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4 April 2011

To the Preference Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
UBS AG, HONG KONG BRANCH ON BEHALF OF
FUBON FINANCIAL HOLDING CO., LTD.
TO ACQUIRE ALL THE ISSUED PREFERENCE SHARES OF
FUBON BANK (HONG KONG) LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
FUBON FINANCIAL HOLDING CO., LTD.
OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

It was jointly announced by Fubon Financial and Fubon Bank on 19 January 2011 that on 10 January 2011 (i) Fubon Financial had requested the board of directors of Fubon Bank to put forward to the Scheme Shareholders the Scheme Proposal for the privatisation of the ordinary share capital of Fubon Bank which, if approved and implemented, would result in the withdrawal of listing of the Shares on the Hong Kong Stock Exchange; and (ii) Fubon Financial would make, through UBS AG, Hong Kong Branch, a voluntary conditional cash offer to acquire all the issued Preference Shares (other than those already owned by Fubon Financial or parties acting in concert with it).

As at the Latest Practicable Date, the Offeror owned 879,120,000 Shares, representing 75% of the issued Shares and 1,133,662,994 Preference Shares, representing approximately 96.72% of the issued Preference Shares.

Unless the context requires otherwise, terms defined in this document, of which this letter forms part, shall have the same meanings when used herein.

THE PREFERENCE SHARE OFFER

On behalf of Fubon Financial, we hereby make the Preference Share Offer to acquire all the Preference Shares not already owned by Fubon Financial and parties acting in concert with it, on the basis of a cash price per Preference Share in US dollars which equals the sum of (i) US\$0.10237, being the par value of each Preference Share, (ii) an amount representing the accrued but unpaid dividend calculated at the fixed rate of 9 per cent. per annum as provided for in the Articles for the period from 15 December 2010 to and including the Effective Date, and (iii) an amount representing the future dividend calculated at the fixed rate of 9 per cent. per annum as provided for in the Articles for the period from

the Effective Date to and including 24 December 2013, such future dividend to be discounted by applying a discount rate of 6 per cent. per annum, with the discount calculated with reference to the dividend payment schedule provided for in the Articles.

For the avoidance of doubt, the accrued but unpaid dividend for the period from 15 December 2010 to and including the Effective Date equals the dividend that Preference Shareholders are entitled to pursuant to the Articles for such dividend less any dividend paid or payable by Fubon Bank to the Preference Shareholders at any time during such period or in respect of such period, including the cumulative preferential dividend at the fixed rate of 9 per cent. per annum for the period from 15 December 2010 to 14 June 2011 as provided for in the Articles that will be paid to the holders of Preference Shares on 15 June 2011.

The Preference Share Offer is only subject to and conditional upon the Scheme of Arrangement becoming effective. The Preference Share Offer is not conditional upon the Offeror having received any pre-determined level of acceptances in respect of the Preference Share Offer.

Assuming that (i) the Scheme of Arrangement becomes effective on 8 June 2011; and (ii) save for the cumulative preferential dividend at the fixed rate of 9 per cent. per annum for the period from 15 December 2010 to 14 June 2011 as provided for in the Articles that will be paid to the holders of Preference Shares on or before 15 June 2011, no other dividend will be paid to the Preference Shareholders from the Latest Practicable Date to the Closing Date, the offer price per Preference Share will be US\$0.123793, representing a premium of approximately 20.9% over the par value of US\$0.10237 each of the Preference Shares. Further announcements will be made if there is any change to the offer price under the Preference Share Offer.

By accepting the Preference Share Offer, the Preference Shareholders will sell their Preference Shares to the Offeror free from all liens, claims, encumbrances and together with all rights attaching to the Preference Shares as at the Closing Date, including the right to receive all dividends accrued but unpaid and distribution identified as payable to the Preference Shareholders on the Closing Date.

The Preference Shares are not listed on any stock exchange and therefore there is no market value for the Preference Shares to compare against the offer price under the Preference Share Offer.

