

Building on **Market**
Leadership



Fubon Financial Holding Co. was the first financial holding company established in Taiwan and has repeatedly set industry "firsts." At its inception, for example, the company became Taiwan's first "financial department store," offering a complete range of product lines including banking, insurance and securities services. Fubon Financial has consistently applied this trend-setting strategy to gradually realize its goal of becoming a prominent financial institution in the Asia-Pacific region.

Fubon Financial

In NT\$ Thousand	2003	2002
Total Assets	1,258,393,565	1,158,292,027
Shareholders' Equity	146,467,452	138,802,069
Revenues	133,116,765	133,303,735
Net Income	14,044,282	9,414,853
Earning Per Share (NTD)	1.91	1.25
Return on Equity (%)	9.8	6.2
Return on Assets (%)	1.17	0.79

The above consolidated financial figures exclude International Bank of Asia

Fubon Financial Highlights

	Fubon Insurance	Fubon Life	Fubon Bank	Taipei Bank	Fubon Securities	Fubon Asset Management	International Bank of Asia
	2003 2002 In NT\$ Thousand	2003 2002 In NT\$ Thousand	2003 2002 In NT\$ Thousand	2003 2002 In NT\$ Thousand	2003 2002 In NT\$ Thousand	2003 2002 In NT\$ Thousand	2003 2002 In HK\$ Thousand
Total Assets	59,695,052 59,170,439	135,207,464 100,784,566	287,884,423 268,063,347	692,895,352 663,532,140	54,672,195 64,715,369	1,591,145 1,533,198	37,888,808 32,313,934
Shareholders' Equity	31,842,028 30,003,653	9,294,552 7,573,468	31,908,811 27,604,397	49,169,446 48,423,497	31,316,952 37,778,269	1,489,427 1,428,144	3,784,171 3,767,384
Revenues	40,688,712 39,819,989	55,751,188 40,835,355	20,804,316 18,540,474	24,681,658 32,108,897	6,607,822 9,020,287	749,537 671,672	805,841 879,616
Net Income	2,254,279 1,354,895	1,719,233 (1,238,257)	4,490,751 749,639	4,267,783 5,027,802	2,581,542 3,824,456	273,573 235,807	138,138 220,444

Our Glorious Achievements in 2003



Institutional Investor

Fubon Financial's Co-CEO Daniel Tsai was named as the "Best CEO" in Taiwan.



Euromoney

Fubon Bank was named as the "Best Private Bank" among domestic banks in Taiwan.



Asiamoney

Fubon Financial won the "Best Corporate Governance" award among diversified financials in Taiwan.



The Asset

Fubon Financial won the "Best Corporate Governance" award among financial institutions in Taiwan.



Asian Insurance Review

Fubon Insurance won the "Risk Manager of The Year" award.



CommonWealth

Fubon Securities won the "Most Admired Company" award.



Asian Insurance

Fubon Insurance was honored as the "Best Professional Consultant for Non-life Insurance," and Fubon Insurance was selected by Taiwan's top 1,000 enterprises as the "Best Non-life Insurance Company."

Major events of Fubon Financial Holding Co.

- 2001 Fubon Financial Holding Company became one of the first financial holding companies to be listed on the Taiwan Stock Exchange.
- 2002 Fubon Financial became the first publicly listed company to institute an independent board director system with the selection of two independent board members, establishing itself as the model for corporate governance.
- Issued US\$430 million in Euro convertible bonds, becoming the first domestic financial enterprise to underwrite overseas convertible bonds.
- Acquired Fubon Asset Management, which became the Fubon Group's 5th subsidiary.
- Acquired TAIPEIBANK, which, combined with Fubon Bank, gave Fubon Financial the largest private banking entity in Taiwan in terms of assets.
- 2003 Elected an independent supervisor, making Fubon Financial the first financial institution to implement the independent supervisor system.
- Signed a contract with Arab Banking Corp. to acquire its entire 55% stake in the Hong Kong-based International Bank of Asia, Ltd., making Fubon Financial Taiwan's first financial institution to acquire a Hong Kong bank.
- Acquired Fubon Direct Marketing Consulting Co., making Fubon Financial Taiwan's first financial institution to own a direct marketing firm.
- Set up a new subsidiary — Fubon Financial Holding Venture Capital.

Message to Shareholders

Despite the intense competition that prevails among the 14 existing financial holding companies in Taiwan, Fubon Financial Holding Co. (Fubon Financial) has repeatedly proven that it not only has lofty aspirations and inspiring slogans, but is also able to realize its strategic goals. After acquiring TAIPEIBANK in 2002, Fubon Financial became, in 2003, the first Taiwanese financial institution to acquire a Hong Kong bank when it bought Hong Kong-based International Bank of Asia. This was a decisive step in Fubon Financial's march forward to becoming one of Asia's leading regional financial institutions, and honored the company's commitments to customers and shareholders.

