

# FY2010 Interim Results Announcement

Fubon Bank (Hong Kong) Limited  
10 August 2010



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".



# 1H 2010 Operating Environment

- Hong Kong economy recovered in 1H 2010:
  - 1Q 2010 GDP registered a sharp YOY increase of 8.2%
  - Exports climbed 24.4% and Retail Sales value rose 19.7% YOY in May 2010
  - Unemployment rate came down from its 3-year high at 5.4% in Jun 2009 to 4.6% for 2Q 2010
  
- Interest rates continued to remain at a low level in 1H 2010
  
- Price war on lending and deposit businesses
  
- Credit spread tightening in 1H 2010 despite Europe economy setback



# Review of 1H 2010 Operating Results

- Rising Cost of Deposit due to market competition
- Net Fee & Commission Income recorded broad-based YOY growth
- Effective cost containment plan mitigated the decrease in NII
- Improved asset quality and substantially lower impairment losses were testimony to the Bank delivering on its “Growth-yet-Prudent” strategy
- 1H 2010 Earnings increased 52% YOY to HK\$153 million as compared to HK\$101 million for 1H 2009









***2010 Interim Financial Results***



# Performance Highlights

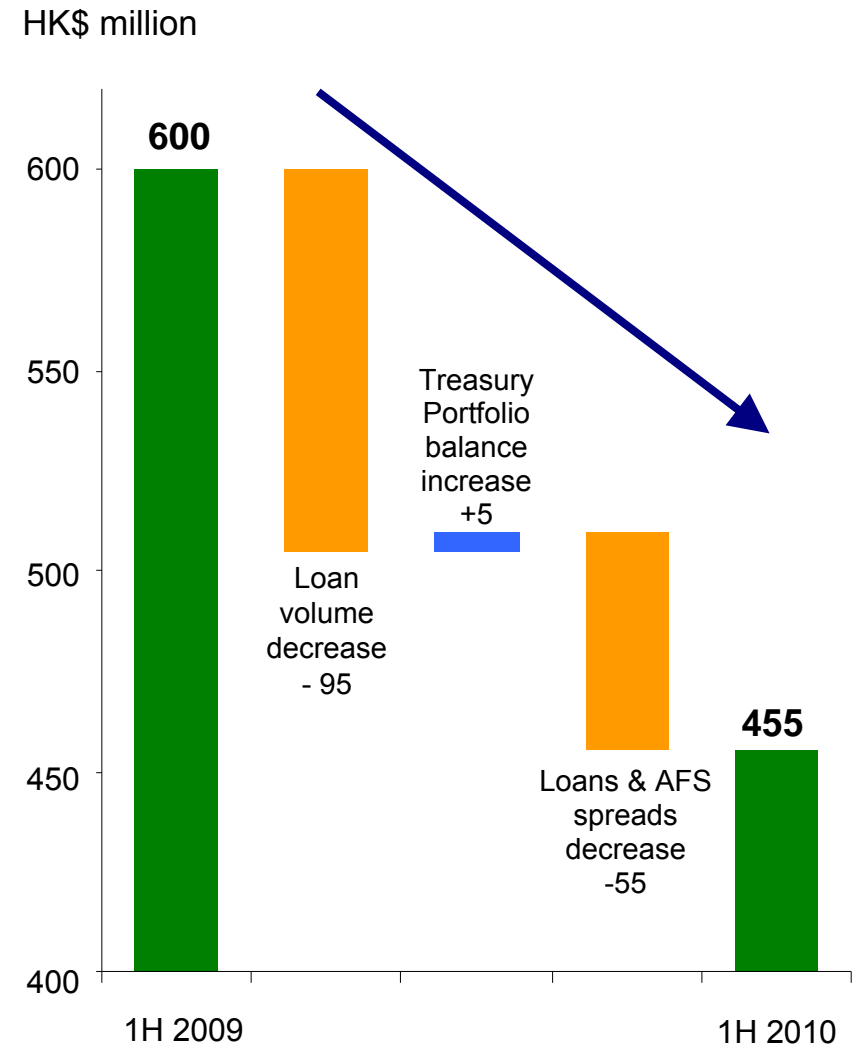
(1H 2010 vs. 1H 2009)

