


Fubon Bank
富邦銀行
FUBON BANK (HONG KONG) LIMITED
富邦銀行（香港）有限公司
(incorporated in Hong Kong under the Companies Ordinance)
(Stock Code:636)

ANNOUNCEMENT OF 2007 UNAUDITED CONSOLIDATED INTERIM RESULTS

SUMMARY OF RESULTS

The Directors have pleasure in presenting the unaudited interim results of Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (collectively “the Group”) for the six months ended 30 June 2007.

Consolidated Income Statement (Unaudited)

	Note	For the six months ended 30 June 2007 HK\$'000	30 June 2006 HK\$'000
Interest income	3	1,359,951	1,179,433
Interest expense	3	(950,307)	(860,071)
Net interest income		409,644	319,362
Fee and commission income	4	169,991	109,572
Fee and commission expense	4	(42,849)	(20,305)
Net fees and commission income		127,142	89,267
Other operating income	5	144,443	118,570
Operating income		681,229	527,199
Operating expenses	6	(404,518)	(315,031)
Operating profit before gains and impairment losses		276,711	212,168
Net gains from disposals of available-for-sale securities		7,541	19,878
Impairment losses on advances to customers	7	(31,005)	(79,339)
Reversal/(charge) of impairment losses on investments and assets acquired under lending agreements		1,060	(105)
Loss on disposals of fixed assets		(120)	-
Profit before taxation		254,187	152,602
Taxation	8	(36,849)	(27,202)
Profit attributable to shareholders		217,338	125,400
Interim dividend of 6.00 Hong Kong cents per share proposed after the balance sheet date (2006: 6.00 Hong Kong cents)		(70,330)	(70,330)
Earnings per share (Hong Kong cents)	9	18.54	10.70

FUBON BANK (HONG KONG) LIMITED**Extracts from Consolidated Balance Sheet (Unaudited)**

	Note	30 June 2007 HK\$'000	As at 31 December 2006 HK\$'000
ASSETS			
Cash and balances with banks		6,660,803	7,818,671
Placements with banks maturing between one and twelve months		1,000,678	1,684,201
Trading securities		511,453	469,030
Other financial instruments designated as at fair value through profit or loss		552,911	558,791
Derivative financial instruments		819,975	537,855
Advances to customers less impairment allowances		28,426,095	25,751,160
Accrued interest and other accounts		1,204,831	1,141,748
Available-for-sale securities		14,545,355	14,257,154
Investments in associated companies		12,102	6,547
Fixed assets		1,134,543	1,119,256
Deferred tax assets		5,808	2,463
		54,874,554	53,346,876
LIABILITIES			
Deposits and balances from banks		843,697	961,515
Deposits from customers		34,737,411	33,810,833
Certificates of deposit issued		4,190,163	3,523,347
Debt securities issued		2,082,229	1,414,162
Derivative financial instruments		662,816	425,047
Trading liabilities		478,992	445,695
Other accounts and liabilities		6,305,649	7,208,234
Deferred tax liabilities		26	8,858
Subordinated notes issued	10	1,555,115	1,570,155
		50,856,098	49,367,846
CAPITAL RESOURCES			
Share capital		1,172,160	1,172,160
Share premium		749,778	749,778
Reserves		2,096,518	2,057,092
Shareholders' funds		4,018,456	3,979,030
		54,874,554	53,346,876

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Notes:

1. The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements, except for the accounting policy changes and the adoption of new accounting policies that are expected to be reflected in the 2007 annual financial statements. Details of these changes are set out in note 2.

2. Changes in accounting policies and new accounting policies adopted

The changes in the Group's accounting policies resulting from the adoption of new HKFRSs are attributable to the adoption of the amendments to HKAS 1, "Presentation of Financial Statements: Capital Disclosures" and HKFRS 7, "Financial Instruments: Disclosures". The adoption of these amendments and new HKFRSs has no material effect on the results and the financial position of the Group.

