

Integration for Growth

Fubon Bank (Hong Kong) Limited
FY2008 Interim Results
12 August 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".



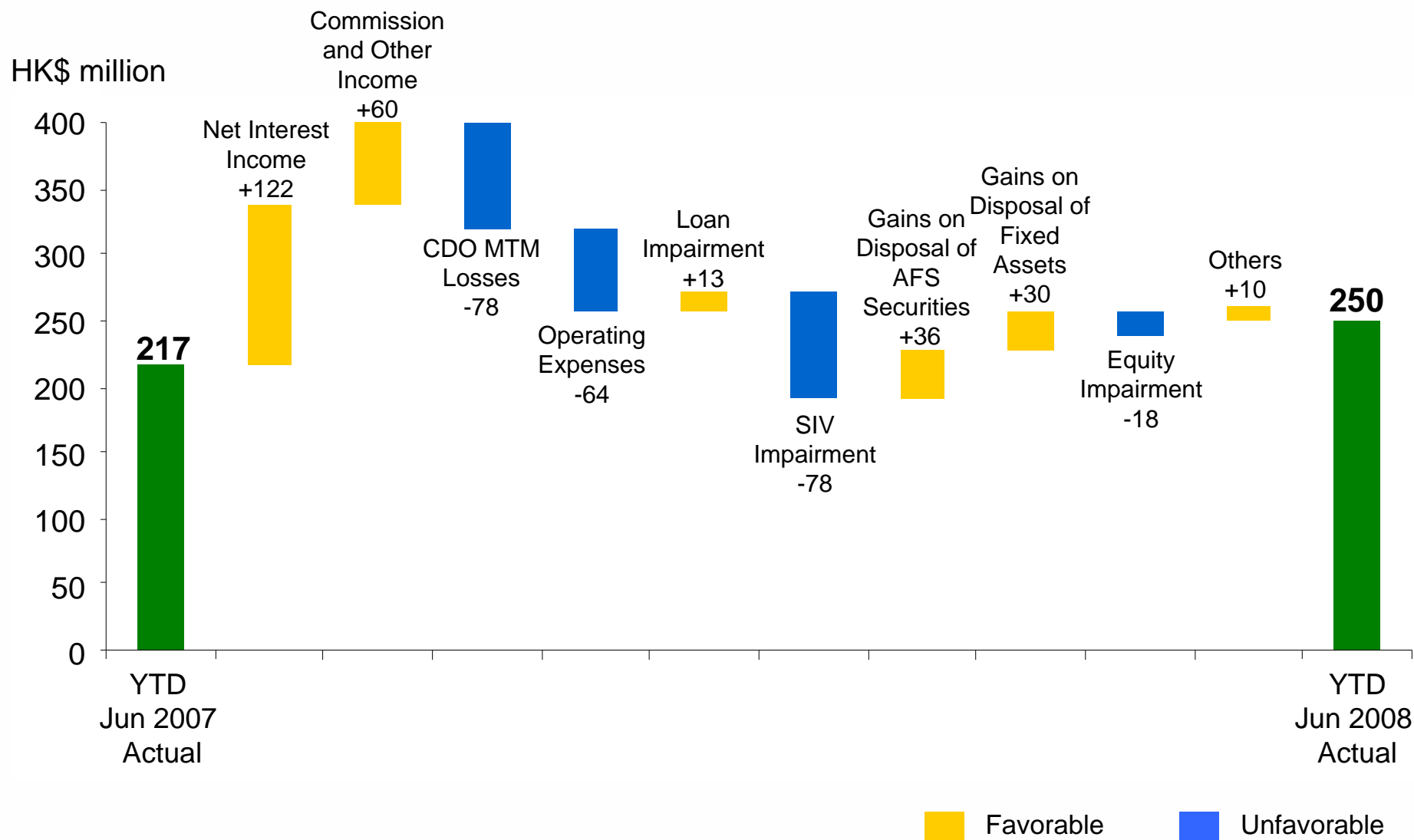
Performance Highlights

(YTD Jun 2008 vs. YTD Jun 2007)

| | <u>1H 2008</u> <u>(HK\$ million)</u> | <u>vs. 1H 2007</u> |
|---|---|--------------------|
| Net Interest Income | 532 | 30% ↑ |
| Non-interest Operating Income <i>(Decreased 7% if including MTM losses on CDOs for HK\$78 million)</i> | 332 | 22% ↑ |
| Operating Expenses | 469 | 16% ↑ |
| Operating Profit Before Gains and Impairment Losses | 317 | 15% ↑ |
| Profit for the Period | 250 | 15% ↑ |
| Proposed Interim Dividend of 6 Hong Kong cents per share | | |



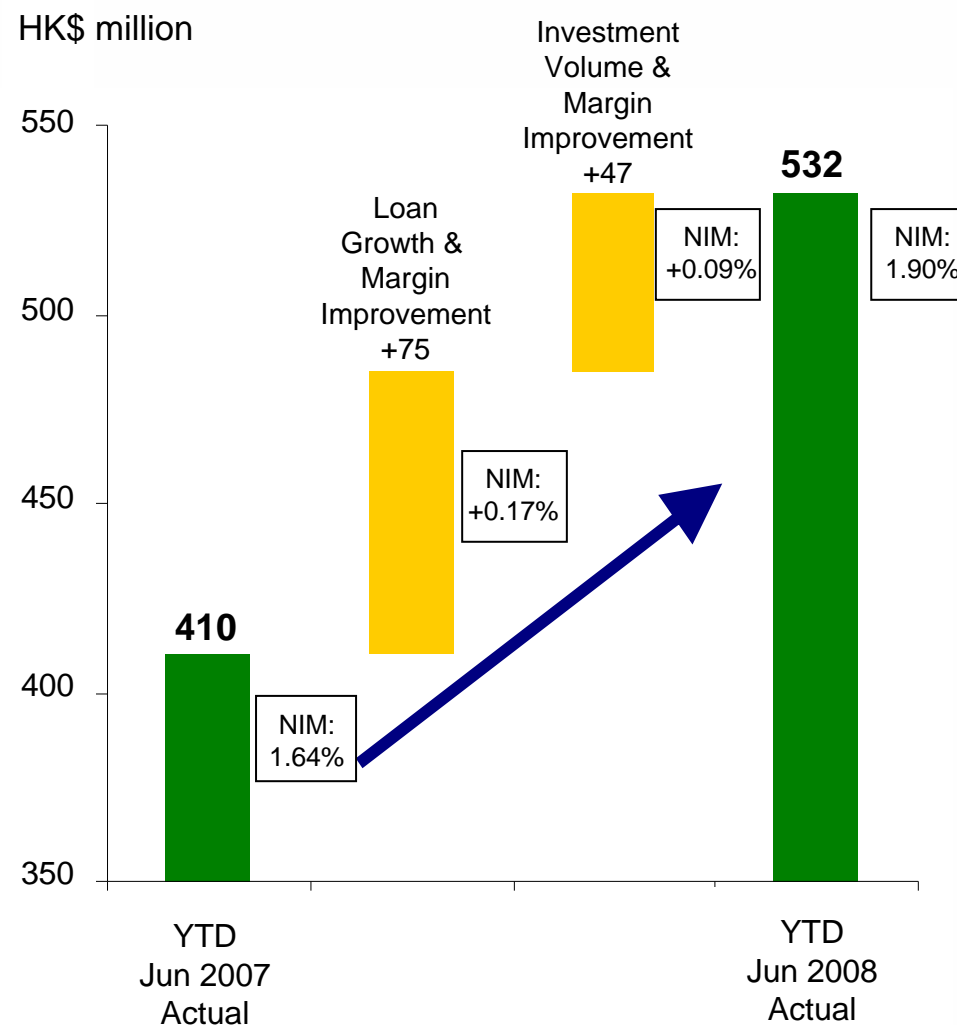
Profit Attributable to Shareholders Grew 15%