	<u>1H 2010</u> (HK\$ million)	<u>1H 2009</u> (HK\$ million)	<u>vs.</u> <u>1H 2009</u>	
Net Interest Income	455	600	24%	
Net Fee and Commission Income	132	90	47%	
Operating Expenses	411	463	11%	
Operating Profit Before Gains and Impairment Losses	192	288	33%	
Profit for the Period	153	101	52%	
Profit Attributable to Ordinary Shareholders	112	59	90%	
Interim Dividend of 2.0 Hong Kong Cents per Ordinary Share				



# Net Interest Income decreased 24%

- Net Interest Income fell HK\$145 million or 24% YOY to HK\$455 million for 1H 2010
- HK\$90 million decrease mainly due to lower average interest earning assets:
  - HK\$95 million decrease attributed to lower average loan balance as a result of cautious lending
  - HK\$5 million net increase from Treasury portfolio – decrease in average Inter-bank placements was partially offset by increase in Average AFS Investment Portfolio balance
- HK\$55 million decrease mainly due to drop in Loans and AFS Investment Portfolio spreads, a result of continuing tightening of credit spreads and higher funding costs
- Net Interest Margin narrowed 34 bps to 1.71% in 1H 2010 as compared to 1H 2009's 2.05%





# Net Fee and Commission Income increased 47%

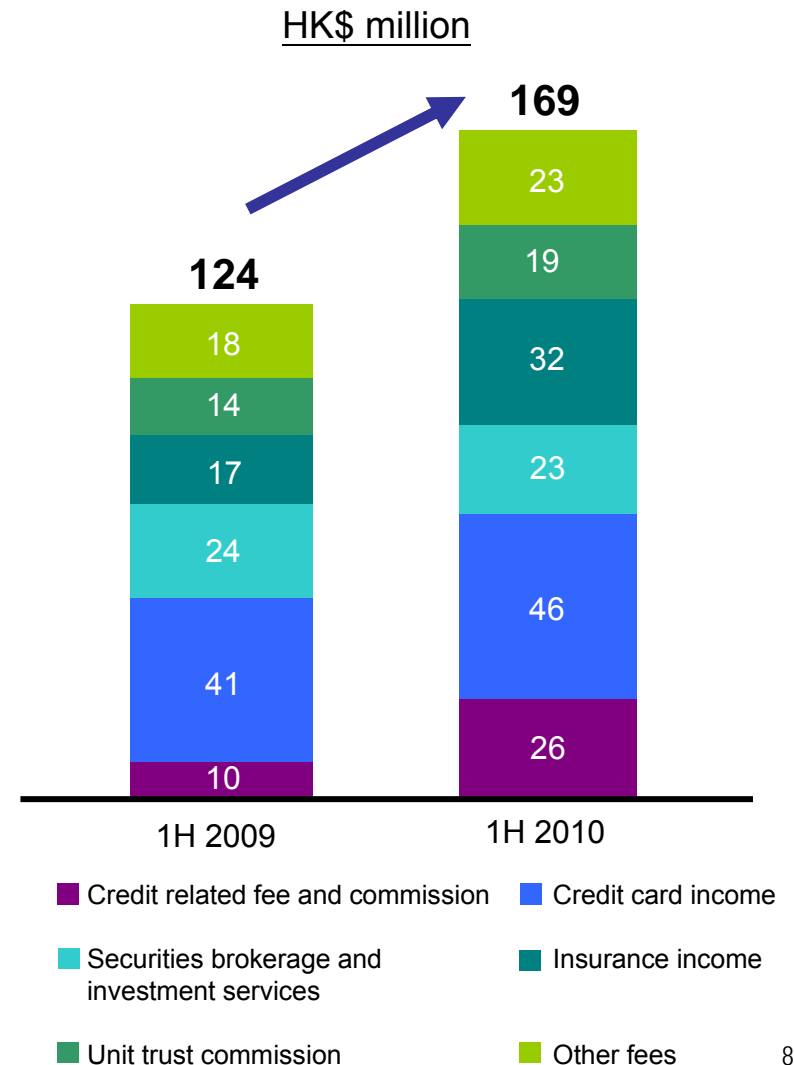
■ Net Fee and Commission Income increased HK\$42 million or 47% to HK\$132 million

