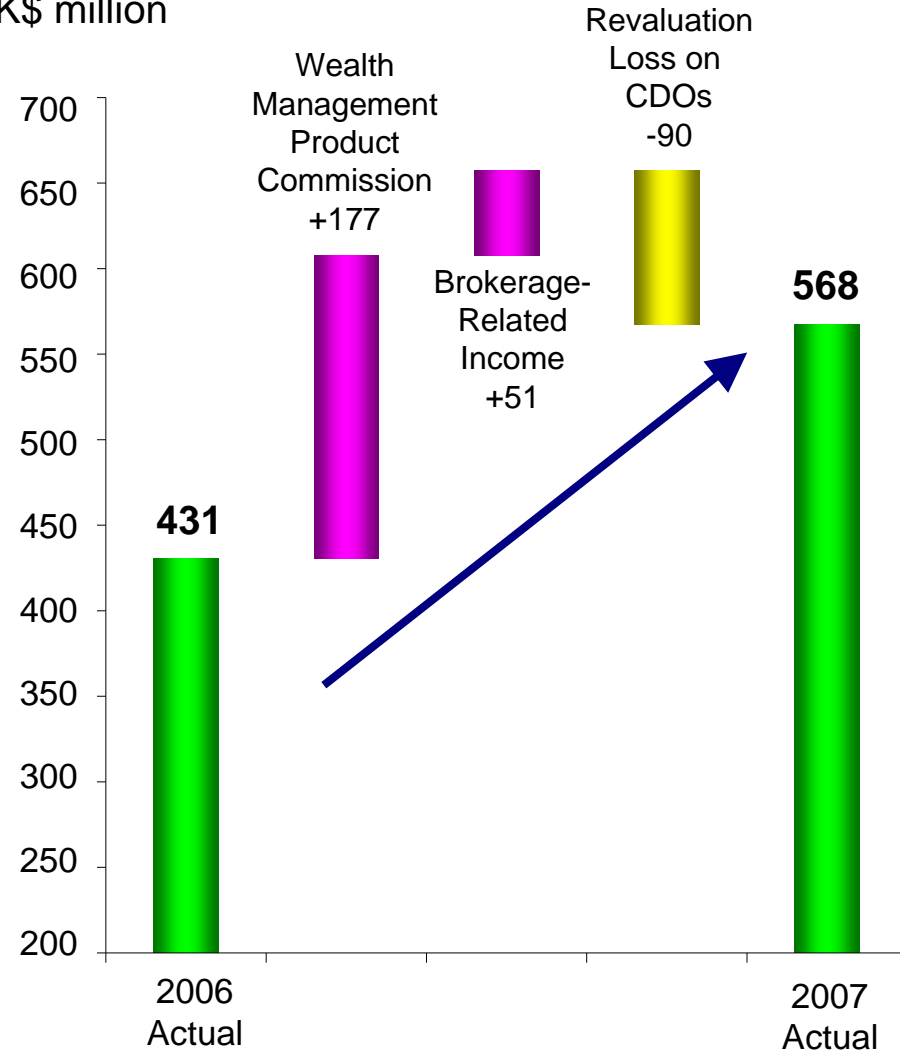
## Brokerage-Related Commission Income (↑ 90%)

- Brokerage-related income (↑ HK\$51 million or 90%)

## Revaluation Loss on CDOs

- HK\$90 million for 2007

HK\$ million





# Non-interest Operating Income (Revaluation Losses on CDOs)

(In HK\$ million)