Continued Strong Profit Growth

In 2003, Fubon Financial again registered record profits, with pretax earnings of NT\$15.1 billion and after-tax earnings of NT\$14 billion, up 47% from 2002. Earnings per share posted a sharp annual growth of 53% to hit NT\$1.9. Meanwhile, the return on equity (ROE) ratio and return on assets (ROA) ratio also shot up 58% and 49% respectively. These results indicate that we have effectively harnessed the new "financial holding company" business model, and successively created an excellent record of profitability backed by the concerted efforts of our more than 10,000 employees.

Worth stressing is that TAIPEIBANK, which joined Fubon Financial at the end of 2002, rapidly manifested the positive effects of integration and its great earning potential in 2003. The Bank and Fubon Bank together generated some NT\$10 billion in pretax earnings and NT\$8.76 billion in after-tax profit, up 51% from 2002. Besides its outstanding profit performance, Fubon Financial's banking system has also significantly upgraded its asset quality. The two banks posted a high aggregate coverage

ratio of 49% for non-performing loans (NPLs), and their combined NPL ratio dropped to 2.53% at the end of last year from 3.25% in 2002. Furthermore, with the wealth management market gaining momentum, the wealth management business of both banks commanded 34% of Fubon Financial's net service fee income in 2003.

Our insurance and securities businesses also enjoyed banner years. Fubon Insurance registered after-tax profit growth of 66% in 2003, earning NT\$2.25 billion. Fubon Life Assurance recorded a loading gain for the first time in 2003, which, along with a mortality gain and investment income, generated after-tax earnings of NT\$1.72 billion. Overcoming a sluggish stock market performance in the first half of last year, Fubon Securities reported a profit of NT\$2.58 billion, while Fubon Asset Management maintained an annual profit growth of 16% as a result of an increase in assets under management.

Further Consolidating Market Leader Status

Fubon Financial has been structured as a "financial department store" since its inception,

enjoying balanced development in the fields of banking, insurance and securities and featuring the most comprehensive product lines. Following two years of external acquisitions and organic growth, our company has attained solid market positions in various product lines, and further upgraded the "Fubon" brand's image as a leader and innovator in the markets. With the acquisition of TAIPEIBANK, Fubon Financial has the largest branch network of any private bank here, operating as many as 120 branches around Taiwan. With up to 80 branches in the greater Taipei area, we have won an absolute banking channel advantage in the island's most important market.

Meanwhile, Fubon Bank has not only consolidated its position as a leading credit-card issuing bank, but also ranks No. 2 in terms of average consumption value per card — the result of management concepts that stress quality and solicit higher-end customers for platinum cards. It also pioneered the wealth management business concept among local banks with its "Platinum Banking Center." In a 2003 private banking survey conducted by the internationally-renowned financial magazine *Euromoney*, Fubon Bank was rated as the "Best Private Bank" among domestic banks in Taiwan and 9th best in Asia, the only Taiwanese bank to crack Asia's top-10.

As for insurance, Fubon Insurance has long retained its No.1 position in the market, consistently recording a market share of around 20%. Fubon Life Assurance has ascended to the No. 2 spot in terms of first-year premium income, despite being one of Taiwan's newer life insurers. This result largely stems from flexible policies that adapt quickly to market changes, the pioneering of investment-linked insurance policies, and

cross-selling via bancassurance channels.

In terms of the securities business, Fubon Securities recorded the second highest share of the securities brokerage market. It also ranked No. 2 among domestic securities houses in brokering shares for qualified foreign institutional investors. Meanwhile, the assets management scale of Fubon Asset Management has hit successive new highs. The NT\$141.5 billion managed at the end of 2003 firmly entrenched the firm as one of Taiwan's top three managers of mutual funds.

Concrete Integration Effect and Cross-Selling Results

Fubon Financial's promise to provide customers with multidimensional financial services is no longer just a slogan; it has become a reality as demonstrated by actual cross-selling results. For instance, the percentage of total life insurance product sales through cross-selling channels has rapidly risen to 55% as of the end of 2003 from 29% in 2002. The ratio of consumer loans has surged to 8.2% from 4.8%; the ratio of personal property insurance cases has doubled to 12.8% from 6.1%; and the percentage of stock trading accounts opened through the recommendation of affiliates has shot up to 36.7% from 6.7% in 2002. These figures illustrate Fubon Financial's ability to integrate the resources of its subsidiaries and translate the cross-selling concept into actual services for its customers, thereby generating revenue growth and providing solid returns to shareholders.