The Preference Shareholders who do not accept the Preference Share Offer will continue to hold the Preference Shares they own and will continue to be entitled to the rights, including the right to receive a cumulative preferential dividend at the fixed rate of 9 per cent. per annum, attached to the Preference Shares. However, if the Scheme of Arrangement becomes effective, Fubon Financial intends to seek the prior consent of the HKMA and conditional upon Fubon Bank being able to redeem the Preference Shares and remain solvent immediately thereafter, Fubon Financial intends to procure Fubon Bank to redeem the Preference Shares on or shortly after 24 December 2013.

As at the Latest Practicable Date, Fubon Financial or its concert parties had not received any irrevocable commitment to accept the Preference Share Offer.

CONFIRMATION OF FINANCIAL RESOURCES

Assuming that (i) the Scheme of Arrangement becomes effective on 8 June 2011; (ii) all Preference Shareholders accept the Preference Share Offer; and (iii) no dividend (other than the cumulative preferential dividend at the fixed rate of 9 per cent. per annum for the period from 15 December 2010 to 14 June 2011 as provided for in the Articles) has been or will be paid to holders of Preference Shares from 16 December 2010 to the Closing Date, the total cash consideration payable under the Preference Share Offer will be approximately US\$4.8 million. The consideration payable under the Preference Share Offer will be funded from the internal resources of and existing credit facility available to the Offeror. The principal lender for such credit facility is First Commercial Bank. The Offeror confirms that (i) payment of the interest and the principal of such credit facility and (ii) security for any liability (contingent or otherwise) under such credit facility would not be dependent to any significant extent on the business of the Fubon Bank Group.

As at the Latest Practicable Date, UBS AG, Hong Kong Branch, the financial advisor to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to implement the Preference Share Offer in accordance with its terms.

CONDITION OF THE PREFERENCE SHARE OFFER

The Preference Share Offer is only subject to and conditional upon the Scheme of Arrangement becoming effective. The Preference Share Offer is not conditional upon Fubon Financial having received any pre-determined level of acceptances in respect of the Preference Share Offer.

INFORMATION ON THE OFFEROR

The Offeror, or Fubon Financial, is a company incorporated in Taiwan with limited liability with its shares listed on the Taiwan Stock Exchange. Fubon Financial is a leading financial holding company in Taiwan. Fubon Financial and its subsidiaries provide a comprehensive range of financial products and services, including commercial banking, life insurance, general insurance, securities trading and brokerage, investment trust and asset management and are market leaders in their respective sectors. As at the end of September 2010, the total assets of Fubon Financial amounted to NT\$3.37 trillion, ranking second amongst Taiwan's publicly listed financial holding company. As at 31 December 2010, Fubon Financial had a network of more than 600 retail outlets and more than 30,000 employees in Taiwan.

REASONS FOR AND BENEFITS OF THE PREFERENCE SHARE OFFER

The Offeror had requested the Board to put forward the Scheme Proposal to the Scheme Shareholders and advised Fubon Bank that it would make the Preference Share Offer at the same time.

The Scheme Proposal will facilitate business integration between Fubon Financial and Fubon Bank and will provide Fubon Financial with greater flexibility to support the future business development of Fubon Bank. The Offeror currently holds 75% of the total issued Shares and the Hong Kong Listing Rules require a minimum public float of 25%. The privatisation of Fubon Bank will simplify the shareholding structure of Fubon Bank.

In addition, the listing of the Shares requires Fubon Bank to bear listing-related costs and expenses. If the privatisation and the resulting withdrawal of listing of Fubon Bank is successful, these costs and expenses can be saved.