**At 31 December 2007**

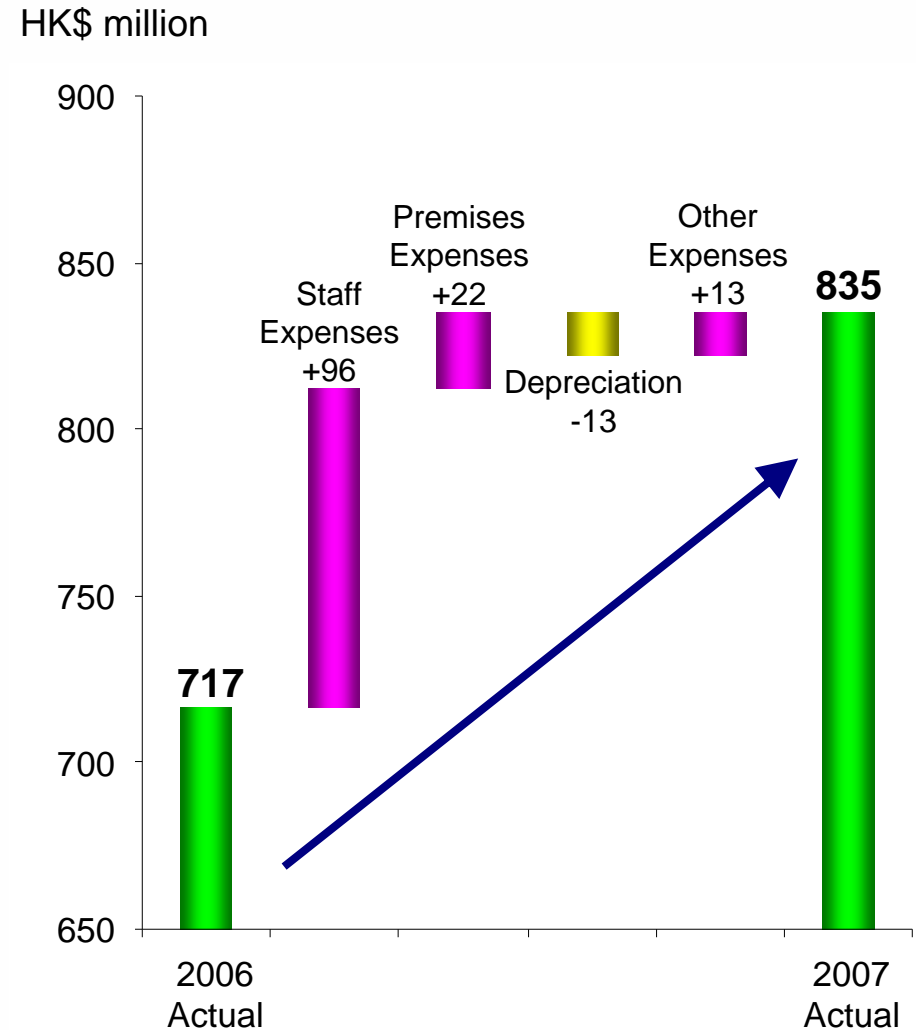
|                                  | <b>Nominal Value</b>       | <b>Market Value<br/>%</b> | <b>Revaluation<br/>Losses<br/>through P&amp;L</b> |
|----------------------------------|----------------------------|---------------------------|---|
| <b>Fortuna Managed CDO III-A</b> | <b>78 (US\$10 million)</b> | <b>60.00%</b>             | <b>(31)</b>                                       |
| <b>Titian CDO Plc</b>            | <b>78 (US\$10 million)</b> | <b>65.60%</b>             | <b>(27)</b>                                       |
| <b>Anderson Valley III CDO</b>   | <b>78 (US\$10 million)</b> | <b>58.50%</b>             | <b>(32)</b>                                       |
|                                  |                            |                           | <b>(90)</b>                                       |





# Increase in Operating Expenses by 17%

- Operating Expenses increased HK\$118 million or 17% to HK\$835 million
- Major increase was in compensation & staff-related expenses of HK\$96 million
  - Headcount growth (Dec-06: 911; Dec-07: 1,101)
  - Full year salary effect on headcount growth in 2006
- Premises expenses rose HK\$22 million
  - New office space to cope with business expansion and headcount growth
- Lower depreciation charges due to some fixed assets fully depreciated in 2006
- Other Expenses increased HK\$13 million
  - Higher systems-related expenses to support business growth