3. Interest income and expense

(a) Interest income

	For the six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
Listed investments	88,410	52,297
Others	<u>1,227,874</u>	<u>1,082,491</u>
Interest income on financial assets that are not at fair value through profit or loss	1,316,284	1,134,788
Interest income on trading assets		
- listed investments	63	44
- unlisted investments	23,973	28,361
Interest income on financial assets designated at fair value through profit or loss	<u>19,631</u>	<u>16,240</u>
	<u>1,359,951</u>	<u>1,179,433</u>

(b) Interest expense

	For the six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
Deposits from customers, banks and other financial institutions and certificates of deposit issued	842,144	674,983
Other financial liabilities	<u>84,961</u>	<u>133,535</u>
Interest expense on financial liabilities that are not at fair value through profit or loss	927,105	808,518
Interest expense on trading liabilities	<u>23,202</u>	<u>51,553</u>
	<u>950,307</u>	<u>860,071</u>

FUBON BANK (HONG KONG) LIMITED**4. Fee and commission income and expense**

(a) Fee and commission income

	For the six months ended	
	30 June 2007 HK\$'000	30 June 2006 HK\$'000
Credit related fees and commissions	12,164	8,641
Trade finance	10,775	7,371
Credit card	31,247	27,978
Securities brokerage and investment services	44,691	28,667
Insurance	13,867	8,352
Unit trust commission	47,725	20,338
Other fees	9,522	8,225
	<u>169,991</u>	<u>109,572</u>
of which:		
Fee and commission income arising from:		
- Financial assets or financial liabilities which are not measured at fair value through profit or loss	56,082	45,925
- Trust or other fiduciary activities	729	825

(b) Fee and commission expense

	For the six months ended	
	30 June 2007 HK\$'000	30 June 2006 HK\$'000
Handling fees and commission	31,270	14,035
Other fees paid	11,579	6,270
	<u>42,849</u>	<u>20,305</u>
of which:		
Fee and commission expense arising from:		
- Financial assets or financial liabilities which are not measured at fair value through profit or loss	14,538	10,740

FUBON BANK (HONG KONG) LIMITED**5. Other operating income**

	For the six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
Dividend income from listed available-for-sale securities	3,019	2,534
Dividend income from unlisted available-for-sale securities	13,071	8,992
Gains less losses from dealing in foreign currencies	5,957	15,225
Gains less losses from dealing in trading securities	2,301	(2,003)
Gains less losses from other dealing activities*	110,208	87,358
Gains less losses from short selling activities	737	896
Gains less losses from other financial liabilities	1,400	(4,752)
Revaluation loss on other financial instruments designated at fair value through profit or loss	(5,880)	(22,102)
Revaluation gain on derivative financial instruments	2,519	21,998
Rental income on properties	174	679
Others	10,937	9,745
	144,443	118,570

* Other dealing activities refer to customer dealing in derivative financial instruments which include equity linked notes, options and structured deposit products.

6. Operating expenses

	For the six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
Salaries and other staff costs	222,553	168,833
Premises and other fixed assets		
Rental of premises	21,435	12,940
Depreciation	29,374	32,327
Others	10,044	7,742
Auditors' remuneration	1,020	770
Other operating expenses		
Business promotion	31,904	16,796
Legal and professional fees	10,706	10,965
Communication	13,310	10,918
Electronic data processing and computer systems	34,303	32,669
Others	29,869	21,071
	404,518	315,031

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7. Impairment losses on advances to customers

	For the six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
Impairment losses (charged)/released on advances to customers		
- Additions	(45,816)	(81,714)
- Releases	14,811	18,030
Provision for loss from obligation under standby credit facility	-	(15,655)
	<u>(31,005)</u>	<u>(79,339)</u>

8. Taxation

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the six months ended 30 June 2007.

9. Earnings per share

The earnings per share is calculated on profit attributable to shareholders of HK\$217,338,000 (2006: HK\$125,400,000) and 1,172,160,000 (2006: 1,172,160,000) ordinary shares in issue during the period. There are no convertible loan capital, options or warrants outstanding which would cause a dilution effect on the earnings per share.