The Preference Share Offer is only subject to and conditional upon the Scheme of Arrangement becoming effective. The Preference Share Offer is not conditional upon Fubon Financial having received any pre-determined level of acceptances in respect of the Preference Share Offer. The Preference Shareholders who do not accept the Preference Share Offer will continue to hold the Preference Shares they own and will be entitled to the rights, including the right to receive a cumulative preferential dividend at the fixed rate of 9 per cent. per annum, attached to the Preference Shares. However, if the Scheme of Arrangement becomes effective, Fubon Financial intends to seek the prior consent of the HKMA and conditional upon Fubon Bank being able to redeem the Preference Shares and remain solvent immediately thereafter, Fubon Financial intends to procure Fubon Bank to redeem the Preference Shares on or shortly after 24 December 2013. If the Scheme Proposal does not proceed, Fubon Financial has no intention to procure Fubon Bank to redeem the Preference Shares on or shortly after 24 December 2013. Accordingly, the Preference Share Offer provides an opportunity to the Preference Shareholders to exit Fubon Bank and have their investments realised immediately should they so wish, instead of waiting for Fubon Bank to redeem the Preference Shares at its discretion (subject to the prior consent of the HKMA) and by December 2013 at the earliest.

THE OFFEROR'S INTENTION IN RELATION TO FUBON BANK

It is the intention of Fubon Financial to continue the development of the existing business of Fubon Bank in banking and financial services in Hong Kong after the successful privatisation of the Company. It is also the intention of Fubon Financial to develop a better business integration between Fubon Financial and Fubon Bank so as to achieve an efficient allocation of resources and business development. Fubon Financial does not have any plans to make any material adjustments with respect to the assets and existing employees of Fubon Bank and its subsidiaries.

INTEREST OF THE OFFEROR AND THE CONCERT PARTIES IN FUBON BANK

As at the Latest Practicable Date, the Offeror is interested in 1,133,662,994 Preference Shares, representing approximately 96.72% of the issued Preference Shares. The remaining 38,497,006 Preference Shares in issue, representing approximately 3.28% of the issued Preference Shares, are held by the Preference Shareholders, being parties other than the Offeror or parties acting in concert with it (save for those members of the group of companies of UBS that are conducting exempt principal trader activities or exempt fund

manager activities). UBS (other than those members of the group of companies of UBS that are conducting exempt principal trader activities or exempt fund manager activities) does not hold any Shares or Preference Shares.

OVERSEAS PREFERENCE SHAREHOLDERS

Offers made under the Preference Share Offer to those Preference Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Preference Shareholders are located. Such Preference Shareholders should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Preference Shareholders wishing to accept the offers under the Preference Share Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Acceptances of the Preference Share Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Preference Share Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws. Overseas Preference Shareholders are recommended to seek professional advice on whether to accept the Preference Share Offer.

The Offeror reserves the right to make arrangements in respect of Preference Shareholders who are not resident in Hong Kong in relation to the terms of the Preference Share Offer. Such arrangements may include notifying any matter in connection with the Preference Share Offer to the Preference Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such persons are resident. The notice will be deemed to have been sufficiently given, despite any failure by such Preference Shareholders to receive or see that notice.

The attention of overseas Preference Shareholders and any person (including, without limitation, any nominee, custodian and trustee) who may have an obligation to forward this document and the accompanying Form of Acceptance outside of Hong Kong is drawn to the section headed "Actions to be taken by Preference Shareholders" on pages 3 to 5 of this document.

ACCEPTANCE AND SETTLEMENT

Procedures for Acceptance of the Preference Share Offer

The Preference Share Offer is made on 4 April 2011, being the Despatch Date, and is capable of acceptance on and from that date and will remain open for acceptance until 4:00 p.m. on Wednesday, 22 June 2011, unless extended or revised in accordance with the Takeovers Code. Fubon Financial reserves the right to revise or extend the Preference Share Offer in accordance with the Takeovers Code.