# Impairment Losses on Investments (SIV)

(In HK\$ million)

|                               | Nominal Value               | At 31 December 2007 |                               |
|-------------------------------|-----------------------------|---------------------|-------------------------------|
|                               |                             | Market Value %      | Impairment Losses through P&L |
| <b>Centauri Corp</b>          | <b>156 (US\$20 million)</b> | <b>51.60%</b>       | <b>(76)</b>                   |
| <b>Cullinan Finance Ltd.*</b> | <b>117 (US\$15 million)</b> | <b>25.70%</b>       | <b>(86)</b>                   |
|                               |                             |                     | <b>(162)</b>                  |

## \*Cullinan Finance Ltd.

In February 2008, Cullinan's income notes for US\$15 million was switched into income notes newly issued by Mazarin Funding Limited (US\$10.7 million) and Barion Funding Limited (US\$4.3 million) at 19.9% NAV.

## FIVE Finance Corporation (Nominal Value equivalent of US\$25 million)

In November 2007, FIVE's income note was switched to a portfolio of high grade assets of which the tenor and credit quality are in line with its investment strategy at 62.162% NAV.



# Advances to Customers Rose 22%

| (HK\$ million)                | 2007          | 2006          | Variance<br>(%) |
|-------------------------------|---------------|---------------|-----------------|
| Credit Card Advances          | 520           | 493           | 5.4             |
| Personal Loans                | 279           | 235           | 18.7            |
| Hire Purchase                 | 5,117         | 4,450         | 15.0            |
| Short Term Advances           | 5,212         | 4,140         | 25.9            |
| Overdrafts & Commercial Loans | 2,444         | 1,335         | 83.1            |
| Syndicated & Term Loans       | 5,060         | 3,289         | 53.9            |
| Instalment Housing Loans      | 9,474         | 8,629         | 9.8             |
| Property Mortgage Loans       | 3,352         | 3,100         | 8.1             |
| Non-performing Loans          | 176           | 243           | (27.6)          |
| <b>Advances to Customers</b>  | <b>31,633</b> | <b>25,914</b> | <b>↑22.1</b>    |



# Customer Deposits Increased by 23%

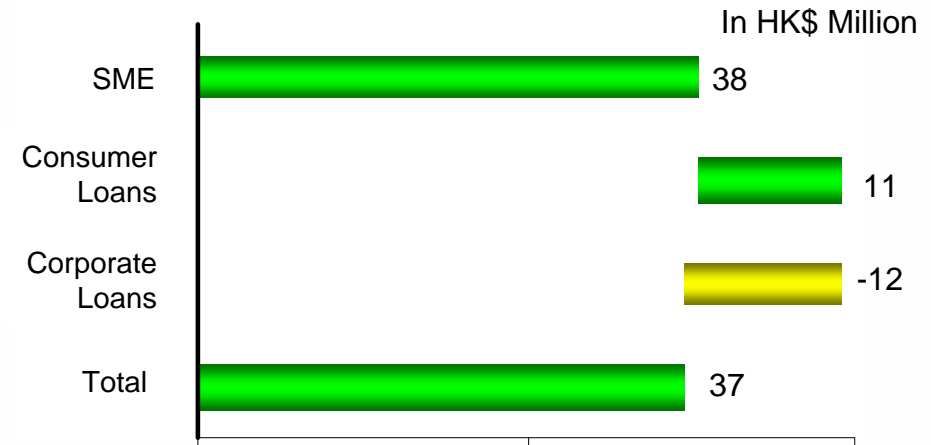
| (HK\$ million)                 | 2007          | 2006          | Variance<br>(%) |
|--------------------------------|---------------|---------------|-----------------|
| Demand Deposits                | 6,439         | 5,410         | 19.0            |
| Savings Deposits               | 957           | 833           | 14.9            |
| Call Deposits                  | 2,882         | 2,247         | 28.2            |
| Fixed Deposits                 | 31,196        | 25,320        | 23.2            |
| <b>Deposits from Customers</b> | <b>41,474</b> | <b>33,811</b> | <b>↑22.7</b>    |