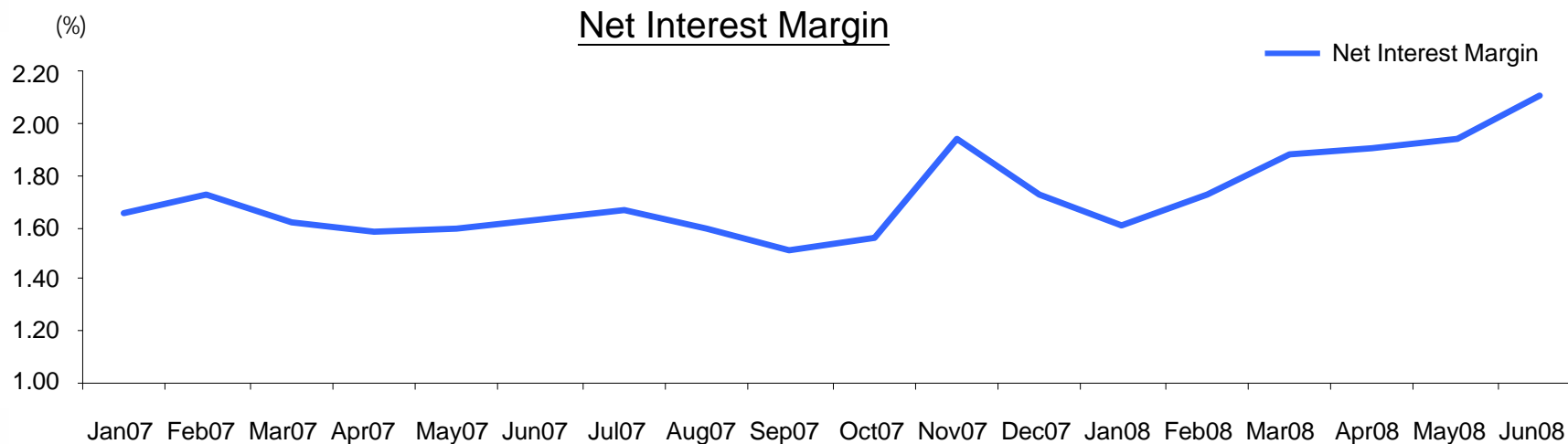
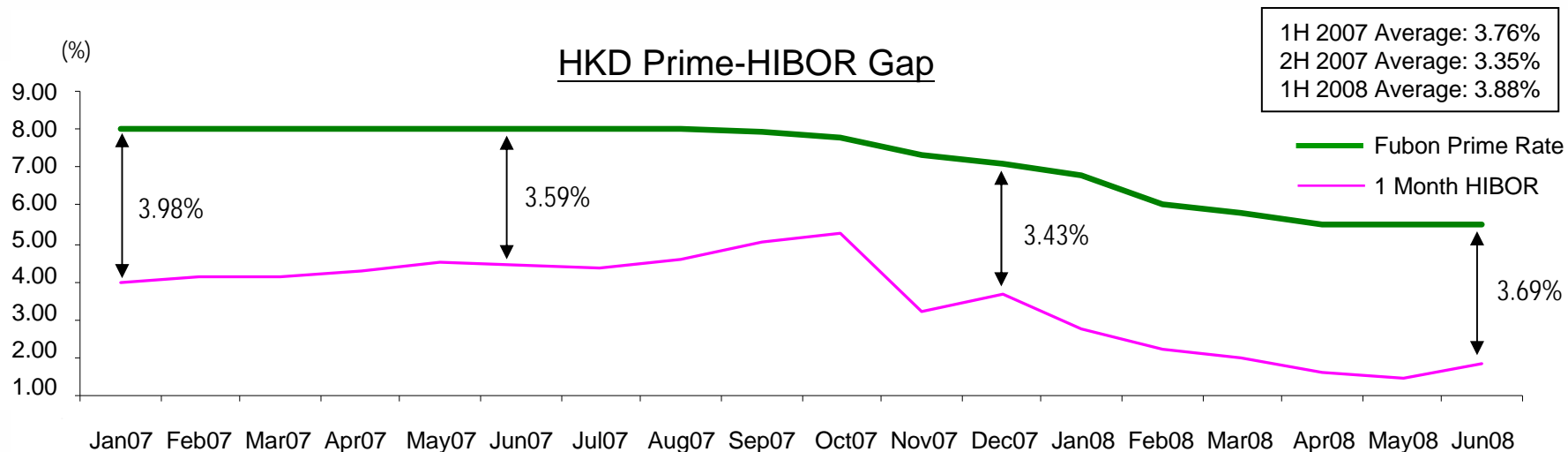
Net Interest Income Rose 30%

- Net interest margin improved 26 bps to 1.90% in 1H 2008, which was mainly due to:
 - Falling interest rates since 4Q2007 resulted in lower funding costs
 - Proactive balance sheet management, loan growth and widening in credit spreads
- Net interest income increased HK\$122 million or 30% to HK\$532 million in 1H 2008
- Of which, HK\$75 million growth was attributed to loan growth and loan margin improvement. Average loan balance increased HK\$6.6 billion (↑ 26%).
- HK\$47 million growth was attributed to investment margin improvement and investment volume growth. Average investment balance increased HK\$2.3 billion or 14%.





