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PRESS RELEASE

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Fubon Bank posted Interim Earnings of HK$101 million

Net profits dropped 60% or HK$149 million year-on-year to HK$101 million, but improved substantially half-on-half.

(Hong Kong: 11 August 2009) Fubon Bank (Hong Kong) Limited ("the Bank") and its subsidiaries ("the Group") reported a net profit of HK$101 million for the first six months ended 30 June 2009. The global financial crisis and the ensuing recession that emerged from the fourth quarter of 2008 continued to weigh heavily on Hong Kong's economy and had negatively impacted on the Bank's earnings. Despite net interest income recording strong growth during the first half of 2009, this was offset by lower net fee and commission income and high credit costs due to the fall in market-related activities and weak credit conditions. As a result, the Bank's financial performance for the first half of 2009 fell by 60% versus first half of 2008 when the Bank registered record interim earnings of HK$250 million, but improved substantially against a net loss of HK$150 million in the second half of 2008, on account of the favorable interest rate environment and lower impairment charges on loans and available-for-sale investment portfolios. Earnings per share decreased to 5.03 Hong Kong cents, compared to 21.36 Hong Kong cents per share for the first half of 2008.

Net interest income up 13% or HK$68 million to HK$600 million.

Gross interest income decreased 26% to HK$862 million for the first half of 2009 whereas gross interest expense decreased 58% to HK$262 million over the corresponding period. As a result, net interest income grew by HK$68 million or 13% to HK$600 million. The increase in net interest income was bolstered by the increase in average interest-earning assets and widening of Hong Kong dollar Prime-HIBOR spread. Benefiting from lower funding cost in the near-zero interest rate environment and pricing of assets with higher spreads, effective net interest margin ("NIM") improved by 15 bps to 2.05% from 1.90% for the first half of 2008.

Other operating income (including net fees and commission income) decreased 54% to HK$151 million.

Other operating income decreased 54% year-on-year to HK$151 million from HK$332 million (excluding revaluation loss on CDO portfolio for HK$78 million) in the first half of 2008. During the first quarter, the volatility in equity markets and depressed market sentiments significantly reduced investors' appetites for investment products. As a result, stock broking related fee income as well as commission income from the sale of wealth management products, encompassing financial markets investment and structured products, unit trusts and insurance were adversely affected and declined in line with the general trend. Following the stock market rebound in the second quarter and early signs of stabilization of global financial markets, the stock broking and wealth management business gained momentum, and related fee revenue started to pick up in the months of May and June. In view of the tightened regulatory requirements on the sale of investment products, the Bank has enhanced its systems and control processes to ensure it continues to ascribe to the highest standard of conduct in its business. The Bank has also made considerable efforts at further enhancing its wealth management product and service offerings and deepening existing customer relationship to capture business opportunities when market recovers.

Operating profits before gains and impairment losses decreased 9% to HK$288 million.

Operating expenses decreased 1% year-on-year to HK$463 million and decreased 7% when compared with HK$497 million in the second half of 2008, reflecting the Bank's efforts in managing its cost base effectively during the difficult operating environment. The cost-to-income ratio increased to 61.7% for the first half of 2009, compared with 59.6% for the first half of 2008 due to the decrease in fee-based revenues. The Bank will continue to rationalize its operating expenses level and enhance its operating leverage in order to alleviate the negative impact of slowing revenues on the cost-to-income ratio. Operating profits before gains and impairment losses decreased 9% or HK$29 million to HK$288 million compared with HK$317 million in the first half of 2008.

Individual impairment losses increased at a slower rate.

Due to the economic downturn and deteriorating credit conditions, net charge of impairment losses on advances to customers registered a year-on-year increase of HK$188 million to HK$206 million. Most of the increase was due to higher individual impairment losses on SME loans. As compared to the second half of 2008 when the global economic recession began, total impairment losses decreased significantly by HK$85 million, or 29%, as credit charges started to stabilize in the second quarter. Collective impairment allowances were increased to strengthen the Bank's balance sheet and to put the Bank in a stronger position to weather asset quality risks ahead. The increase in impaired loan balances in the first half of 2009 was further aggravated by the 8% drop in loan balances, as a result, the impaired loans ratio increased to 1.86% as of 30 June 2009 from 1.22% as of 31 December 2008.

Return on average equity decreased from 12.25% to 4.22% mainly due to temporary setback in wealth management related fee revenues and higher loan provisioning.