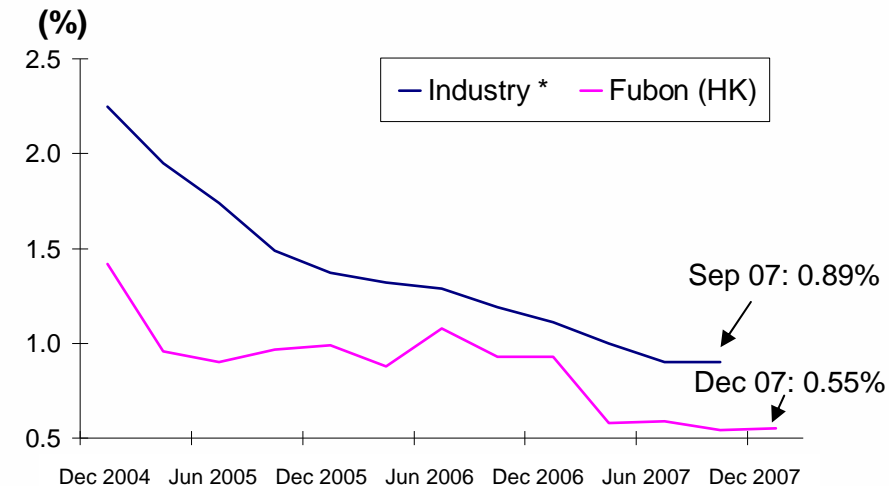
# Sound Asset Quality

- Net charge of individual impairment losses for 2007 was HK\$37 million, decreased by HK\$23 million when compared to 2006's HK\$60 million.
- The decrease was mainly due to write-backs of provisions for corporate loans in 2H 2007.
- Impaired loans ratio consecutively reduced to 0.55% at 31 Dec 2007, much lower than industry's 0.89% at 30 Sep 2007.