Improved NIM due to Widening of HKD Prime-HIBOR Gap



* Widening of HKD Prime-HIBOR Gap in 1H 2008 contributed to 3bps increase in 1H 2008 NIM



Non-Interest Operating Income Increased 22%

(decreased 7% if including Mark-to-Market Losses on CDOs for HK\$78 million)

Non-Interest Operating Income increased by HK\$60 million or 22% to HK\$332 million (excluded mark-to-market losses on CDOs of HK\$78 million).

Financial Markets Related Fee Income (↑ HK\$40 million or 24%)

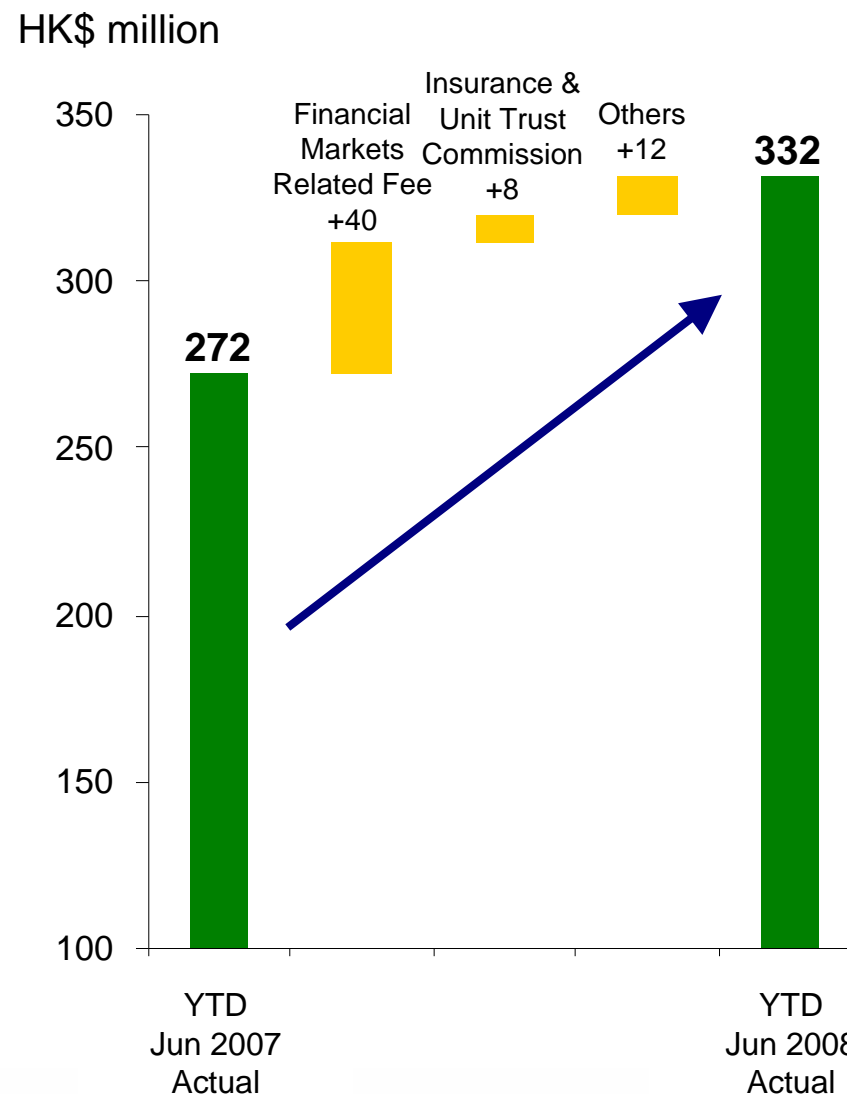
- Financial Markets related fee income increased by HK\$23 million. YOY contribution from Corporate and SME customers grew by 165%.
- Improved interest rate and FX trading environment also helped increase profit margin by an additional HK\$28 million
- These increases were partially offset by the decrease of brokerage income of HK\$12 million

Insurance & Unit Trust Commission (↑ HK\$8 million or 13%)

- Insurance Commission (↑ HK\$7 million or 49%)
- Unit Trust Commission (↑ HK\$1 million or 3%)

Others (↑ HK\$12 million or 27%)

- Credit Card Fee (↑ HK\$3 million or 10%)
- Loan & Credit-related fee (↑ HK\$9 million or 57%)





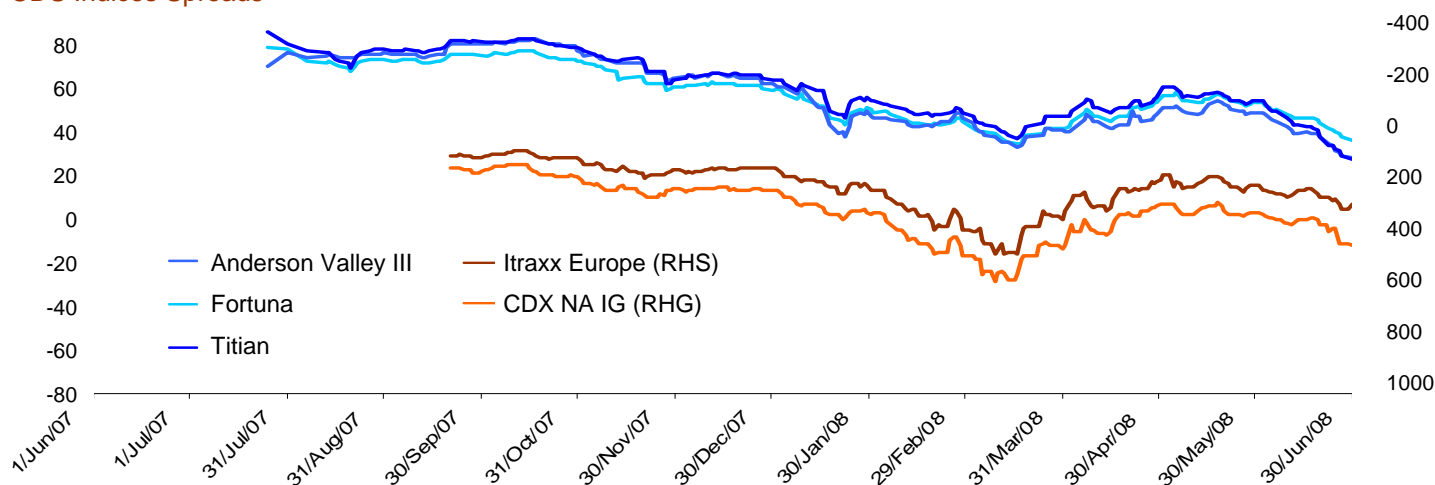
Credit Quality of CDOs Remained Unchanged

