

PRESS RELEASE

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Fubon Bank (Hong Kong) Limited total assets amounted to HK\$49.8 billion

- *Total assets amounted to HK\$49.8 billion* (Hong Kong: March 1, 2006) Fubon Bank (Hong Kong) Limited (“the bank”) announced today that the total assets of the Group rose 9% from HK\$45.8 billion to HK\$49.8 billion. Advances to customers increased by HK\$3.3 billion to reach HK\$21.5 billion from HK\$18.2 billion as at 31 December 2004, with the corporate loan portfolio recording a 35% increase to HK\$11.5 billion. The non-trading investment portfolio, which has been renamed as “available-for-sale” securities, also increased by 12%. The portfolio comprised certificates of deposit issued by banks, a small proportion of high-grade corporate bonds, Hong Kong Exchange Fund papers and U.S. treasury bills. The bank’s holding of papers and bills increased from HK\$6 billion to HK\$7 billion.
- *Total assets rose 9% from last year end*
- *Corporate loan portfolio grew by 35%*

- *Gross interest income rose by 62%* With a significant expansion in interest earning assets and rises in interest rates, gross interest income recorded an increase of 62% from HK\$971.8 million in 2004 to HK\$1.6 billion in 2005, but successive increases in HKD and USD interest rates drove up gross interest expense at a faster pace, given a rise of 195% from HK\$361.6 million in 2004 to HK\$1.1 billion in 2005. As a result, net interest income of HK\$503.8 million was recorded for the year of 2005, representing a 17% decline.

- *Other operating income also increased by 45%* Nevertheless, a continuous trend of growth in other operating income was seen, as marked by an increase of 45% to HK\$326.8 million. It represents a higher proportion of the bank’s total operating income, as it increased from 27% to 39%. The growth was attributable to the improved income from sales of investment products, the wealth management services, unit trust and insurance products plus net gains from short selling activities.

- *Operating expenses remained stable* Operating expenses remained stable at HK\$603 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 contain the operating costs of the bank.

- *A reversal of overall provision of HK\$24.9 million* In addition, the bank recorded a total reversal of provision and impairment losses of HK\$24.9 million, including reversal of impairment losses for impaired loans and advances and for investments and repossessed assets, as the economic environment in Hong Kong continued to improve, significant efforts have been taken to address problem loans.

The bank has recorded a gain from disposal of fixed assets, including disposal of

- *Gain from disposal of fixed assets was HK\$39 million*

a surplus bank property, of HK\$39.0 million. However, the gain on disposal of available-for-sale securities decreased from HK\$93.3 million to a loss of HK\$17.8 million in 2005 due to the rising interest rate environment during the year. In view of the above-mentioned factors net profit before taxation amounted to HK\$273.8 million compared with HK\$338.3 million in the previous year.

- *Net profit in 2005 amounted to HK\$241.4 million*

After the deduction of tax expenses of HK\$32.4 million, the net profit for the year 2005 attributable to the shareholders amounted to HK\$241.4 million, representing a decline of 20% compared with the year 2004.

The most important business initiative undertaken by the bank in 2005 was the re-branding 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 re-branding 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 to the holding company, Fubon Financial Group.

- *Total customer deposits increased by 8% 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 sustained growth. Through the sales of structured investment deposits, the bank also absorbed a large amount of fixed deposits, as shown in an overall increase in total customer deposits to HK\$32.5 billion, representing a growth of 8% 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 2005, the bank had a total of 3 issues of certificates of deposits, raising HK\$1.9 billion of source of funds to the Bank. Shareholders' funds stood at HK\$3.7 billion as of 31 December 2005.

The Board of Directors propose the payment of a final dividend of 11 Hong Kong cents per ordinary share in respect of the year ended 31 December 2005, subject to approval at the forthcoming Annual General Meeting to be held on 28 April 2006.

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-2 short-term, BBB+ long-term rating from Standard & Poor's. Fubon Financial has reported a net profit after tax of NT\$7.0 billion for the six-month period ended 30 June 2005. The total asset of Fubon Financial Group amounted to NT\$1.6 trillion as at 30 June 2005.

- *Credit ratings upgrade to A-2 and BBB+*

The bank is listed on the Stock Exchange of Hong Kong (stock code: 636). Standard & Poor's has upgraded the bank's credit ratings on 6 September 2005 to A-2 short-term and BBB+ long-term ratings. The ratings upgrade reflects the bank's continued commitment to strengthening the balance sheet, with a low impaired loan ratio of 0.99% and strong capital adequacy and liquidity ratios.

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