## Charge for Individual Impairment Losses (2007)



## Impaired Loan Ratio

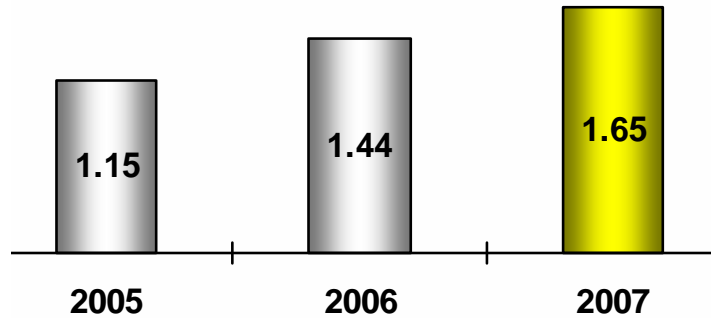


\* Source from the HKMA

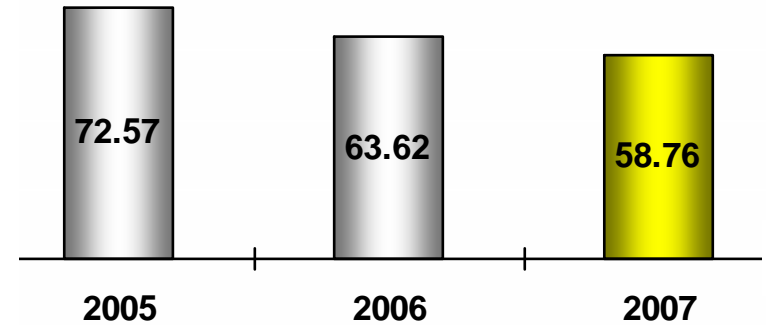


# Improvements of Key Financial Ratios

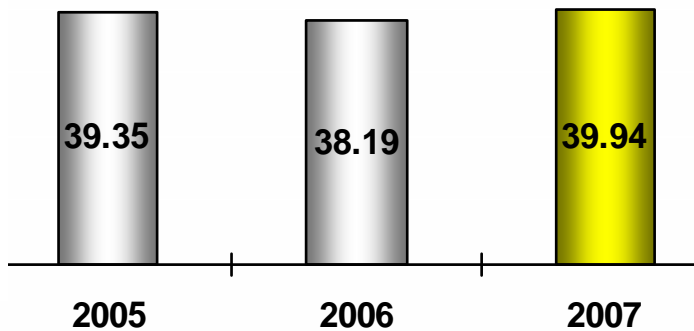
**Net Interest Margin (%)**



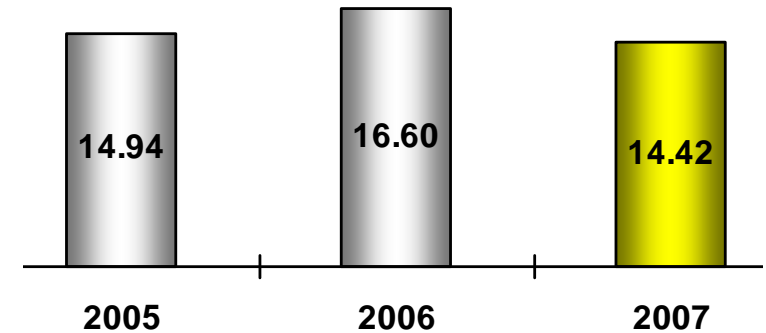
**Cost to Income Ratio (%)**



**Non-interest Income to Income Ratio (%)**

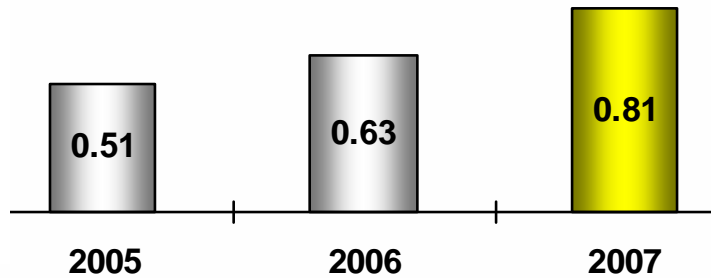


**Capital Adequacy Ratio (%)**

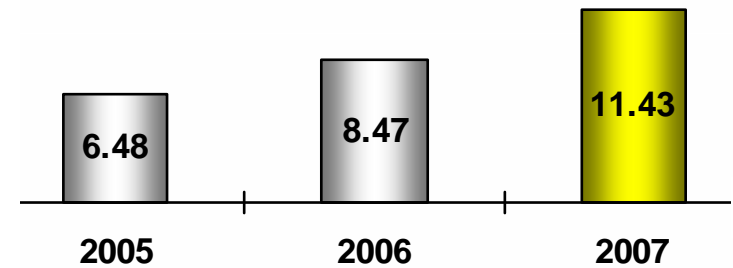


# Improvements of Key Financial Ratios (Cont.)

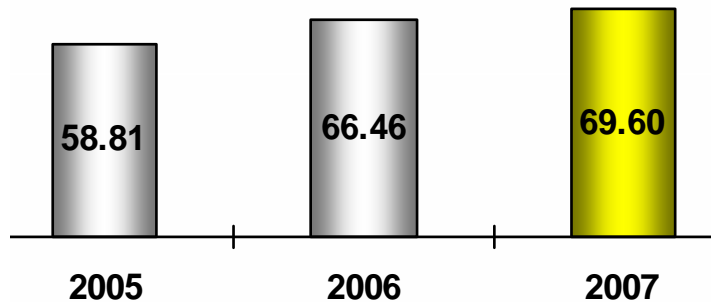
Return on Assets (%)



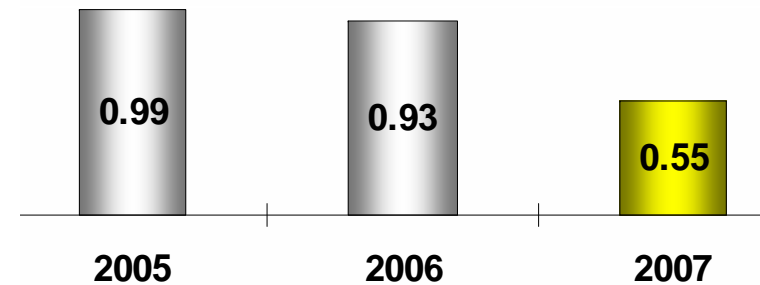
Return on Equity (%)