10. Subordinated notes issued

Subordinated notes with face value of USD 200 million (equivalent to HK\$1,564 million) and carrying amount of HK\$1,555 million qualifying as tier two capital were issued by the Bank on 25 April 2006. The notes bear interest at 6.125% per annum for the period from the issuance date to 26 April 2011, payable semi-annually. The notes carry a one-time call option exercisable by the Bank on 26 April 2011. If the call option is not exercised, the interest rate for the subordinated notes will be reset to the United States treasury rate plus 1.93875% for the period from 27 April 2011 to the final maturity date on 26 April 2016, payable semi-annually.

The carrying amount of the subordinated notes includes an adjustment of HK\$9 million due to application of fair value hedge accounting.

Supplementary Financial Information
1. Advances to customers less impairment allowances

	As at	
	30 June 2007	31 December 2006
	HK\$'000	HK\$'000
Gross advances to customers	28,588,802	25,914,351
Impairment allowances		
- Collective impairment allowance	(93,091)	(81,404)
- Individual impairment allowance	(69,616)	(81,787)
	28,426,095	25,751,160

2. Advances to customers analysed by industry sector

The following information concerning advances to customers by industry sectors has been classified in accordance with the industry categories contained in the banking returns on “Quarterly Analysis of Loans and Advances and Provisions” (MA(BS)2A) and “Assets and Liabilities of an Authorised Institution” (MA(BS)1) submitted to the Hong Kong Monetary Authority (“HKMA”).

	As at			
	30 June 2007		31 December 2006	
	Gross loans and advances	% of gross loans covered by collateral	Gross loans and advances	% of gross loans covered by collateral
	HK\$'000	%	HK\$'000	%
Gross advances for use in Hong Kong				
Industrial, commercial and financial				
- Property development	23,735	15.74	29,392	31.47
- Property investment	5,315,397	67.46	4,900,296	67.96
- Financial concerns	336,457	14.53	484,250	11.19
- Stockbrokers	157,937	95.31	157,371	100
- Wholesale and retail trade	171,914	34.48	202,404	19.68
- Manufacturing	1,388,973	21.60	1,059,535	32.94
- Transport and transport equipment	731,575	85.98	756,247	84.63
- Information technology	3,270	96.09	61,663	8.49
- Others	2,956,131	42.98	3,185,770	45.67
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme and Private Sector Participation Scheme	5,994	100	3,275	100
- Loans for the purchase of other residential properties	6,919,868	96.94	6,946,882	94.73
- Credit card advances	499,453	-	504,157	-
- Others	1,398,463	69.48	1,299,707	66.67
	19,909,167		19,590,949	
Trade finance	1,628,600	12.93	943,406	13.30
Gross advances for use outside Hong Kong	7,051,035	50.30	5,379,996	59.09
Gross advances to customers	28,588,802	61.19	25,914,351	64.81

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3. Repossessed assets and assets acquired under lending agreements

The total repossessed assets and assets acquired under lending agreements of the Group as at 30 June 2007 amounted to HK\$57,378,000 (2006: HK\$65,280,000).

4. Overdue advances to customers

	30 June 2007		As at 31 December 2006	
	HK\$'000	% of total advances	HK\$'000	% of total advances
Gross advances to customers which have been overdue with respect to either principal or interest for periods of:				
- 6 months or less but over 3 months	25,791	0.09	22,120	0.09
- 1 year or less but over 6 months	33,160	0.12	24,958	0.10
- Over 1 year	36,535	0.13	108,084	0.42
	<u>95,486</u>	<u>0.34</u>	<u>155,162</u>	<u>0.61</u>
- Covered portion of overdue loans and advances	47,483		95,015	
- Uncovered portion of overdue loans and advances	48,003		60,147	
	<u>95,486</u>		<u>155,162</u>	
Current market value of collateral held against the covered portion of overdue loans and advances	33,665		22,811	
Amount of expected recoveries from companies in liquidation in respect of the covered portion of overdue loans and advances	15,538		73,459	
Individually assessed impairment allowance in respect of advances overdue for more than three months	48,076		63,612	

Overdue assets of the Group comprise advances to customers only as at 30 June 2007 and 31 December 2006.