| (In HK\$ million) | Nominal Value | As at | As at | Revaluation Losses through P&L |
|---------------------------|-----------------------------|---------------|---------------|--------------------------------------|
| | | 31 Dec 07 | 30 Jun 08 | |
| | | Market Value | Market Value | |
| Fortuna Managed CDO III-A | 78 (US\$10 million) | 58.50% | 29.00% | (24) |
| Titian CDO Plc | 78 (US\$10 million) | 65.60% | 31.80% | (26) |
| Anderson Valley III CDO | 78 (US\$10 million) | 60.00% | 23.12% | (28) |
| | 234 (US\$30 million) | 61.37% | 27.97% | (78) |

CDO credit quality remained unchanged

- No downgrade on the Bank's CDO tranches
- No defaults in the underlying portfolio

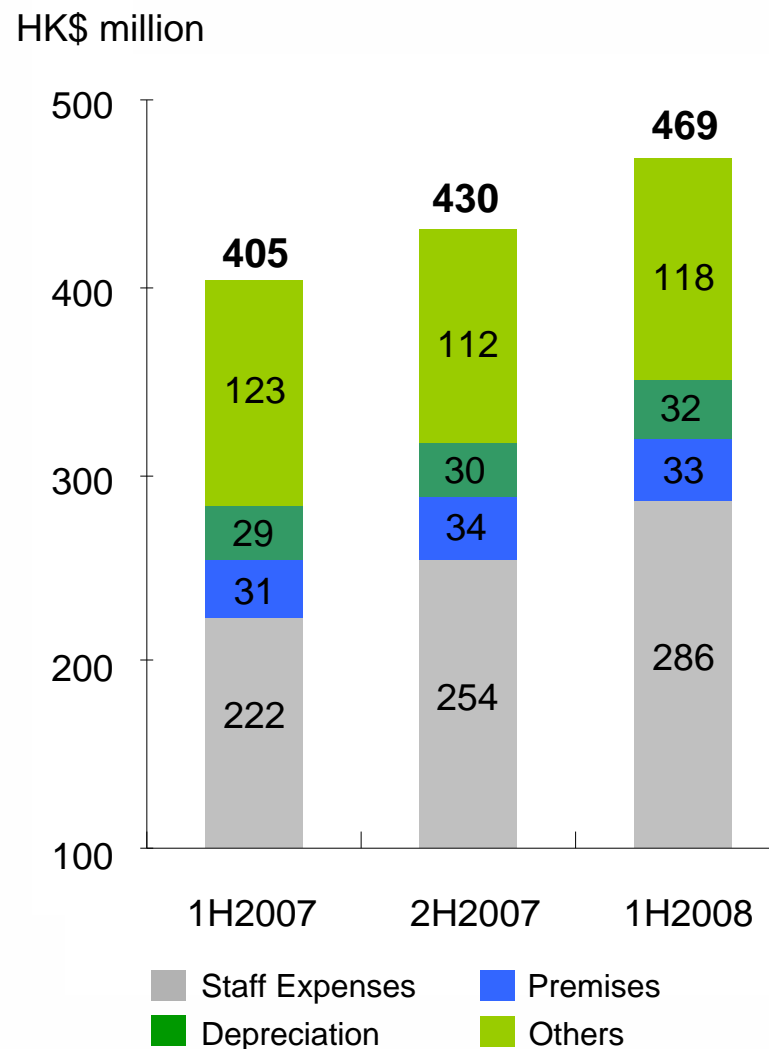
CDS Indices Spreads





Increase in Operating Expenses by 16%

- Operating Expenses increased by HK\$64 million or 16% to HK\$469 million from HK\$405 million in 1H 2007
- Major increase was in staff expenses of HK\$64 million
 - Surging wage pressure and full year salary effect of headcount recruited in 2007
 - Average headcount growth of 167 or 17% when compared YOY (1H 2008: 1,116; 1H 2007: 949)
 - Headcount at 30 Jun 08 was 1,121, increased 20 from 1,101 at Dec 07
- Compared to 2H 2007's HK\$430 million, operating expenses increased by HK\$39 million or 9% which was mainly due to increase in staff expenses of HK\$32 million



Resulting Net Exposure on SIVs at HK\$34 Million

(In HK\$ million)

| | Nominal Value | Book Value as at 30 Jun 08 | NAV as at 31 Dec 07 | NAV as at 31 Mar 08 | NAV as at 30 Jun 08 | Impairment Losses through 1H08 P&L | Mark-to- Market Gains/ (Losses) |
|--------------------------------|--------------------------------|----------------------------------|---------------------------|---------------------------|---------------------------|---|--|
| Centauri Corp | 156 (US\$20 million) | 11.4 | 51.60% | 1.30% | 7.30% | (78) | 9.1 |
| Cullinan Finance Ltd.*: | | | | | | | |
| Mazarin Funding | 83.8 (US\$10.7 million) | 16.2 | 19.90% | 27.72% | 19.30% | - | (1.3) |
| Barion Funding | 33.1 (US\$4.3 million) | 6.5 | 19.90% | 28.01% | 19.56% | - | (2.9) |
| | 272.9 (US\$35 million) | 34.1 | | | | | |

Impairment Losses

(78)

Mark-to-market gains through Equity-Reserve Account

4.9

Discount Amortization recognized as interest income

3.6

Mazarin and Barion will recognize a discount amortization of HK\$10.5 million p.a. through interest income every year.