Loan to Deposit Ratio (%)



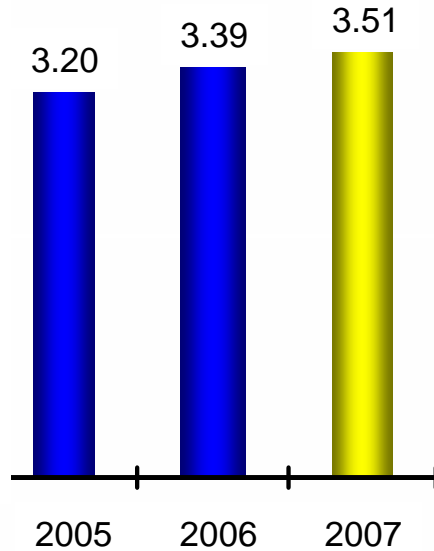
Impaired Loan Ratio (%)



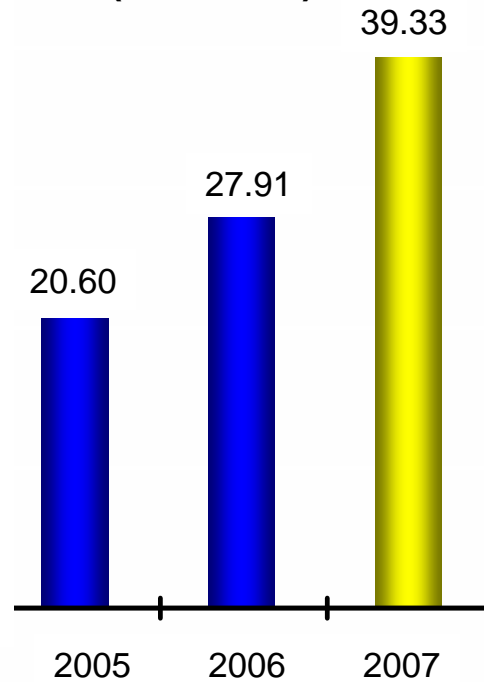


# 2007 Full Year Actual – Per Share Calculations

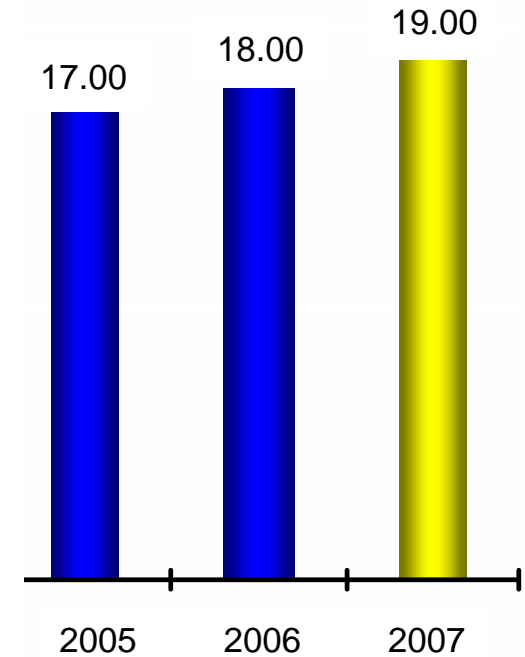
**Book Value Per Share  
(HK\$)**



**Earnings Per Share  
(HK Cents)**



**Dividend Per Share  
(HK Cents)**



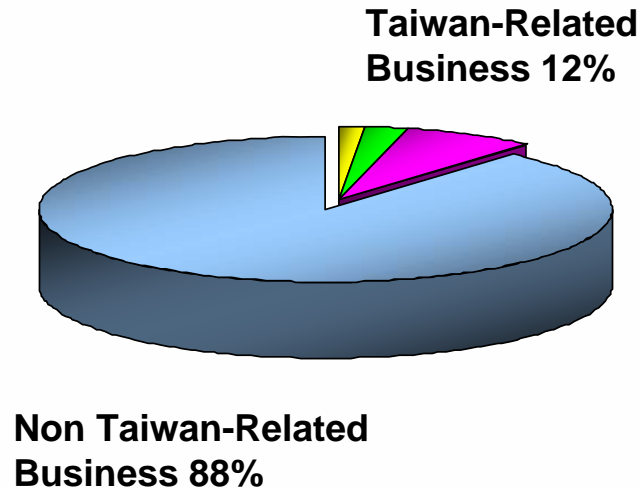




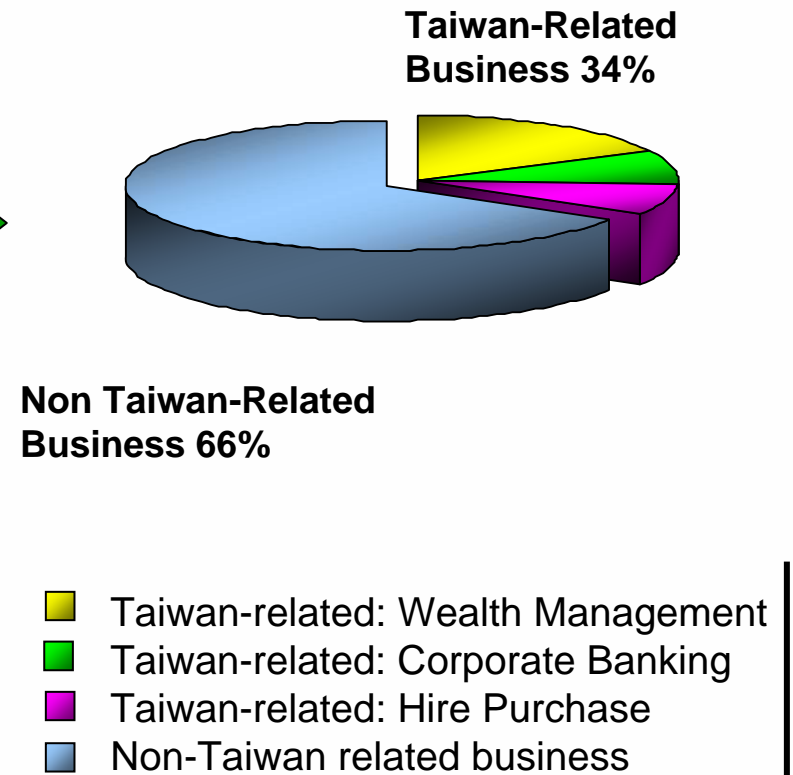
# Taiwan-Related Business

## – Operating Profits before Gains & Impairment Losses

Year 2006



Year 2007



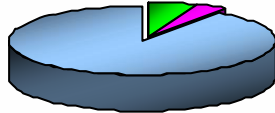


# Taiwan-Related Business – Loans and Deposits

## Loans

As at 31/12/2006

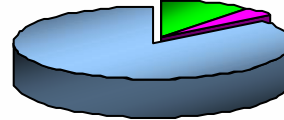
Taiwan-Related  
Business 10%