5. Rescheduled advances to customers

	30 June 2007		As at 31 December 2006	
	HK\$'000	% of total advances	HK\$'000	% of total advances
Rescheduled advances to customers	<u>45,144</u>	<u>0.16</u>	<u>52,792</u>	<u>0.20</u>

FUBON BANK (HONG KONG) LIMITED**6. Off-balance sheet exposures**

(a) Credit related commitments and contingencies

Credit related commitments and contingencies include acceptances, letters of credit, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the credit default. As the facilities may expire without being drawn upon, the contract amounts do not represent expected future cash flows.

	As at		As at	
	30 June 2007		31 December 2006	
	Contractual amounts HK\$'000	Credit risk weighted amounts HK\$'000	Contractual amounts HK\$'000	Credit risk weighted amounts HK\$'000
Direct credit substitutes	488,986	488,986	452,051	452,051
Transaction-related contingencies	118,714	59,357	122,334	61,167
Trade-related contingencies	718,389	143,678	599,497	119,899
Undrawn loan facilities				
- with an original maturity of under 1 year or which are unconditionally cancellable	9,781,322	-	10,008,753	-
- with an original maturity of 1 year or over	826,126	413,063	784,352	392,176
Forward forward deposits placed	666,336	133,267	1,288,015	257,603
	<u>12,599,873</u>	<u>1,238,351</u>	<u>13,255,002</u>	<u>1,282,896</u>

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6. Off-balance sheet exposures (continued)

(b) Derivatives

In accordance with HKAS 39, the aggregated fair value of favourable and unfavourable derivative financial instruments have been recognised as derivative financial assets and liabilities respectively, as disclosed on the consolidated balance sheet as at 30 June 2007.

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices. The following is a summary of the notional amounts of each significant type of derivatives entered into by the Group:

	30 June 2007			As at 31 December 2006		
	Trading HK\$'000	Hedging HK\$'000	Total HK\$'000	Trading HK\$'000	Hedging HK\$'000	Total HK\$'000
Exchange rate derivatives						
- Forwards	6,447,599	-	6,447,599	2,616,621	-	2,616,621
- Swaps	14,514,361	-	14,514,361	11,527,646	-	11,527,646
- Options purchased	20,107,584	-	20,107,584	11,881,004	-	11,881,004
- Options written	20,102,981	-	20,102,981	11,880,492	-	11,880,492
	61,172,525	-	61,172,525	37,905,763	-	37,905,763
Interest rate derivatives						
- Swaps	17,040,848	1,876,272	18,917,120	12,656,871	1,866,840	14,523,711
- Options purchased	391,450	-	391,450	492,650	-	492,650
- Options written	200,000	-	200,000	300,000	-	300,000
	17,632,298	1,876,272	19,508,570	13,449,521	1,866,840	15,316,361
Equity derivatives						
- Swaps	1,451,447	-	1,451,447	462,882	-	462,882
- Options purchased	1,199,367	-	1,199,367	127,419	-	127,419
- Options written	1,199,367	-	1,199,367	127,419	-	127,419
	3,850,181	-	3,850,181	717,720	-	717,720
Commodity derivatives						
- Options purchased	90,686	-	90,686	39,173	-	39,173
- Options written	90,686	-	90,686	39,173	-	39,173
	181,372	-	181,372	78,346	-	78,346
Total	82,836,376	1,876,272	84,712,648	52,151,350	1,866,840	54,018,190

The above amounts are shown on a gross basis, as none of these contracts are subject to any bilateral netting arrangements, and include all embedded derivatives. The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date and do not represent amounts at risk.

Trading transactions include positions arising from the execution of trade orders from customers and transactions undertaken to hedge these positions which are not designated as hedges under HKAS 39. Derivatives used for hedging represent hedging instruments designated as hedges under HKAS 39.