* Exchanged into Mazarin and Barion in Feb 08



Gross Advances Increased 7.2%

(30 Jun 2008 vs. 31 Dec 2007)

Gross advances to customers 7.2% ↑ to HK\$33.9 billion

Industrial, Commercial and Financial Sectors

Property Investment 25.8% ↑

Manufacturing 12.7% ↑

Others 17.4% ↑

Lending to Individuals

Mortgage 3.1% ↑

Card Advances 8.3% ↓

Others 7.2% ↑

Trade Finance 3.5% ↑

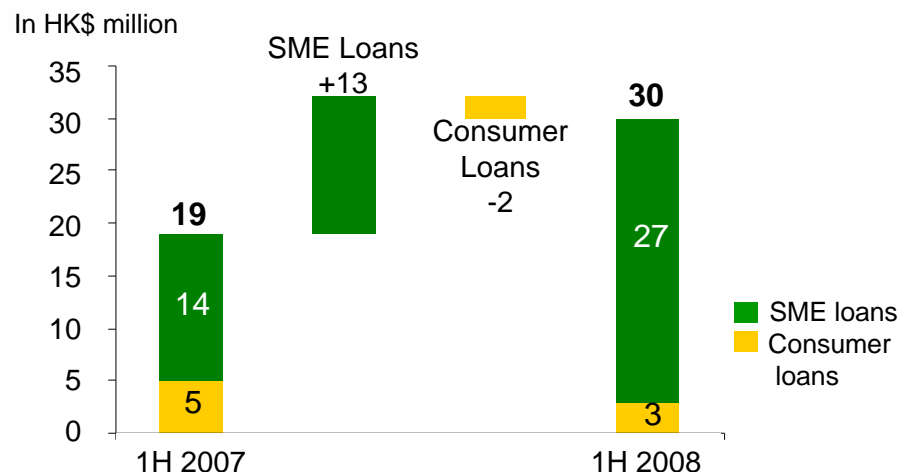
Loans for use outside Hong Kong 0.7% ↓



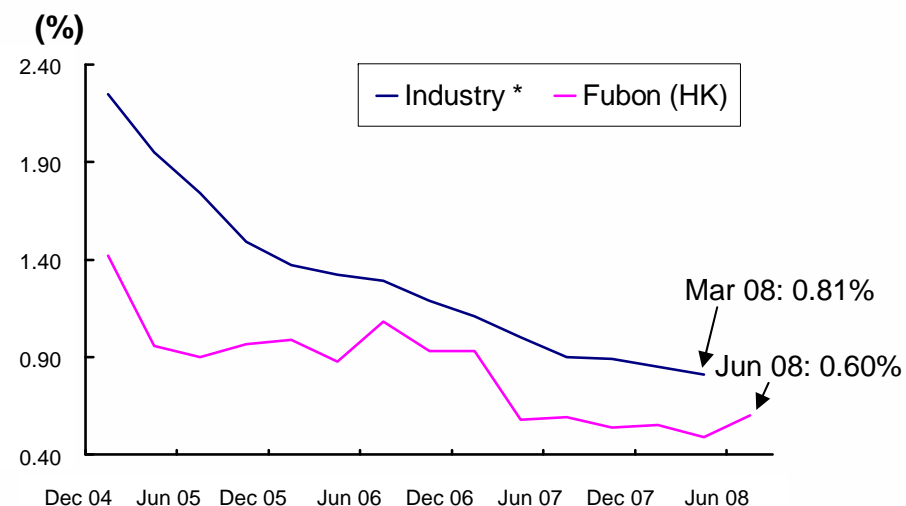
Sound Asset Quality

- Net charge of individual impairment losses for 1H 2008 was HK\$30 million, increased by HK\$11 million when compared to HK\$19 million in 1H 2007.
- Impaired loan ratio increased slightly to 0.60% at 30 Jun 08, but still lower than industry's 0.81% at 31 Mar 08.

Charge for Individual Impairment Losses



Impaired Loan Ratio



* Source from the HKMA



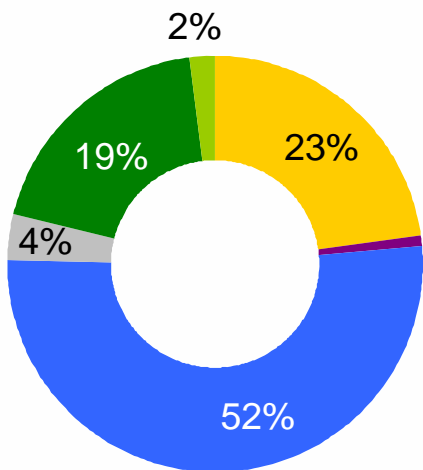
Managing Corporate Loan Quality

- Monitoring closely existing corporate loan portfolios, especially those that are likely to be adversely affected by deteriorating business environment
- Taking a prudent approach in approving new credit
- Continuing to diversify loan portfolios across geography and industry sectors
- Conducting regular PRC site visits
- Reducing exposure or exiting those accounts where the Bank has credit concerns
- Re-pricing of loan spreads to ensure appropriate risk and return