Non Taiwan-Related  
Business 90%

As at 30/6/2007

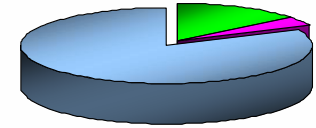
Taiwan-Related  
Business 14%



Non Taiwan-Related  
Business 86%

As at 31/12/2007

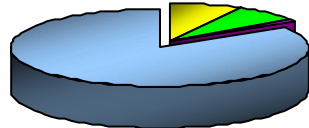
Taiwan-Related  
Business 18%



Non Taiwan-Related  
Business 82%

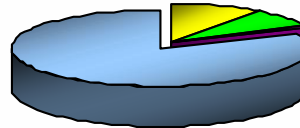
## Deposits

Taiwan-Related  
Business 16%



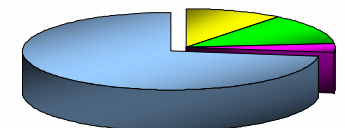
Non Taiwan-Related  
Business 84%

Taiwan-Related  
Business 19%



Non Taiwan-Related  
Business 81%

Taiwan-Related  
Business 21%



Non Taiwan-Related  
Business 79%

- Taiwan-related: Wealth Management
- Taiwan-related: Corporate Banking
- Taiwan-related: Hire Purchase
- Non-Taiwan related business