Impairment losses on available-for-sale equity securities of HK$26 million were provided in the first half of 2009. This represented a drop of HK$70 million and HK$75 million respectively when compared to HK$96 million recognized in the first half of 2008 and HK$101 million recognized in the second half of 2008 for income notes issued by structured investment vehicles and for certain equity securities. Share of profits of Xiamen City Commercial Bank, which the Bank owned 19.99% stake, amounted to HK$8 million. After accounting for impairment charges, other gains and tax charge, profit after taxation amounted to HK$101 million, representing a 60% decrease from HK$250 million for the first half of 2008. Return on average assets and return on average equity decreased from 0.86% to 0.31% and from 12.25% to 4.22% respectively when compared with the first half of 2008.

Total assets down 1% to HK$64.9 billion. Customer deposits registered a moderate 1% growth while loans dropped 8%.

Total assets as at 30 June 2009 were at HK$64.9 billion, a decrease of 1% or HK$0.7 billion from HK$65.6 billion as at 31 December 2008. Customer deposits registered a moderate growth of 1%, reaching HK$48.6 billion as at 30 June 2009. Net loans portfolio decreased 8% or HK$2.7 billion to HK$30.3 billion as at 30 June 2009 from 2008 year-end balances of HK$33.0 billion. The Bank was cautious in growing its loan book in the first half of 2009 in light of the uncertain credit environment. The successful issuance of approximately USD120 million preference shares in December 2008 has placed the Bank in a strongly capitalized and liquid position. The consolidated capital adequacy ratio was 16.18% (14.04% at 2008 year-end) at the end of June 2009 and average liquidity ratio for the first half of 2009 was at 47.74%.

Agreement between the Bank, the HKMA, the SFC and the Distributing Banks to repurchase outstanding Lehman Brothers Minibonds subscribed or purchased through the Bank.

On 22 July 2009, on a without liability basis, the Bank entered into an agreement with the Hong Kong Monetary Authority (“HKMA”), the Securities and Futures Commission (“SFC”) and 15 other distributing banks under which the Bank would offer to repurchase certain structured investments, known as Lehman Minibonds, from certain investors. The Bank has made an announcement on the same date setting out the details of the offer. The maximum commitment of the Bank in the event that all eligible investors accept the offer is HK$313 million (excluding any future recovery from the underlying collateral). A provision has not been recognized as management is unable to estimate reliably the ultimate cost to the Bank of this agreement, which was entered into in order to preserve the goodwill of the Bank with its customers and regulators, since it will depend critically on the amount of collateral realized by the special purpose vehicles issuing the investments as well as the proportion of investors accepting the offer.

Reinforcing the Bank as the regional financial platform of Fubon Financial.

In the second half of 2009, the unsettled operating environment and the uncertain global economic outlook will continue to impact banks’ earnings. Management believed it appropriate to stay prudent as economic recovery will be gradual. The Bank has taken a series of significant steps to improve risk management, enhance internal controls and strengthen its balance sheet which will put the Bank on the path of long-term growth driven by its core deposit and lending businesses. The Bank will also make the best use of the opportunity to deepen client relationships and to prospect good quality clients for building its customer franchise. The integration with Fubon Financial will be implemented in full force, which will help improve management efficiency and maximize revenue and operating synergies for the Bank. Through these initiatives, the Bank strives to better serve its customers in the Greater China region and to increase value for shareholders.

2009 Interim Dividend at 1.5 Hong Kong cents per ordinary share

The Board of Directors declared an interim dividend of 1.5 Hong Kong Cents per ordinary share in respect of the six months period ended 30 June 2009.

Fubon Bank (Hong Kong) Limited

Fubon Bank (Hong Kong) Limited ("Fubon Bank") is a subsidiary of Fubon Financial Holding Co., Ltd., a leading financial services group in Taiwan which is engaged in corporate and investment banking, financial markets, consumer finance, wealth management, investment management and insurance. Fubon Bank operates 24 retail outlets in Hong Kong including 22 branches and 2 Securities Services Centres, and provides a wide range of financial services encompassing consumer and wholesale banking, wealth management, financial markets, hire purchase, securities brokerage and investment services. Fubon Bank is listed on the Stock Exchange of Hong Kong (stock code: 636) and holds an A-2 short-term, BBB+ long-term rating from Standard & Poor's. The rating reflects Fubon Bank's strong capitalization, good liquidity and sound asset quality.

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