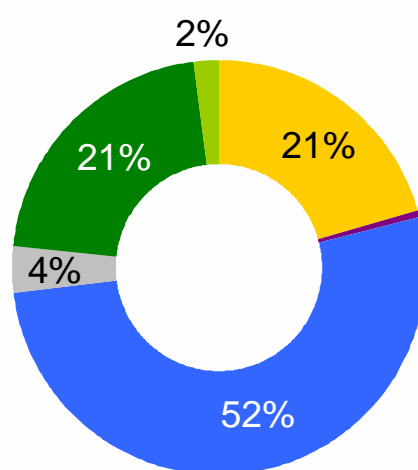


Improved Asset Mix

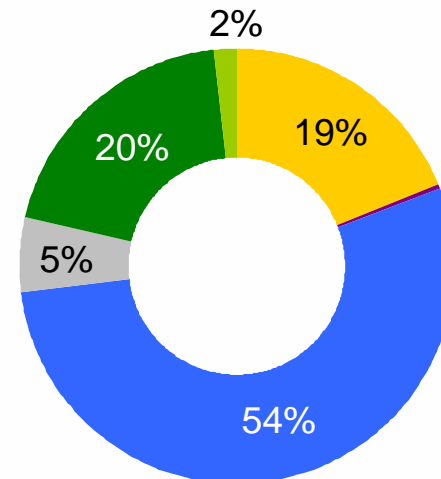
As at 30 Jun 07



As at 31 Dec 07



As at 30 Jun 08

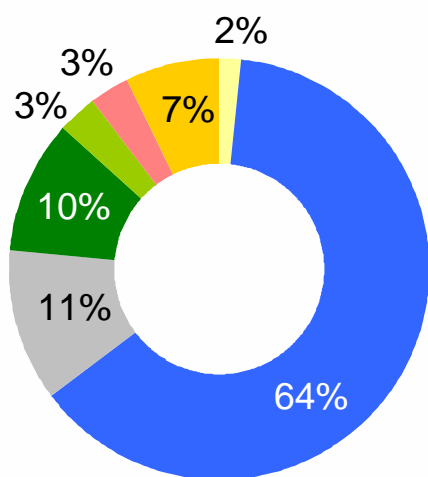


■ Net loans ■ Short term funds & placements
■ Fixed assets ■ Investments ■ Other assets

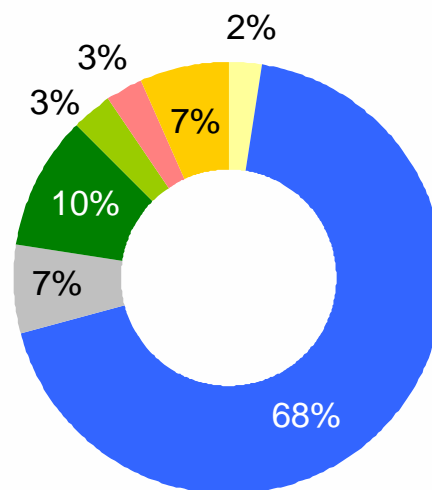


Diversified Funding Mix

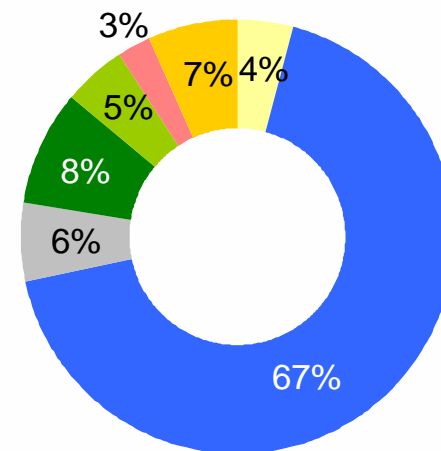
As at 30 Jun 07



As at 31 Dec 07



As at 30 Jun 08

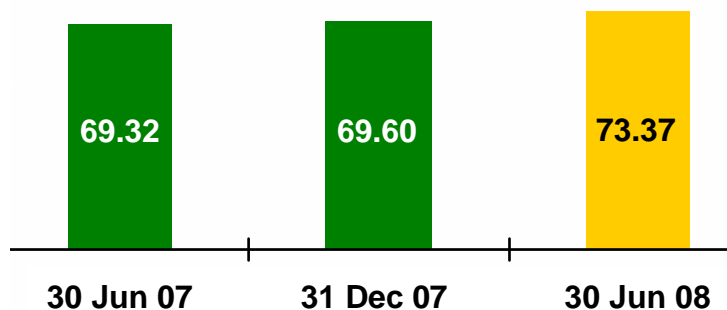


- Customer deposits
- Interbank taking
- Shareholders' funds
- Short position in Exchange Fund Bills
- Subordinated debts
- Other liabilities
- CD & FRN issued

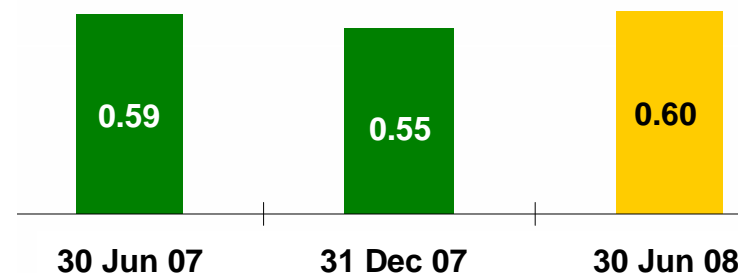


Key Financial Ratios

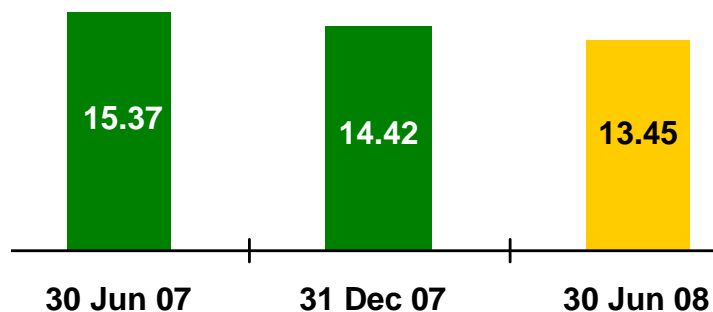
Loan to Deposit Ratio (%)



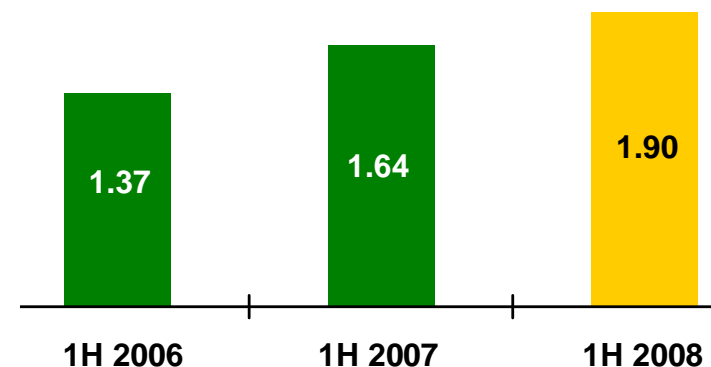
Impaired Loan Ratio (%)



Capital Adequacy Ratio (%)