# Sustainable Growth

- Sustain broad-based growth to enhance ROE
- Continue to build customer franchise
- Investment in infrastructures and product platform
  - CRM/ e-banking systems enhancement
  - Establish high net worth platform
  - Wealth management/ financial markets product platform enhancement
- Launch asset management business, targeting to launch the first public fund in 1H2008
- Prepare for China expansion



# 2007 Full Year – Income Statement

| (HK\$ million)  | 2007<br>Actual | 2006<br>Actual | Variance (%)<br>vs 2006 |
|---|----------------|----------------|-------------------------|
| Net interest income                                       | 854            | 697            | 22.5                    |
| Other operating income                                    | 658            | 431            | 52.8                    |
| Mark-to-market loss for CDOs                              | (90)           | 0              | NA                      |
| Operating income  | 1,421          | 1,127          | 26.1                    |
| Operating expense   | (835)          | (717)          | 16.5                    |
| Operating profit before gains & impairment losses         | 587            | 411            | 42.8                    |
| Impairment losses on advances to customers                | (38)           | (66)           | (42.6)                  |
| Impairment losses on available-for-sale securities (SIVs) | (162)          | 0              | NA                      |
| Other impairment losses                                   | (5)            | (1)            | >100                    |
| Operating profit after impairment loss                    | 382            | 345            | 10.7                    |
| Net gain on disposal of available-for-sale securities     | 132            | 47             | >100                    |
| Net gain on disposal of fixed assets                      | 3              | 0              | NA                      |
| Profit before taxation                                    | 517            | 392            | 32.0                    |
| Taxation  | (56)           | (64)           | (13.6)                  |
| Profit for the year                                       | <u>461</u>     | <u>327</u>     | 41.0                    |



# 2007 Full Year – Balance Sheet

| (HK\$ million)                                  | 2007<br>Actual | 2006<br>Actual | Variance (%)<br>vs 2006 |
|---|----------------|----------------|-------------------------|
| <b>Cash, short term funds &amp; placements</b>  | 12,486         | 14,786         | (15.6)                  |
| <b>Trade bills less reserves and CD</b>         | 347            | 158            | >100                    |
| <b>Advances to customers less reserves</b>      | 31,479         | 25,751         | 22.2                    |
| <b>Accrued interest and other accounts</b>      | 2,130          | 1,688          | 26.2                    |
| <b>Investments</b>                              | 13,039         | 9,845          | 32.4                    |
| <b>Fixed Assets</b>                             | 1,142          | 1,119          | 2.0                     |
|   | <u>60,623</u>  | <u>53,347</u>  | 13.6                    |
| <b>Deposits and balances of banks &amp; FIs</b> | 1,458          | 962            | 51.6                    |
| <b>Deposits from customers</b>                  | 41,474         | 33,811         | 22.7                    |
| <b>CD and FRN issued</b>                        | 3,975          | 4,938          | (19.5)                  |
| <b>Short Position and Exchange Fund Papers</b>  | 6,092          | 6,640          | (8.3)                   |
| <b>Other accounts and liabilities</b>           | 1,880          | 1,447          | 29.9                    |
| <b>Subordinated debts</b>                       | 1,622          | 1,570          | 3.3                     |
| <b>Shareholders' funds</b>                      | 4,122          | 3,979          | 3.6                     |
|   | <u>60,623</u>  | <u>53,347</u>  | 13.6                    |

Fubon Bank Fubon Bank Fubon Bank Fubon Bank Fubon Bank Fubon Bank



*Thank you*

Fubon Bank Fubon Bank Fubon Bank Fubon Bank Fubon Bank Fubon Bank