■ Gross Fee and Commission Income increased HK\$45 million to HK\$169 million for 1H 2010

- Credit related fee and commission (↑ HK\$16 million)
- Credit card income (↑ HK\$5 million)
- Securities brokerage and investment services income (↓ HK\$1 million)
- Insurance income (↑ HK\$15 million)
- Unit trust commission (↑ HK\$5 million)
- Other fee & commission income (↑ HK\$5 million)

■ Fee and Commission Expenses increased HK\$3 million to HK\$37 million in 1H 2010

## Gross fee & commission income

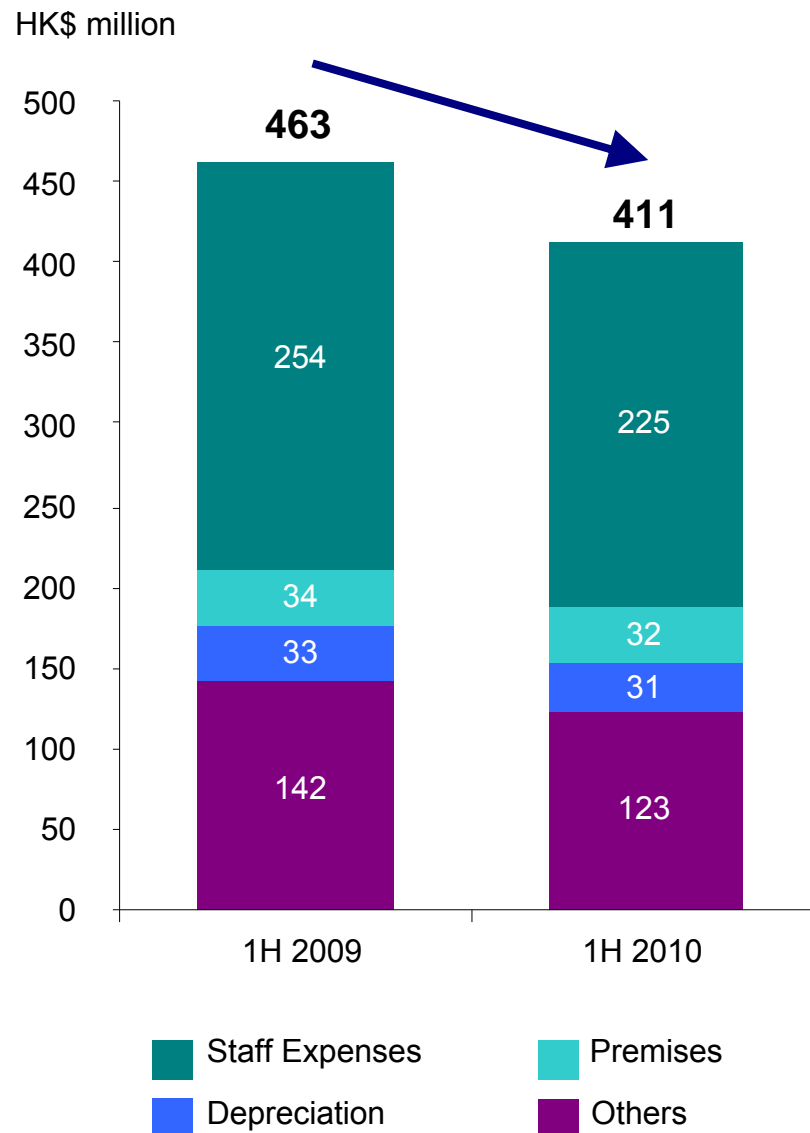






# Decrease in Operating Expenses by 11%

- Operating Expenses decreased HK\$52 million or 11% to HK\$411 million from HK\$463 million in 1H 2009
- On-going concrete plans to rationalize staff and operating expenses levels while maintaining operating efficiency
- Major decrease was in staff expenses of HK\$29 million or 11% YOY
