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PRESS RELEASE

FOR IMMEDIATE RELEASE **10 AUGUST 2010**

Fubon Bank raised 2010 Interim Earnings to HK$153 million, Up 52%

Net profits increased 52% or HK$52 million year-on-year to HK$153 million.

(Hong Kong: 10 August 2010) Fubon Bank (Hong Kong) Limited ("the Bank") and its subsidiaries ("the Group") reported a net profit of HK$153 million for the first six months ended 30 June 2010 which was 52% or HK$52 million better than the HK$101 million reported for the corresponding period in 2009. The Hong Kong economy held up well in the first half of 2010, as evidenced by the strong growth in Gross Domestic Product, and rising exports and retail sales. Under the improved operating environment, the Bank's fee-based revenue continued its growth since the fourth quarter of 2009 while impairment losses on advances to customers reduced substantially year-on-year. After accounting for the dividend payment for preference shares, earnings per share increased to 9.54 Hong Kong cents, compared to 5.03 Hong Kong cents per share for the first half of 2009.

Net interest income decreased 24% or HK$145 million to HK$455 million.

Gross interest income declined 31% to HK$598 million for the first half of 2010 whereas gross interest expense decreased 45% to HK$143 million over the corresponding period. As a result, net interest income decreased by HK$145 million or 24% to HK$455 million. The decline in net interest income was attributed to lower average interest-earning assets, as the Bank adopted a more cautious approach to loan underwriting, and fierce price competition among peers for lending and customers deposits. Moreover, credit spread tightening since the fourth quarter of 2009 caused assets to be priced at lower spreads. Effective net interest margin ("NIM") decreased by 34 bps to 1.71% from 2.05% for the first half of 2009.

Net fee and commission income increased 47% or HK$42 million to HK$132 million but was offset by HK$40 million decrease in other operating income.

Net fee and commission income increased 47% or HK$42 million to HK$132 million in the first half of 2010. The year-on-year growth was broad-based, underpinned by higher business volumes across consumer finance, wealth management and corporate banking segments. Credit-related fees and commissions increased HK$16 million, credit card related fees and commission income increased HK$5 million, and commission income derived from sales of insurance products and unit trust products increased HK$20 million.

Credit spread tightening affected the fair value of financial instruments designated at fair value through profit or loss and its hedging derivatives, resulted in a decrease of HK$40 million in other operating income. Including the revaluation loss of HK$5.6 million on the CDO portfolio in the first half of 2010 (HK$0.08 million in 2009), total non-interest income, included net fee and commission income and other operating income, recorded a 2% decrease or HK$4 million to HK$148 million in the first half of 2010.

Operating profits before gains and impairment losses decreased 33% to HK$192 million.

The Bank continued to maintain stringent cost discipline during the first half of the year. Proactive cost containment initiatives drove operating expenses down 11% or HK$52 million year-on-year to HK$411 million for the first half of 2010. The cost-to-income ratio increased to 68.2% for the first half of 2010, compared with 61.7% for the first half of 2009. The increase in cost-to-income ratio was mainly due to the decrease in net interest income. 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 33% or HK$96 million to HK$192 million compared with HK$288 million in the first half of 2009.

Level of impaired loans stabilized and net charge for impaired loans decreased substantially by 77% year-on-year.

Net charge for impairment losses on advances to customers registered a year-on-year decrease of 77% or HK$158 million to HK$48 million for the first half of 2010. Most of the decrease was due to lower individual impairment losses on SME loans. The level of impaired loans has stabilized since the second quarter of 2009 and the impaired loans ratio further decreased to 1.72% as of 30 June 2010 from 1.78% as of 31 December 2009. Additional individual impairment losses were set aside during the first half of 2010, resulting in the coverage of impaired loans improving from 87% at 31 December 2009 to 95% at 30 June 2010.

Return on average equity increased from 4.22% to 6.22% due to increase in profits after taxation.

Impairment losses on available-for-sale securities of HK$18 million were provided in the first half of 2010. The share of profits of Xiamen Bank, in which the Bank owns a 19.99% stake, amounted to HK$13 million, representing an increase of 78% as compared to HK$8 million recognized for the first half of 2009. After accounting for impairment charges, other gains and tax charge, profits after taxation amounted to HK$153 million, representing a 52% increase from HK$101 million for the first half of 2009. Return on average assets and return on average equity increased from 0.31% to 0.50% and from 4.22% to 6.22% respectively when compared with the first half of 2009.

Total assets down 4% to HK$58.6 billion. Customer deposits registered a 7% decrease while net loans dropped 4%.

Total assets as at 30 June 2010 were at HK$58.6 billion, a decrease of 4% or HK$2.4 billion from HK$61.0 billion as at 31 December 2009. Customer deposits registered a decrease of 7% to HK$43.3 billion as at 30 June 2010. During the first half of 2010, the Bank maintained a prudent approach to credit underwriting and acquiring new loans in light of uncertainties in external markets. Therefore, the net loans portfolio decreased 4% or HK$1.0 billion to HK$27.6 billion as at 30 June 2010 from the 2009 year-end balance of HK$28.6 billion. The Group's capital and liquidity positions remained strong. The consolidated capital adequacy ratio was 18.15% (17.18% at 2009 year-end) at the end of June 2010 and the average liquidity ratio for the first half of 2010 was at 49.89%.

Poised for capitalizing on cross-straits business opportunities.

Since the beginning of 2010, the Bank has adopted a growth-yet-prudent strategy to capture market opportunities while minimizing risks and costs. The Bank has started laying the groundwork for its strategic priorities of expanding the local franchise and reducing the overall risk profile. Steps have been taken to strengthen risk processes and build business resilience. Operations, information technology and other functions have been re-organized to create a more effective organization with greater efficiency and enhanced cost effectiveness for building a strong infrastructure for future growth. The improved Group earnings in the first half of 2010, mainly attributed to substantially lower credit impairment losses, was testimony to the Bank delivering on its strategy.

While the global economy is emerging from the harsh conditions experienced in the aftermath of the global financial crisis, the recovery is likely to be slow. The negative impacts of the European debt crisis have yet to be fully reflected while recent economic reports suggested the US recovery may be losing momentum. Concerns about the sustainability of the global economy prompt the Bank to continue to pursue a growth-yet-prudent strategy in the second half of the year. In its continuous efforts of establishing the local franchise, the Bank will strengthen its brand equity and continue to expand its customer base. The Bank will continue to invest on information technology, particularly on infrastructure and enhancements on risk and business application systems with a view to improving product and service delivery. The signing of the Economic Cooperation Framework Agreement ("ECFA") between Taiwan and Mainland China will further strengthen cross-straits economic and financial sector interaction. Benefiting from the strong support of Fubon Financial, and by leveraging on Fubon Financial's growing presence in mainland China, the Bank is well positioned to capitalize on the burgeoning trade and investment flows in the Greater China region.

2010 Interim Dividend at 2.0 Hong Kong cents per ordinary share

The Board of Directors declared an interim dividend of 2.0 Hong Kong cents per ordinary share in respect of the six months period ended 30 June 2010.

<u>Fubon Bank (Hong Kong) Limited</u>

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, 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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