As a new Fubon member, TAIPEIBANK has also rapidly promoted cost-effective back-office centralization and joint procurements, and launched new products and joint marketing efforts to increase sales, making TAIPEIBANK one of the best distribution channels for the products supplied

Fubon Financial Management Team

► *From l to r:* Fubon Financial Co-CEO
Daniel Tsai, Richard Tsai

▼ *Front row l to r:* *Jesse Y. Ding, President, Taipei Bank*
Chuan-Hsi Wang, Chairman, Fubon Direct
Chen S. Yu, Chairman
Tsan-Ming Shih, Chairman, Fubon Insurance

Back row l to r: *Wing-Fai Ng, Chief Strategy Officer*
Daniel Chiang, Chief Investment Officer
Michael Ding, President, Fubon Asset Management
Victor Kung, Chief Financial Officer
James Wu, President, Fubon Bank
Peng-Yuan Cheng, President, Fubon Life
Kung-Liang Yeh, Chairman, Fubon Securities



by Fubon Financial subsidiaries. Accordingly, immediately after launching the "Platinum Banking Center" in 2003, TAIPEIBANK's service fee income from wealth management products experienced a stunning annual growth rate of 600%. This demonstrated that Fubon Financial is not only able to execute its acquisition strategy, but can also rapidly blend new members into its existing system and instill new corporate values through the strength of its corporate culture.

To upgrade the overall integration of Fubon Financial, we formally established a corporate banking group in 2003 to integrate the professionalism and services of our banking and securities affiliates and offer a single service window for corporate customers. We will also set up a consumer banking group and a wealth management group this year, hoping to provide more convenient and sophisticated platforms for individual and high-asset customers. Meanwhile, we have established Investment, Risk Management, and Information committees, and a Cost Rationalization panel, to build a horizontal management mechanism among various affiliates and further deepen integration through a matrix structure.

In addition, Fubon Direct Marketing Consulting Co., which originally served as an important direct marketing channel for Fubon Financial, was acquired by Fubon Financial in 2003 as a wholly-owned affiliate, setting a precedent among Taiwan's financial holding companies. This will help further intensify the integration of Fubon Financial's direct marketing channels.

Real Internationalization Strategy and Actions

As the first financial holding firm created in Taiwan, Fubon Financial has played the role of

market leader and trendsetter. Our position as a multidimensional financial service institution was enhanced when we obtained a 75% stake in the Hong Kong-based International Bank of Asia, the first time a Taiwanese financial institution had acquired a Hong Kong bank and a move that led other local counterparts to follow suit. The acquisition demonstrated Fubon Financial's determination to act on its internationalization strategy. IBA not only presents an excellent opportunity for Fubon Financial to penetrate the Hong Kong market, but has also served as the ideal springboard for Fubon Financial to offer multidimensional financial services to the Chinese market.

Meanwhile, Fubon Securities signed last year a strategic alliance agreement with the New York subsidiary of Samsung Securities, jointly providing foreign institutional investors with research reports and commentaries on the stock markets in Taiwan and South Korea and soliciting institutional investors in North America to invest in Taiwan. Again, Fubon Financial has taken the lead among local financial holding firms to adopt such a regional strategic alliance model to comply with the government's policy of fully opening the local bourse to foreign institutional investors. Through cooperation with international securities firms, we hope to further expand our customer base and move toward the development of investment banking.

Recognition from the Outside

Fubon Financial's achievements created under the management concepts "trustworthiness, amiability, professionalism and innovation" have not only been reflected in the company's shining financial statements, but have also been reported

by news media and cited by analysts in their research reports. In addition, 2003 was a prize-winning year for Fubon Financial. Besides the naming of Fubon Bank by Euromoney as the "Best Private Bank" in Taiwan, Fubon Securities was rated by CommonWealth magazine as the "Most Admired Company" and Fubon Insurance was cited as "Best Risk-Control Manager of the Year." These honors demonstrate that various Fubon Financial's businesses have won high recognition from customers.

In terms of corporate governance, Fubon Financial was ranked No. 1 among diversified financial institutions in Taiwan by Asiamoney magazine, and was named as the "Best in Corporate Governance" among Taiwan's financial institutions by The Asset magazine. These honors affirmed Fubon Financial's efforts in stressing corporate governance and boosting the transparency of corporate operations, and recognized the independent director and supervisor system we have pioneered. These achievements earned our co-CEO Daniel Tsai the honor of being named "Best CEO" in Taiwan by Institutional Investor magazine, confirming that Fubon Financial management team's leadership and high regard for the interests of shareholders have been well recognized by international investors.

Promising to Act as an Excellent Corporate Citizen

With its earnings and business scope constantly expanding, Fubon Financial will never forget the concept of "feeding what you get from society back to society" and will therefore devote more resources to the welfare of society. Through our charitable organizations — the Fubon Charitable Foundation, the Fubon Cultural and Educational

Foundation and the Fubon Art Foundation — we have promoted various programs that attend to underprivileged groups and the mental and physical development of the young. We have also blended an appreciation for the arts into people's daily lives.