- “Others” decreased HK\$19 million included:
  - Business Promotion expenses ( ↓ HK\$7 million)
  - Legal & Professional fees ( ↓ HK\$6 million)

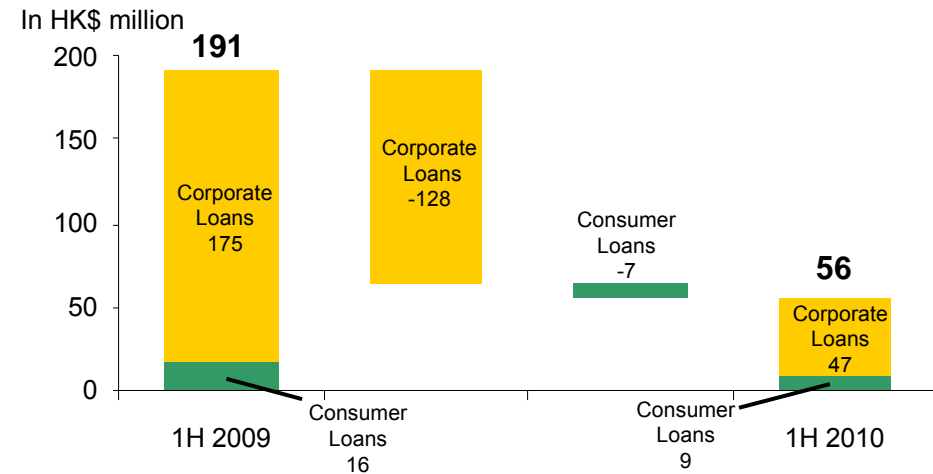




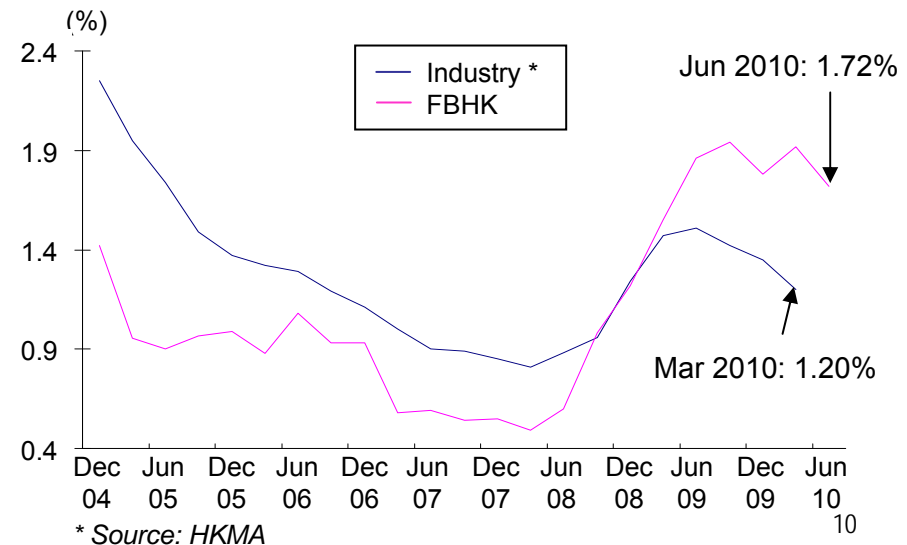
# Improved Asset Quality

- Net charge of individual impairment losses for 1H 2010 was HK\$56 million, decreased HK\$135 million when compared to HK\$191 million in 1H 2009.
- Major decrease in impairment losses charges for Corporate Loans included SME Loans
- The coverage ratio for impaired loans increased from 87% in Dec 2009 to 95% in Jun 2010 resulting from additional individual impairment losses charges in 1H 2010
- Impairment loan balance decreased HK\$34 million to HK\$485 million at 30 Jun 2010. The impaired loan ratio dropped to 1.72% in Jun 2010 from 1.78% in Dec 2009.

