

PRESS RELEASE

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Fubon Bank (Hong Kong) Limited A Breakthrough in Core Performance

Robust Increase in Operating Income –

*Stellar growth of 60.4%
in operating profit before
provisions and gains*

*Net interest income up
20.4% to HK\$319.4
million*

*Other operating income
rose 37.5% to HK\$207.8
million*

*Cost to income ratio fell to
59.8%*

(Hong Kong: August 8, 2006) Fubon Bank (Hong Kong) Limited (“the Bank”) announced today that the Bank made a breakthrough in core performance for the first half of the year 2006 with operating profit before provisions and gains increased by more than 60.4% to HK\$212.2 million from HK\$132.2 million for the corresponding period of 2005.

Gross interest income rose 88.7% to HK\$1.2 billion over the same period in 2005, whereas gross interest expense rose to HK\$860.1 million from HK\$359.6 million for the corresponding period of 2005. As a result, net interest income increased HK\$54.1 million or 20.4% to HK\$319.4 million in the first half of 2006, due to the widening of prime-HIBOR spreads. Effective net interest margin improved from 1.19% for the first half of 2005 to 1.29% for the same period in 2006.

Other operating income reached HK\$207.8 million for the first six months in 2006, representing a 37.5% increase compared with the same period of last year. Particularly worth mentioning was the strong growth in recurring sales of Financial Markets products throughout all segments, an increase of 98% compared with first half of 2005. The buoyant equity market drove a 61% increase in brokerage income. The Bank also leveraged on Fubon Financial’s strength in expanding its insurance and unit trust businesses resulting in a soaring growth of more than 100% in commission income. Consequently, non-interest income to operating income ratio improved from 36.3% as of 30 June 2005 to 39.4% as of 30 June 2006.

Operating expenses rose moderately to HK\$315.0 million from HK\$284.2 million compared with the same period in 2005. The increase was attributable primarily to higher compensation and other staff expenses resulted from hiring of new staff for supporting business growth. The number of full-time equivalent employees grew by 135 to 831. Nevertheless, the cost to income ratio dropped from 68.2% to 59.8%, due to the robust growth of both net interest income and fee income.

The Group recorded a total charge of HK\$79.3 million for impaired loans and advances as compared with a reversal of provisions of HK\$3.0 million in the first

Healthy Growth in Profits –

Net profit up 10.2% to HK\$125.4 million

half of last year. The impaired loan ratio was healthy at 1.08%. There was a gain on disposal of available-for-sale securities of HK\$19.9 million against a disposal loss of HK\$7.6 million which incurred during the same period in 2005. In view of the above-mentioned factors, net profit before taxation amounted to HK\$152.6 million compared with HK\$132.9 million for the same period last year. After the deduction of tax expenses of HK\$27.2 million, profit attributable to shareholders for the first half of 2006 amounted to HK\$125.4 million, representing an increase of 10.2% compared with the corresponding period of 2005.

Continuous Growth in Scale –

Total assets up 3.1% to HK\$51.4 billion

Against a backdrop of intense market competition, the Bank was able to capitalize on market growth opportunities. This led to an increase of total assets by 3.1% to HK\$51.4 billion as at 30 June 2006 as compared with the 2005 year-end figure of HK\$49.8 billion. There was an overall yield improvement of 1.25% with an increase in the mix of higher yielding assets such as advances to customers and a reduction in surplus funds placed in cash and short term funds.

Total loans up 11.2% despite sluggish loan demand

The loan portfolio reached HK\$23.8 billion, an increase of 11.2% from December 2005 with solid growth across most of the loan types. Strong growth was seen in project and syndicated loans, short-term advances and hire purchase loans, the respective loan volume increased by 61%, 21% and 12% respectively. “Available-for-sale” securities also increased by 23% to HK\$16.6 billion. The portfolio comprised certificates of deposit issued by banks, high-grade corporate bonds, Hong Kong Exchange Fund papers and U.S. treasury bills. Proportion of unlisted debt securities holding increased from 21% to 33%.

Diversified funding sources through issues of subordinated debts and senior floating rate notes

To diversify its funding sources, the Bank successfully completed the issuance of US\$200 million lower tier II subordinated debts and US\$150 million senior floating rate notes in April 2006 through its Euro Medium Term Note Program. This has further strengthened the Bank’s capital base and liability structure, and reduced the Bank’s reliance on rate sensitive funding. As a result, customer deposits dropped by 6.3% as budgeted for the first half of 2006.

Excel in Taiwan and SME Businesses –

Taiwan related business continued to demonstrate momentous growth

SME Division won the SME's Best Partner Award

Taiwan related business continued to grow during the first half of the year. With a full team of experienced professionals providing corporate banking services to Taiwanese customers in Hong Kong and the mainland, the Taiwan Team’s corporate loans portfolio increased by 70% and its deposits portfolio grew 67% as compared with the 2005 year-end balances. Furthermore, the number of wealth management accounts increased by 44% with assets under management expanded by 36%. In addition, since the launch of a full-scale SME Division in 2005, the Division’s performance has already won wide recognition from the industry as evidenced by the winning of the 2006 SME’s Best Partner Award — Best Trade and Equipment Finance Bank Award organised by The Hong Kong Chamber of Small to Medium Business Limited.

The Bank launched a brand building campaign in 2005 to raise the awareness of its unique marketing proposition of Value Banking. In 2006, the Bank continues its efforts in brand building by offering products and services that substantiate the awareness and differentiate the Bank from the market.

Interim dividend of six Hong Kong cents per share

The Board of Directors has declared an interim dividend of six Hong Kong cents per share in respect of the six months ended 30 June 2006.



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Fubon Financial is a leading financial services group in Taiwan and is listed on the Taiwan Stock Exchange with its shares traded under the symbol "2881". Fubon Financial provides a comprehensive range of financial products and services, including commercial banking, non-life and life insurance, securities brokerage, asset management and investment banking services, with more than 6 million customers served through a network of more than 330 branches. It holds an A-2 short-term, BBB+ long-term rating from Standard & Poor's. Fubon Financial has reported a net profit after tax of NT\$10.8 billion for the year ended 31 December 2005. The total asset of Fubon Financial Group amounted to NT\$1.7 trillion as at 31 December 2005.

The Bank is listed on the Stock Exchange of Hong Kong (stock code: 636) and is rated A-2 short-term and BBB+ long-term ratings by Standard & Poor's. The ratings were upgraded in September 2005 and reflect the strong capitalization, good liquidity and sound asset quality of the Bank.

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