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7. Foreign exchange exposures

The net positions or net structural positions in foreign currencies are disclosed as follows:

As at 30 June 2007							
Equivalent in HK\$ Million	US Dollars	Euros	New Zealand Dollars	Australian Dollars	Chinese Renminbi	Others	Total
Spot assets	16,458	647	685	429	137	670	19,026
Spot liabilities	(15,581)	(546)	(920)	(1,055)	(138)	(1,322)	(19,562)
Forward purchase	12,874	4,483	423	963	629	2,828	22,200
Forward sales	(14,013)	(4,585)	(161)	(332)	(422)	(2,174)	(21,687)
Net option position	(6)	2	-	-	-	-	(4)
Net long/(short) position	(268)	1	27	5	206	2	(27)
Net structural position	31	-	-	-	-	-	31

As at 31 December 2006							
Equivalent in HK\$ Million	US Dollars	Euros	New Zealand Dollars	Australian Dollars	Chinese Renminbi	Others	Total
Spot assets	15,199	622	826	651	139	1,365	18,802
Spot liabilities	(14,739)	(636)	(899)	(1,139)	(139)	(1,289)	(18,841)
Forward purchase	9,627	4,269	156	663	200	800	15,715
Forward sales	(10,073)	(4,255)	(83)	(171)	(1)	(869)	(15,452)
Net option position	(4)	-	-	-	-	-	(4)
Net long/(short) position	10	-	-	4	199	7	220
Net structural position	31	-	-	-	-	-	31

8. Capital adequacy ratio

	As at	
	30 June 2007 %	31 December 2006 %
Capital adequacy ratio	15.37	16.60
Core capital ratio	10.55	12.84

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8. Capital adequacy ratio (continued)

The capital adequacy ratio and core capital ratio at 30 June 2007 are computed on a consolidated basis which comprises the positions of Fubon Bank (Hong Kong) Limited, Fubon Credit (Hong Kong) Limited, Fubon Factors (Hong Kong) Limited, Fubon Bank Vanuatu Limited and Fubon Hong Kong (Taiwan) Co., Ltd as required by the HKMA for its regulatory purposes, and are compiled in accordance with the Banking (Capital) Rules issued by the HKMA under section 98A of the Hong Kong Banking Ordinance for the implementation of the “Basel II” capital accord. In accordance with the Capital Rules, the Group has adopted the “standardised approach” for the risk-weighted assets for credit risk and market risk and the “basic indicator approach” for the calculation of operational risk.

The two capital ratios at 30 June 2006 were compiled in accordance with the then Third Schedule of the Hong Kong Banking Ordinance under the “Basel I” capital accord.

9. Capital base

The components of the total capital base after deductions as reported under Part I of the banking return “Capital Adequacy Return” (MA(BS)3) are analysed as follows:

	As at	
	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Core capital		
Paid up ordinary share capital	1,172,160	1,172,160
Share premium	749,778	749,778
Reserves	1,604,142	1,528,953
Profit and loss account	113,710	122,104
Total deductions from core capital	(316,063)	-
	<u>3,323,727</u>	<u>3,572,995</u>
Eligible supplementary capital		
Reserves on revaluation of land and interest in land	23,701	36,868
Reserves on revaluation of holdings of securities not held for trading purposes	3,427	3,118
Collective impairment allowance	93,091	81,404
Regulatory reserve	142,944	129,572
Term subordinated notes	1,563,560	1,555,700
Total deductions from eligible supplementary capital	(310,255)	-
	<u>1,516,468</u>	<u>1,806,662</u>
Total deductions from core capital and supplementary capital	-	(701,967)
Total capital base after deductions	<u>4,840,195</u>	<u>4,677,690</u>

10. Liquidity ratio

	For the six months ended	
	30 June 2007	30 June 2006
	%	%
Average liquidity ratio	45.53	42.91

The average liquidity ratio for the period is computed as the simple average of each calendar month's average ratio, as reported in Part I (2) of the "Return of Liquidity Position of an Authorised Institution" (MA(BS)1E) calculated in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

The ratio for the period is computed on a consolidated basis which comprises the positions of Fubon Bank (Hong Kong) Limited, Fubon Credit (Hong Kong) Limited and Fubon Bank Vanuatu Limited as required by the HKMA for its regulatory purposes.