The Preference Share Offer may be revised at any time up to the Closing Date. If the Preference Share Offer is revised, such revised Preference Share Offer will remain open for acceptance for a period of at least 14 days from the date of posting of the written notification of the revision to the Preference Shareholders. In any case where the Preference Share Offer is revised, and the consideration offered under the revised Preference Share Offer does not represent on such date a reduction in the value of the Preference Share Offer in their original or any previously revised form(s), the benefit of such revised Preference Share Offer will be made available as set out herein to acceptors of the Preference Share Offer in their original or any previously revised form(s) (hereinafter called "previous acceptor(s)"). The execution by, or on behalf of, a previous acceptor of any Form of Acceptance shall be deemed to constitute acceptance of the Preference Share Offer as so revised.

To accept the Preference Share Offer, you must complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which forms part of the terms of the Preference Share Offer.

The completed Form of Acceptance should then be forwarded, together with the relevant Preference Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the whole of your holding of the Preference Shares or, if applicable, for not less than the number of Preference Shares in respect of which you intend to accept the Preference Share Offer, by post or by hand to the share registrar of Fubon Bank, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, marked "Fubon Bank Preference Share Offer" on the envelope, as soon as practicable after receipt of these documents and in any event, so as to reach Computershare Hong Kong Investor Services Limited by no later than 4:00 p.m. on Wednesday, 22 June 2011 (or such later time and/or date as Fubon Financial may decide and announce with the consent of the Executive in accordance with the Takeovers Code). No receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is also drawn to the section headed "Actions to be taken by Preference Shareholders" on pages 3 to 5 of this document.

Settlement of the Preference Share Offer

Provided that a valid Form of Acceptance and the relevant documents required to render the relevant acceptance under the Preference Share Offer are complete and in good order in all respects and have been received by the share registrar of Fubon Bank, Computershare Hong Kong Investor Services Limited, by no later than 4:00 p.m. on Wednesday, 22 June 2011, being the latest time for acceptance of the Preference Share Offer unless the Preference Share Offer is extended by Fubon Financial in accordance with the Takeovers Code, a cheque for the amount due to the accepting Preference Shareholders in US dollars will be despatched to the relevant accepting Preference Shareholder by ordinary post at his/her/its own risk as soon as possible, but in any event within 10 days from the date on which all relevant documents (including documents of title) are received by Computershare Hong Kong Investor Services Limited to render such acceptance complete and valid.

Stamp Duty

Ad valorem stamp duty of the accepting Preference Shareholders arising in connection with acceptance of the Preference Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or, if higher, the value of the Preference Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) will be borne by the Offeror. The Offeror will also bear its own portion of buyer's ad valorem stamp duty under the Preference Share Offer at the rate of 0.1% of the amount payable in respect of the relevant acceptance or, if higher, the value of the Preference Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) and will be responsible to account to the Stamp Office of Hong Kong for the stamp duty payable for the sale and purchase of the relevant Preference Shares pursuant to the acceptances of the Preference Share Offer.

Accordingly, no stamp duty will be deducted from the amount due to the accepting Preference Shareholders in respect of their acceptance of the Preference Share Offer.

Nominee Registration

In order for the beneficial owners of the Preference Shares whose investments are registered in nominees' names to accept the Preference Share Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Preference Share Offer. To ensure equality of treatment of all Preference Shareholders, those registered Preference Shareholders who hold Preference Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately.

TAXATION

The Preference Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Preference Share Offer. It is emphasised that none of Fubon Financial, Fubon Bank, UBS, any of their respective directors, officers, employees, agents, affiliates or advisers and any

other person involved in the Preference Share Offer accepts responsibility for any taxation or other effects on, or liabilities of, any person or persons as a result of their acceptances of the Preference Share Offer.

This document does not include any information in respect of overseas taxation. The Preference Shareholders who may be subject to overseas tax are recommended to consult their tax advisers regarding the implications in the relevant jurisdiction of owning and disposing of the Preference Shares.