## Charge for Individual Impairment Losses



## Impaired Loan Ratio





## Improved Asset Quality (Cont'd)

As at	Impaired Loan Balances (HK\$ million)	Gross Loan Balances (HK\$ million)	Impaired Loan Ratio (%)	Individual Impairment Losses Charges (HK\$ million)	Coverage Ratio (%)
30 Jun 2009	572	30,691	1.86%	191	64%
31 Dec 2009	519	29,113	1.78%	423	87%
30 Jun 2010	485	28,157	1.72%	56	95%

***The coverage ratio for impaired loans increased from 87% in Dec 2009 to 95% in Jun 2010 resulting from the increase in individual impairment losses charges on Advances to Customers in 1H 2010.***



# Advances to Customers by Industry Sector

(HK\$ million)	30 Jun 10 Actual	31 Dec 09 Actual	Variance	
			Amount	%
Property Development & Investment	9,183	9,393	(209)	(2)
Financial Concerns	403	417	(14)	(3)
Stockbrokers	38	14	24	>100
Wholesale & Retail Trade	186	64	122	>100
Manufacturing	1,830	1,666	164	10
Transport & transport equipments	289	466	(177)	(38)
Others	2,706	2,336	370	16
Individuals	9,145	9,158	(13)	(0)
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Gross advances for use in Hong Kong	23,780	23,514	266	1
Trade Finance	688	810	(122)	(15)
Gross advances for use outside Hong Kong	3,689	4,789	(1,100)	(23)
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<b>Gross advances to Customers</b>	<b>28,157</b>	<b>29,113</b>	<b>(956)</b>	<b>(3)</b>



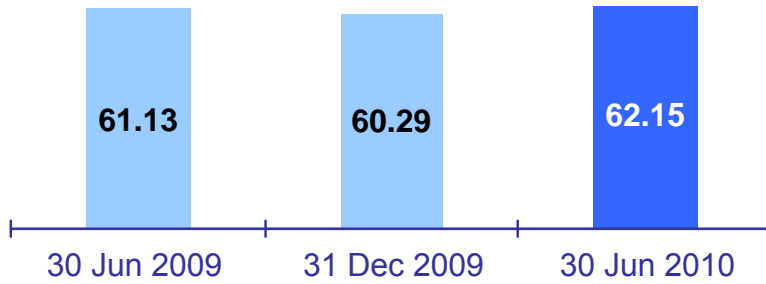
# Customer Deposits Decreased by 7%

(HK\$ million)	30 Jun 10 Actual	31 Dec 09 Actual	Variance	
			Amount	%
Demand Deposits	8,268	8,841	(573)	(6.5)
Saving Deposits	1,295	1,299	(4)	(0.3)
Call Deposits	4,663	5,143	(480)	(9.3)
Fixed Deposits	29,049	31,319	(2,270)	(7.3)
<b>Deposits from Customers</b>	<b>43,275</b>	<b>46,602</b>	<b>(3,327)</b>	<b>(7.1)</b>