11. An appropriation of an amount of retained earnings of HK\$142,944,000 (2006: K\$119,992,000) has been made as a regulatory reserve for general banking risks, including future losses or other unforeseeable risks, in addition to impairment losses on loans recognised under HKAS 39.

12. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because substantially all of the Group's business is attributable to a single geographical segment, Hong Kong.

The Bank and its subsidiaries are principally engaged in the provision of banking and related financial services.

Business segments

Retail Banking mainly comprises the Consumer Banking and the Retail Distribution Network businesses. Consumer Banking comprises credit card merchant acquiring, provision of credit card advances, insurance and unit trust businesses. Retail Distribution Network business mainly comprises private banking, deposit account services, residential mortgage and other consumer lending.

Wholesale Banking comprises the Small and Medium Enterprise businesses and the Corporate Banking Business. Small and Medium Enterprise businesses include both personal and corporate equipment financing, commercial lending to small and medium enterprises, automobile and other consumer leasing contracts and lending activities. Corporate Banking business covers trade financing, syndicated loans and other corporate lending.

Financial Markets mainly provides securities brokerage, foreign exchange services and centralized cash management for deposit taking and lending, management of trading securities, execution of management's investment strategies in money market investment instruments and the overall funding of the Group.

Real Estate is responsible for the management and orderly realization of the Group's repossessed properties and properties acquired under lending agreements.

FUBON BANK (HONG KONG) LIMITED**12. Segment reporting (continued)**

(a) Operating income

	For the six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
Retail Banking	278,904	221,886
Wholesale Banking	210,185	157,897
Financial Markets	203,261	154,350
Real Estate	(1,489)	(1,534)
Unallocated*	(9,632)	(5,400)
	<u>681,229</u>	<u>527,199</u>

(b) Profit before taxation

	For the six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
Retail Banking	78,182	37,249
Wholesale Banking	116,053	19,121
Financial Markets	148,676	121,302
Real Estate	(1,110)	(2,589)
Unallocated*	(87,614)	(22,481)
	<u>254,187</u>	<u>152,602</u>

* Unallocated items mainly comprise interest income derived from shareholders' funds not used by the business segments, staff housing loans and the related interest income and funding costs, staff deposits and the related interest expenses and the head office premises, furniture, fixtures and equipment and the related depreciation.

Geographical segments

The geographical segmental analysis is based on the locations of the principal operations of the subsidiaries or on the location of the branches of the Bank responsible for reporting the results or booking the assets, the location of customers and the location of assets. For the periods ended 30 June 2007 and 2006, all of the Group's operating income and profit before taxation were generated by assets booked by the principal operations of the branches and subsidiaries of the Bank located in Hong Kong. More than 85% of assets were either located in Hong Kong or were extended to companies and individuals domiciled in Hong Kong. The balance of the assets were extended to companies and individuals domiciled outside Hong Kong where no single geographical segment accounts for more than 10% of assets.

HONG KONG AND CHINA ECONOMIC OVERVIEW

In the first half of the year Hong Kong's economy experienced a good measure of follow-through from the strength achieved in 2006, when real GDP increased by 6.8%. As a result, consensus estimates for the full year real GDP growth rate have risen by 1% to a range of 5-6%. This still represents a slight deceleration compared with 2006, but growth is now expected to increase at above-trend pace.

All aspects of the economy have performed well in the first half of the year, with trade still showing growth despite the potential slowdown in export demand from the US economy, while local consumption has been supported by relatively low real interest rates, high levels of liquidity and buoyant asset markets.

Strong inflows of liquidity into the economy, mostly related to initial public offerings by Chinese companies on the Hong Kong stock exchange, have allowed Hong Kong dollar interest rates to remain steady throughout the first half of the year. As the pipeline of IPOs remains at healthy levels, it is unlikely that Hong Kong dollar interest rates can be lifted in the near term.

Unemployment has steadily fallen to 4.2%, and employment continues to reach record levels. Competition for service sector employees has become particularly acute, with a scarcity of skilled staff noted in the financial sector.