GENERAL

- (A) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on 22 June 2011, or such later time and/or date as the Executive may in exceptional circumstances permit, Fubon Financial shall inform the Executive and the Hong Kong Stock Exchange of its intentions in relation to the revision or the extension or expiry of the Preference Share Offer. Fubon Financial shall publish an announcement through the website of the Hong Kong Stock Exchange by 7:00 p.m. on 22 June 2011 (or such later time and/or date as the Executive may agree) of the Preference Share Offer, stating whether the Preference Share Offer had been revised, extended or have expired. The announcement shall state the total number of Preference Shares and rights over Preference Shares:
- (a) for which acceptances of the Preference Share Offer have been received;
 - (b) held, controlled or directed by Fubon Financial or parties acting in concert with it before the offer period; and
 - (c) acquired or agreed to be acquired during the offer period by Fubon Financial or any parties acting in concert with it.

The announcement shall also (i) specify the percentages of the relevant classes of issued share capital of Fubon Bank and the percentages of voting rights represented by these numbers of Preference Shares; and (ii) include details of any relevant securities in Fubon Bank which Fubon Financial or any persons acting in concert with it has borrowed or lent, save for any borrowed Preference Shares which have been either on-lent or sold.

As required under the Takeovers Code and the Hong Kong Listing Rules, all announcements in relation to the Preference Share Offer in respect of which the Executive and the Hong Kong Stock Exchange have confirmed that they have no further comments thereon, must be published on the website of the Hong Kong Stock Exchange and made in accordance with the requirements of the Hong Kong Listing Rules.

- (B) As the Preference Share Offer is not conditional upon Fubon Financial having received any pre-determined level of acceptances, acceptances of the Preference Share Offer tendered by the Preference Shareholders shall be irrevocable and cannot be withdrawn, except as permitted under the Takeovers Code and in the circumstances where if Fubon Financial is unable to comply with the requirements set out in paragraph (A) above,

under Rule 19.2 of the Takeovers Code, the Executive may require that the Preference Shareholders who tendered acceptances of the Preference Share Offer be granted a right of withdrawal on terms acceptable to the Executive until the requirements set out in paragraph (A) are met.

- (C) All communications, notices, Form of Acceptance, Preference Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Preference Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither Fubon Financial, Fubon Bank, UBS, and any of their respective agents nor the share registrar of Fubon Bank, Computershare Hong Kong Investor Services Limited accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (D) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Preference Share Offer.
- (E) The accidental omission to despatch this document and/or the Form of Acceptance or any of them to any person to whom the Preference Share Offer is made will not invalidate the Preference Share Offer in any way.
- (F) The Preference Share Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a Preference Shareholder will constitute such Preference Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Preference Share Offer.
- (G) Due execution of the Form of Acceptance will constitute an authority to any Fubon Financial directors, UBS or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Preference Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in Fubon Financial or such person or persons as it may direct the Preference Shares in respect of which such person has accepted the Preference Share Offer.
- (H) Acceptance of the Preference Share Offer by any person or persons will be deemed to constitute a warranty by such person or persons to Fubon Financial that the Preference Shares acquired under the Preference Share Offer is sold by any such person or persons free from all liens, claims and encumbrances and together with all rights attaching and accruing to the Preference Shares as at the Closing Date, including the right to receive all dividends or other distributions accrued but unpaid and identified as payable to the Preference Shareholders on the Closing Date and all future dividends or other distributions, if any, declared, paid or made on the Preference Shares on or after the Closing Date.


- (I) The settlement of the consideration to which any Preference Shareholder is entitled under the Preference Share Offer will be implemented in full in accordance with the terms of the Preference Share Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Fubon Financial may otherwise be, or claim to be, entitled against such Preference Shareholder.
- (J) References to the Preference Share Offer in this document and in the accompanying Form of Acceptance shall include any extension and/or revision thereof.
- (K) In case of any inconsistency, the English language text of this document and the accompanying Form of Acceptance shall prevail over the Chinese language.

Yours faithfully

For and on behalf of
UBS AG, Hong Kong Branch



David Chin
Managing Director
Head of Investment Banking, Asia



Jimmy Wong
Managing Director



Raymond Lau
Director