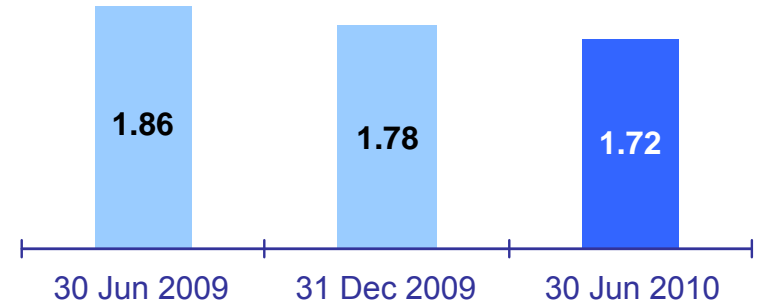


# Key Financial Ratios

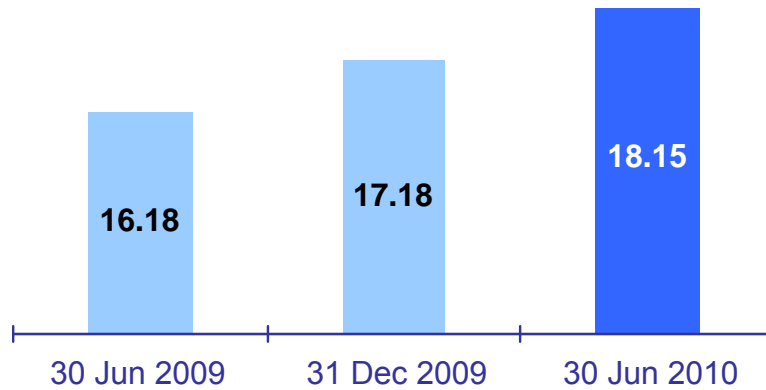
### Loan to Deposit Ratio (%)



### Impaired Loan Ratio (%)



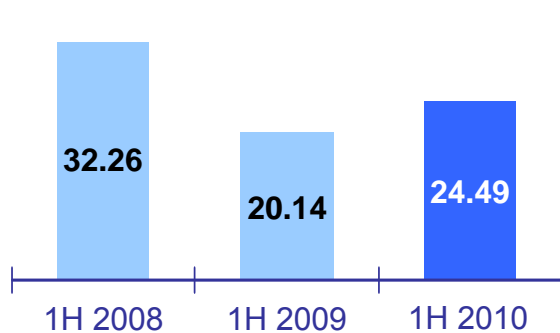
### Capital Adequacy Ratio (%)



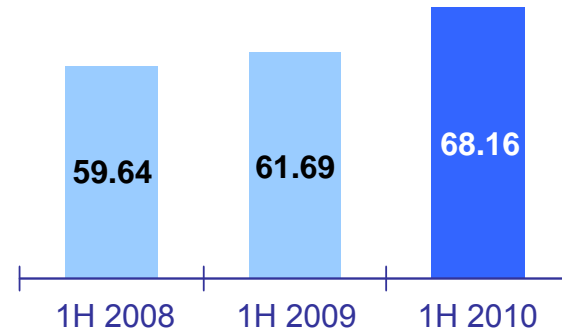


# Key Financial Ratios (Cont'd)

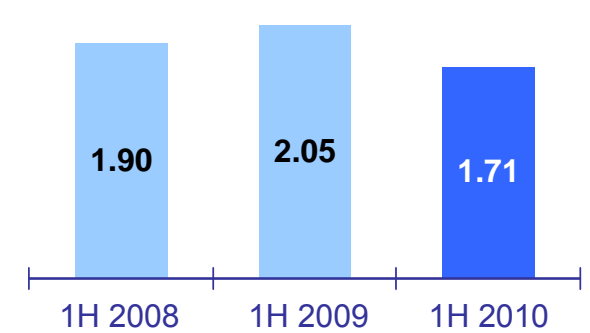
### Non-Interest Income to Income Ratio (%)



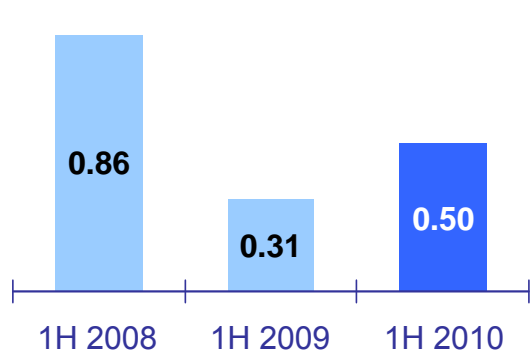
### Cost to Income Ratio (%)