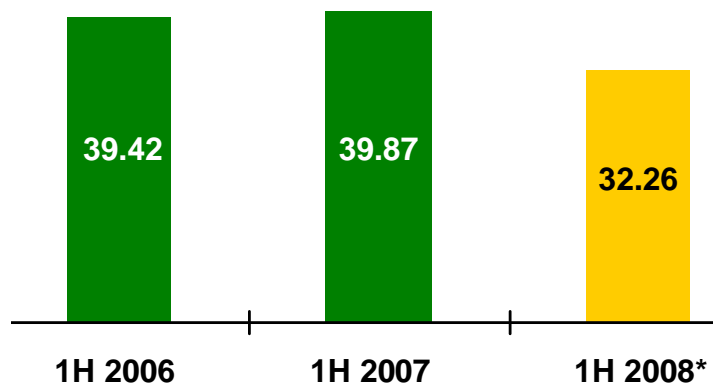
Net Interest Margin (%)



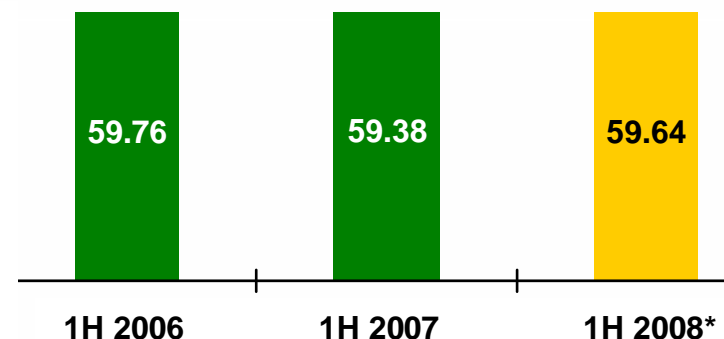


Key Financial Ratios (Cont'd)

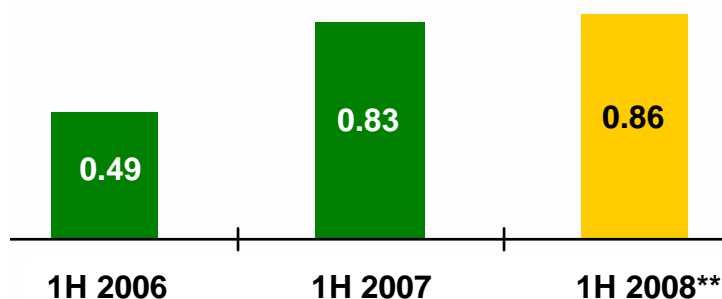
Non-interest Income to Income Ratio (%)



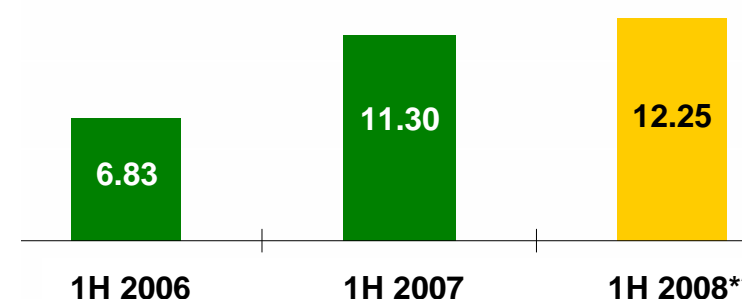
Cost to Income Ratio (%)



Return on Assets (%)***



Return on Equity (%)***



* 1H 2008 Non-interest Income to Income Ratio and Cost to Income Ratio were at 38.39% and 54.25% respectively when excluding HK\$78 million mark-to-market losses on CDOs

** 1H 2008 ROA and ROE were at 1.35% and 19.03% respectively when excluding HK\$78 million mark-to-market losses on CDOs, HK\$78 million impairment losses on SIVs and HK\$18 million impairment losses on equities