As the labour market has remained buoyant, Hong Kong's asset markets have experienced good price increases due to strong demand. Residential property prices have risen, on average, by 7% in the first half of the year, and with supply expected to remain at relatively low levels, residential property prices are expected to continue to rise for the rest of the year.

The Hang Seng Index broke the 22,000 level for the first time on June 22, and has continued to achieve new highs since. Daily turnover has risen in tandem, and an all-time high of HK\$120 billion was achieved on June 20. Average daily turnover year-to-date has nearly doubled compared with the same period last year to HK\$64 billion. Stock-brokerage income has risen commensurate with this increase in activity.

Despite the strength of the economy inflation has remained relatively subdued, running at an annualized rate of 2.5% aided by housing rates concessions by the HKSAR Government. Concerns about imported inflation as the Chinese Renminbi appreciates have, as yet, been proved unfounded. Headline inflation is still expected to run at 2.5% for the rest of the year.

There are still risks in the economic outlook, with China's efforts to correct imbalances in its economic expansion being a major concern. The impact of a weakening housing market in the US could also have a major impact on Hong Kong's major trading partners. The pace at which the Bank of Japan raises its interest rates could also unravel the so-called global "carry trade". High oil prices remain an ever present risk.

Overall, Hong Kong's economic activity has surprised on the upside in the first half of the year, and there is reason to be optimistic that the rest of the year will produce similar results, assuming that the risks mentioned earlier are successfully navigated.

FUBON BANK PERFORMANCE

Fubon Bank (Hong Kong) Limited ("the Bank") and its subsidiaries ("the Group") reported a net profit of HK\$217 million for the first six months ended 30 June 2007, representing an impressive growth of 73% over the same period in 2006. Earnings per share rose to 18.54 Hong Kong cents, compared with the corresponding figure of 10.70 Hong Kong cents per share for the first half of 2006. The encouraging results for the first half of 2007 reflect effective execution of the Group's business strategies and tighter business integration with its parent company, Fubon Financial Holding Co., Ltd., supported by buoyant economic conditions.

FUBON BANK PERFORMANCE (continued)

Gross interest income rose 15% to HK\$1,360 million for the first six months of 2007, whereas gross interest expense increased from HK\$860 million to HK\$950 million over the corresponding period. As a result, net interest income grew by HK\$90 million or 28% to HK\$410 million. The increase was mainly due to strong loan growth and improvement in investment yield, which outweighed the unfavourable effect of narrowing of Prime-HIBOR spreads. Effective net interest margin improved by 27 bps to 1.64% from 1.37% for the first half of 2006.

Other operating income including net fees and commission income reached HK\$272 million, which represented a 31% or HK\$64 million increase compared to the same period of last year. In the past two years, the Group has invested in expanding both the product and the customer platform of its wealth management business. This growth strategy is paying off and has resulted in robust growth of 42% or HK\$48 million in commission income from sales of wealth management products, encompassing financial markets investment and structured products, unit trust and insurance. Benefiting from the buoyant Hong Kong equity market and strong initial public offering (“IPO”) activity, brokerage-related commission income surged 55% or HK\$16 million.

Operating expenses rose 28% from HK\$315 million to HK\$405 million. This increase was primarily due to higher compensation and other staff expenses related to the hiring of new staff to support business growth. Nevertheless, the strong growth in net interest income and other operating income has slightly outpaced the increase in operating expenses and the Group was able to maintain its cost to income ratio at 59%. Operating profits before gains and impairment losses rose 30% or HK\$65 million to HK\$277 million compared with HK\$212 million in the first half of 2006.

In line with continued growth of the domestic economy which has supported corporate profitability and household income, the Group recorded a net charge for impairment losses on advances to customers of HK\$31 million, a decrease of HK\$48 million when compared to HK\$79 million in the first half of 2006. Asset quality remained good as evidenced by the impaired loans ratio declining to 0.59% as of 30 June 2007 from 0.93% as of 31 December 2006. After accounting for these impairment charges, other gains and tax charge, profit attributable to shareholders of HK\$217 million was recorded, representing a 73% increase from HK\$125 million for the first half of 2006. Return on average assets and return on average equity improved significantly from 0.49% to 0.83% and from 6.83% to 11.30% respectively when compared with the first half of 2006.