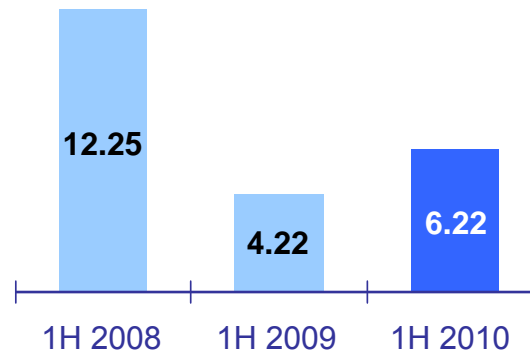
### Net Interest Margin (%)



### Return on Assets (%)



### Return on Equity (%)





## 2H 2010 Key Priorities

- Continue pursuing a growth-yet-prudent strategy to capture market potential while minimizing risk and cost
- Strengthen brand equity to help build the local franchise
- Drive new customers acquisition
- Continue to invest on technology and infrastructure for enhancing product and service delivery
- Deepen collaboration with Fubon Financial to capitalize on collective synergies





# 2010 Interim Income Statement

(HK\$ million)	1H 2010 Actual	1H 2009 Actual	Variance vs 1H 2009	
			Amount	%
Interest income	598	862	(264)	(30.6)
Interest expense	(143)	(262)	(119)	(45.5)
Net interest income	455	600	(145)	(24.1)
Net fee and commission income	132	90	42	47.0
Other Operating income	21	61	(40)	(65.8)
Mark-to-market loss for CDOs	(6)	(0)	6	>100
Operating income	603	751	(148)	(19.8)
Operating expense	(411)	(463)	(52)	(11.4)
Operating profit before gains & impairment losses	192	288	(96)	(33.3)
Impairment losses on advances to customers	(48)	(206)	(158)	(76.7)
Impairment losses on available-for-sale securities	(18)	(26)	(8)	(30.3)
Other impairment losses	0	4	(4)	(88.9)
Operating profit after impairment loss	126	59	67	>100
Net gain on disposal of available-for-sale securities	44	48	(4)	(9.0)
Net gain on disposal of fixed assets	(0)	(0)	(0)	>100
Share of profits less losses of associates	13	8	5	78.1
Profit before taxation	183	115	68	59.7
Taxation	(30)	(14)	16	>100
<b>Profit for the period</b>	<b>153</b>	<b>101</b>	<b>52</b>	<b>52.3</b>



# Balance Sheet as at 30 June 2010

	30 Jun 10 Actual	31 Dec 09 Actual	<u>Variance</u>	
			Amount	%
Cash, short term funds & balances with banks	4,671	5,783	(1,112)	(19.2)
Investments in securities	20,334	19,589	745	3.8
Advances to customers less impairment	27,584	28,572	(988)	(3.5)
Other loans and receivables	3,101	3,392	(291)	(8.6)
Accrued interest and other assets	1,465	2,178	(713)	(32.7)
Investments in associates	404	387	17	4.5
Fixed assets	1,062	1,079	(17)	(1.6)
	<b>58,621</b>	<b>60,979</b>	<b>(2,358)</b>	<b>(3.9)</b>
Deposits and balances from banks	2,997	2,425	572	23.6
Deposits from customers	43,275	46,602	(3,327)	(7.1)
CD and Debt Securities issued	1,108	792	316	39.9
Other Liabilities	4,554	4,585	(31)	(0.7)
Subordinated debts	1,632	1,640	(8)	(0.5)
Total Equity	5,055	4,935	120	2.4
	<b>58,621</b>	<b>60,979</b>	<b>(2,358)</b>	<b>(3.9)</b>

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*Thank you*

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