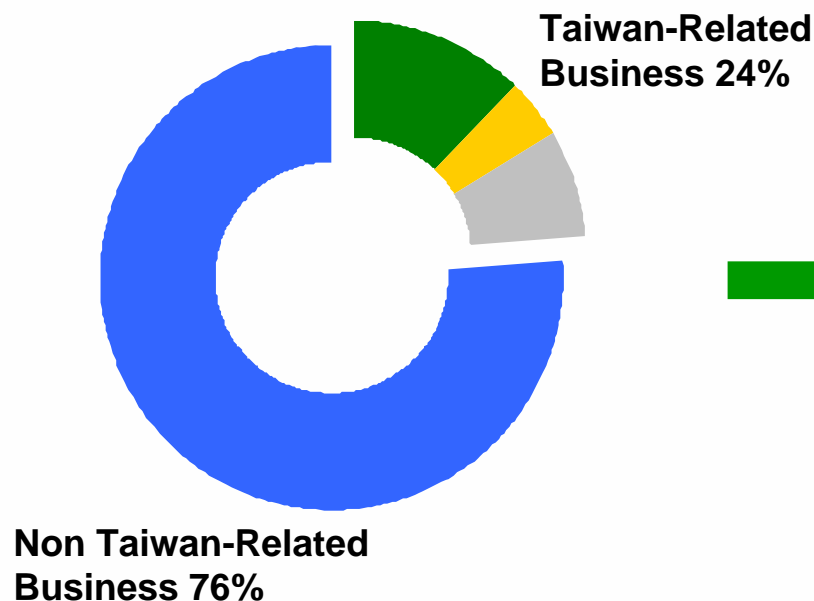
*** Calculated on an annualized basis



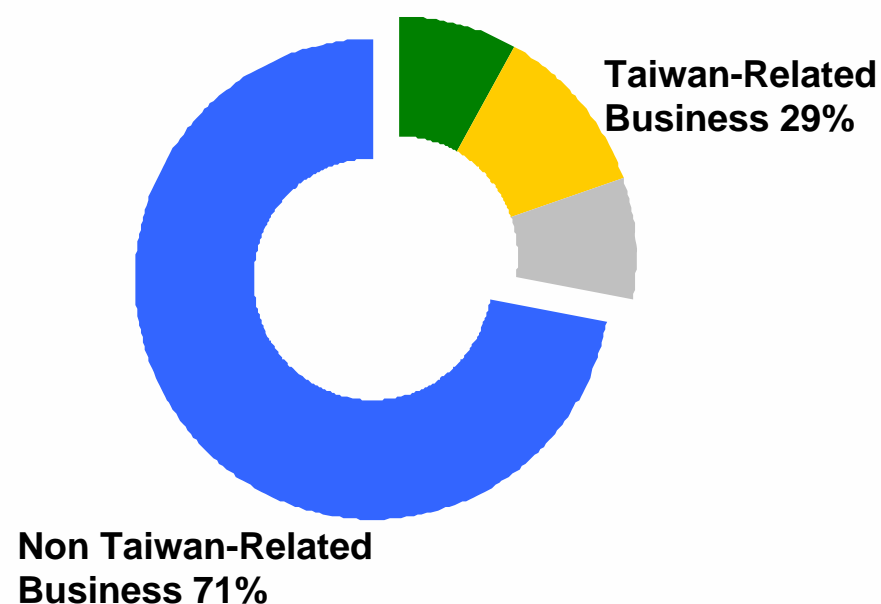
Taiwan-Related Business

– Operating Profits before Gains & Impairment Losses

1H 2007



1H 2008



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

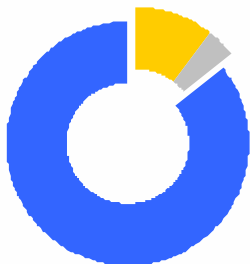


Taiwan-Related Business – Loans and Deposits

Loans

As at 30 Jun 07

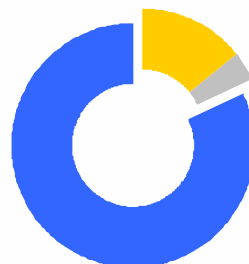
Taiwan-Related
Business 14%



Non Taiwan-Related
Business 86%

As at 31 Dec 07

Taiwan-Related
Business 18%



Non Taiwan-Related
Business 82%

As at 30 Jun 08

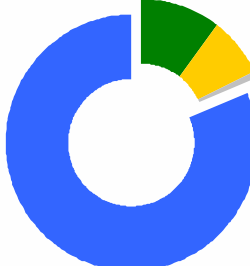
Taiwan-Related
Business 15%



Non Taiwan-Related
Business 85%

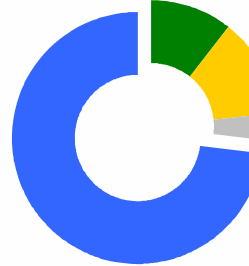
Deposits

Taiwan-Related
Business 19%



Non Taiwan-Related
Business 81%

Taiwan-Related
Business 21%



Non Taiwan-Related
Business 79%

Taiwan-Related
Business 19%



Non Taiwan-Related
Business 81%

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



Integration for Growth

- Harness the collective strength within Fubon Financial through tighter integration
- Expand customer franchise
- Create new sources of revenue
 - Establish high net worth platform
 - Develop asset management business
- Continue to be vigilant in identifying and managing credit risks
- Prepare for China expansion

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YTD June 2008 – Income Statement

| (HK\$ million) | 1H2008 Actual | 1H2007 Actual | 2H2007 Actual | Variance (%) | |
|---|------------------|------------------|------------------|--------------|--------------|
| | | | | vs 1H2007 | vs 2H2007 |
| Net interest income | 532 | 410 | 444 | 30.0 | 19.9 |
| Other operating income | 332 | 272 | 386 | 22.1 | (14.1) |
| Mark-to-market losses for CDOs | (78) | 0 | (90) | NA | (13.2) |
| Operating income | 786 | 681 | 740 | 15.4 | 6.2 |
| Operating expense | (469) | (405) | (430) | 15.9 | 8.9 |
| Operating profit before gains & impairment losses | 317 | 277 | 310 | 14.7 | 2.3 |
| Impairment losses on advances to customers | (18) | (31) | (7) | (41.7) | >100 |
| Impairment losses on available-for-sale securities (SIVs) | (78) | 0 | (162) | NA | (51.9) |
| Impairment losses on equities | (18) | 0 | 0 | NA | NA |
| Other impairment losses | 6 | 1 | (6) | >100 | NA |
| Operating profit after impairment losses | 209 | 247 | 135 | (15.3) | 54.8 |
| Net gains on disposal of available-for-sale securities | 44 | 8 | 125 | >100 | (64.9) |
| Net gains on disposal of fixed assets | 30 | (0) | 3 | NA | >100 |
| Profit before taxation | 282 | 254 | 263 | 11.1 | 7.4 |
| Taxation | (32) | (37) | (19) | (12.5) | 66.7 |
| Profit for the period | 250 | 217 | 244 | 15.1 | 2.7 |



2008 Interim Results – Balance Sheet

| (HK\$ million) | 30 Jun 08 Actual | 31 Dec 07 Actual | 30 Jun 07 Actual | Variance (%) | |
|--|---------------------|---------------------|---------------------|-----------------|-----------------|
| | | | | vs 31 Dec 07 | vs 30 Jun 07 |
| Cash, short term funds & placements | 11,769 | 12,486 | 12,438 | (5.7) | (5.4) |
| Trade bills less reserves and CD | 236 | 347 | 475 | (32.0) | (50.3) |
| Advances to customers less reserves | 33,742 | 31,479 | 28,426 | 7.2 | 18.7 |
| Accrued interest and other accounts | 3,437 | 2,130 | 2,004 | 61.4 | 71.5 |
| Investments | 12,355 | 13,039 | 10,397 | (5.2) | 18.8 |
| Fixed Assets | 1,117 | 1,142 | 1,135 | (2.2) | (1.6) |
| | 62,656 | 60,623 | 54,875 | 3.4 | 14.2 |
| Deposits and balances of banks & FIs | 2,627 | 1,458 | 844 | 80.2 | >100 |
| Deposits from customers | 42,339 | 41,474 | 34,737 | 2.1 | 21.9 |
| CD and FRN issued | 3,647 | 3,975 | 6,272 | (8.3) | (41.9) |
| Short Position in Exchange Fund Papers | 5,262 | 6,092 | 5,656 | (13.6) | (7.0) |
| Other accounts and liabilities | 2,966 | 1,883 | 1,791 | 57.5 | 65.6 |
| Subordinated debts | 1,622 | 1,623 | 1,555 | (0.0) | 4.3 |
| Shareholders' funds | 4,194 | 4,118 | 4,018 | 1.8 | 4.4 |
| | 62,656 | 60,623 | 54,875 | 3.4 | 14.2 |

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