With diversified sources of funding and growth in customer deposits, the Group was able to support asset growth of 3% to HK\$54.9 billion as at 30 June 2007. Customer deposits grew 3%, reaching HK\$34.7 billion as at 30 June 2007. To diversify its funding sources, the Group successfully raised HK\$0.8 billion through notes issuances under its US\$1 billion Euro Medium Term Note Program launched in March 2006 and HK\$0.7 billion through issuance of certificates of deposit in the first half of 2007. This has further strengthened the Group’s asset and liability management capabilities and reduced the Group’s reliance on rate sensitive funding. The loan portfolio reached HK\$28.4 billion, an increase of 10% or HK\$2.7 billion over 2006 year-end balances. Trade finance increased by 73% or HK\$0.7 billion on the back of robust merchandise exports and strong domestic demand. Loans for use outside Hong Kong grew by 31% or HK\$1.7 billion, mainly arising from strong momentum of Taiwan-related corporate lending and hire purchase loans for use in Mainland China.

Taiwan-related business continued to demonstrate impressive growth during the first half of 2007. The corporate loans portfolio increased by 62% or HK\$1.6 billion and the deposits portfolio grew 19% or HK\$1 billion as compared to 2006 year-end balances. Furthermore, assets under management grew by more than 50% to HK\$6.5 billion. As at 30 June 2007, the loan and customer deposit balances of Taiwan-related business represented 14% (2006 year-end: 10%) and 19% (2006 year-end: 16%) of the total loan and deposit balances of the Group respectively. For the first half of 2007, Taiwan-related business contributed 24% (first half of 2006: 9%) of the Group’s operating profits before gains and impairment losses.

INTERIM DIVIDEND

The Directors have approved at the Board Meeting held on Tuesday, 14 August 2007 the payment of an interim dividend of 6 Hong Kong cents per share for the six months ended 30 June 2007. The interim dividend will be paid on or about Tuesday, 23 October 2007, in cash to shareholders whose names are on the Register of Members as at the close of business on Friday, 12 October 2007.

CLOSURE OF REGISTER MEMBERS

The Register of Members of the Bank will be closed from Tuesday, 9 October 2007 to Friday, 12 October 2007, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Bank's Share Registrars, Computershare Hong Kong Investor Services Limited, Shop 1712 – 1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 October 2007.

PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SHARES

The Bank has not redeemed any of its listed shares during the six months ended 30 June 2007. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's shares during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group is committed to the highest standards of corporate governance including but not limited to strict adherence to the principles and all Code provisions set forth in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited throughout the accounting period for the six months ended 30 June 2007.

COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited as its own code of conduct regarding securities transactions by the Directors.

The Group has made specific enquiries with all Directors regarding any non-compliance with the Model Code during the accounting period for the six months ended 30 June 2007, and received confirmations from all Directors that they have fully complied with the required standards set out in the Model Code.

STATUTORY FINANCIAL STATEMENTS

The financial information in this interim announcement is unaudited and does not constitute statutory financial statements.

The financial information relating to the financial year ended 31 December 2006 included in this interim announcement does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Group's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 6 March 2007.

The same accounting policies adopted in the 2006 annual financial statements have been applied in the preparation of the interim financial report, except for the changes in accounting policies as set out in note 2. The interim results have been reviewed by the audit committee. The interim financial report for the six months ended 30 June 2007 has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants, by KPMG, whose review report is included in the interim financial report to be sent to shareholders.

By Order of the Board
Juliana Chiu
Company Secretary

As at the date of this announcement, the Board comprises of Jin-Yi Lee (Managing Director and Chief Executive Officer), Chang Ming-Yuen, Michael, James Yip as Executive Directors; Ming-Hsing (Richard) Tsai (Chairman), Ming-Chung (Daniel) Tsai (Vice Chairman), Victor Kung, Jesse Ding as Non-Executive Directors; and Robert James Kenrick, Moses Tsang, Hung Shih as Independent Non-Executive Directors.

Hong Kong, 14 August 2007