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## Fubon Bank (Hong Kong) Limited total assets surpassed HK\$50 billion

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(Hong Kong: August 11, 2005) Fubon Bank (Hong Kong) Limited (“the bank”) announced today that the total assets of the Group have exceeded HK\$50 billion, a record high, and that the Group’s integration into the Fubon Group has been successfully achieved with the change of its name in April. The Group’s strategy of building a regional banking platform for the Fubon Group is proceeding in line with expectations.
- Total assets rose 11% from last year end*

Total assets rose 11% from HK\$45.8 billion to HK\$50.9 billion. Advances to customers increased by HK\$1.7 billion to reach HK\$19.9 billion from HK\$18.2 billion as at 31 December 2004, with the corporate loan portfolio recording an 18% increase to HK\$10.1 billion. The non-trading investment portfolio, which has been renamed as “available-for-sale” securities, also increased by 19%. The portfolio comprised certificates of deposit issued by banks, a small proportion of high-grade corporate bonds, and those Hong Kong Exchange Fund papers together with U.S. treasury bills classified as available-for-sale securities and included in cash and short term funds in the balance sheet. The holding of papers and bills increased from HK\$6 billion to HK\$8 billion.
- Corporate loan portfolio grew by 18%*
- Gross interest income rose by 32%*

With a significant expansion in interest earning assets and rises in interest rates, gross interest income recorded a strong increase of 32% from HK\$472.6 million in the first half of 2004 to HK\$624.9 million during this period, but successive increases in HKD and USD interest rates drove up gross interest expenses at a faster pace, to HK\$359.6 million. As a result, net interest income of HK\$265.3 million was recorded for the first half of 2005, representing a 13% decline.
- Other operating income also increased by 5%*

Nevertheless, a continuous trend of growth in other operating income was seen, marked by an increase of 5% to HK\$114.5 million. It represents a higher proportion of the bank’s total operating income, as it increased from 26% to 30%. The growth was attributable to the improved income from sales of investment products, the wealth management services, unit trust and insurance products.
- Operating expenses declined by 2% despite increase in marketing activities*

Operating expenses fell by 2% to HK\$284.2 million despite an increase in advertising and other expenses incurred relating to the name change campaign and the costs incurred to cultivate the bank’s Taiwan business. The reorganisation of retail distribution network has helped to reduce the operating costs of the bank.

- *A reversal of overall provision of HK\$8.3 million*

In addition, the bank recorded a total reversal of provision and impairment losses of HK\$8.3 million, including provisions for impaired loans and advances and for investments and repossessed assets, as the economic environment in Hong Kong continued to improve and significant efforts have been taken to address problem loans. However, the gain on disposal of available-for-sale securities decreased from HK\$96.3 million to HK\$29 million due to the volatile bond and interest rate environment in the first half of the year. In view of the abovementioned factors net profit before taxation amounted to HK\$132.9 million compared with HK\$222.5 million in the previous period.

- *Net profit in the first half of 2005 amounted to HK\$113.8 million*

After the deduction of tax expenses of HK\$19.1 million, the unaudited net profit for the six months ended 30 June 2005 attributable to the shareholders amounted to HK\$113.8 million, representing a decline of 43% compared with the first half of 2004.

“With the expansion of total assets and the successful name change campaign, the bank has achieved two of the major goals set in 2004 in only six months,” said Jin-Yi Lee, Managing Director and Chief Executive Officer. The most important business initiative undertaken by the bank in the first half of 2005 was the rebranding of the bank as a member of the Fubon Financial Group. The bank has launched a number of marketing campaigns to introduce its new identity and its new business concept of Value Banking, as reflected in the bank’s commitment to its customers in delivering a better banking experience by providing customers with more than they expect. The rebranding campaign has met with great success by not only improving the bank’s image but also transforming itself from a local bank to a regional financial institution with strong linkage with the holding company, Fubon Financial Group.

- *Total customer deposits increased by 7.9% and reached HK\$32.5 billion*

The bank has continued to provide a wide range of financial products to its customers, including different kinds of structured investment deposits with principal protection and achieved great success in these activities. Sales of these products and services to high net worth customers have seen good growth. Through the sales of structured investment deposits, the bank also absorbed a large amount of fixed deposits, as shown in the increase in customer deposits to HK\$32.5 billion, representing a growth of 7.9% when compared with the balances recorded as of 31 December 2004. These deposits provide a stable source of funds at low cost to finance other business activities.

In addition, the new Taiwan Corporate Banking team and Offshore Ambassador team were formed in the first half of the year and are beginning to provide contributions to the bank’s profitability. The bank will continue to explore opportunities for business cooperation with various members of the Fubon Financial Group to further expand its customer base and income sources. Management believes the integration of the bank into the Fubon Financial Group will bring numerous new business opportunities to the bank for its sustained growth in the long run.

In May 2005, the bank also issued floating rate certificates of deposit to nine international and local banks, which were well received by the banks and the bank took the opportunity to increase the issue from HK\$500 million to HK\$800 million. Shareholders’ funds stood at HK\$3.7 billion as of 30 June 2005.

In the second half of 2005, management will focus on expanding Taiwan business opportunities and promoting treasury and wealth management business. In addition, the bank will continue to streamline its retail distribution network to gain further operating efficiency and costs benefits.

The Board of Directors has declared an interim dividend of 6 Hong Kong cents per ordinary share in respect of the six months ended 30 June 2005.

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 and 9,000 sales and marketing representatives. It holds an A-3 short-term, BBB long-term rating from Standard & Poor’s. Fubon Financial has recently reported a net profit after tax of NT\$15 billion for the year ended 31 December 2004, representing a 7.8% growth as compared with 2003. The total asset of Fubon Financial Group exceeded NT\$1.5 trillion as at 31 December 2004.

The bank is listed on the Stock Exchange of Hong Kong (stock code: 636) and holds an A-3 short-term, BBB long-term rating from Standard & Poor’s, first awarded in 1996. The rating reflects the bank’s strong capitalization, good liquidity, and sound asset quality.

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