In 2003, we set up the TAIPEIBANK Charitable Foundation, using the earnings and donations from the public-interest lottery division of TAIPEIBANK to engage in wide-ranging social welfare activities.

Fubon Financial donated more than NT\$100 million to support public-interest activities in 2003, among the highest amounts ever donated by a local business group. Besides the injection of financial resources, we also established a Fubon Compassion Volunteers Association, recruiting over 1,000 Fubon staff members as volunteers. We hope that with this additional manpower, our staff can achieve direct and close interaction with society by participating in public-interest activities, making Fubon more vividly fulfill its role as a good corporate citizen.

Looking to the future, Fubon Financial has taken a big stride toward the goal of becoming a regional financial institution. We're convinced that under the leadership of our excellent management team, we can further strengthen our business performance, create maximum benefits for our shareholders, and reinforce our corporate governance to become a corporate leader in Taiwan and Asia.

Chairman Chen S. Yu
Co-CEO Daniel Tsai
Co-CEO Richard Tsai



Commitment to Internationalization

In February 2004, Fubon Financial Holding Company acquired a controlling stake in International Bank of Asia from Bahrain-based Arab Banking Corporation, becoming the first Taiwanese financial institution to acquire a Hong Kong bank. The move was a tangible step in fulfilling the company's ambition to emerge as an elite regional bank in Asia.



Fubon Insurance was named as the "Best Professional Consultant for Non-life Insurance."

Fubon Insurance was honored as the "Risk Manager of the Year 2003" by Asia Insurance Review magazine.

Fubon Insurance was selected by Taiwan's top 1,000 enterprises as the "Best Non-life Insurance Company."

In its most recent annual credit survey, Taiwan Ratings Corp. again gave Fubon Insurance the highest possible "twAAA" rating, and Standard & Poor's Rating Services of the U.S. also continued to assign the company an "A+" rating.



In NT\$ Thousand	2003	2002
Total Assets	59,695,052	59,170,439
Shareholders' Equity	31,842,028	30,003,653
Revenues	40,688,712	39,819,989
Net Income	2,254,279	1,354,895

In 2003, thanks to the global economic upturn, improving investment climate, and opening of the personal accident insurance market, overall premium income for Taiwan's property insurance industry grew 7.87% to approach a record high of NT\$110 billion. Fubon Insurance Co. continued to outperform the industry average with a growth rate of 10.89%, and gross premiums of NT\$22.268 billion. It also led the sector for the 22nd consecutive year with a market share of 20.35%.

Meanwhile, benefiting from the improving economic climate, Fubon Insurance saw its loss ratio drop to a record low of 46%, and its overhead expense ratio decline to another record low of 24.3%. This strong performance enabled the company to generate pre-tax earnings of NT\$2.34 billion and after-tax earnings of NT\$2.254 billion in 2003, representing a substantial annual growth of 66.8%.

Mr. T. M. Shih Promoted to Chairman and Mr. Steve T. H. Chen to President

On May 26, 2003, after the Board of Directors approved the resignation of Mr. Daniel Tsai as chairman, it promoted the president, Mr. T. M. Shih, to succeed him and appointed Mr. Steve T. H. Chen as president, effective June 1, 2003.

Mr. Daniel Tsai joined the company in 1981 and became chairman in 1993. Under his 10 years of strong leadership, the company climbed to its present perch atop the industry by successfully issuing global depositary receipts (GDRs); obtaining the best S&P ratings in Taiwan's financial industry; introducing the profit-center concept; promoting restructuring through the CPR process; forming a strategic alliance with Citicorp; and

setting up the Beijing office. After stepping down as Fubon Insurance chairman, Mr. Tsai became the co-CEO of Fubon Financial Holding Company. However, he still stood on the same ground with Fubon Insurance and dedicated himself to further to strengthening the structure and enhancing the competitiveness of the holding company.

Fubon Insurance's new chairman, Mr. T. M. Shih, joined the company as an entry-level employee in 1971 and has served in a variety of posts during his 31 years with the company. He was formerly in charge of the fire insurance department, and also served as the director of the fire insurance committee of the Non-life Insurance Association of the ROC before becoming the company's president in 1996. His achievements have consistently earned the acclaim of the industry, including being honored with the "Golden Merchant Award" in 1998. The new president, Mr. Steve T. H. Chen, joined Fubon Insurance in 1976 and has led various departments during his 27 years with the company, including marine insurance, casualty insurance, and fire insurance. Over his career, he has established a comprehensive portfolio of credentials and expertise necessary to excel in the field.

Exploiting Financial Holding Company Synergies

Shortly after the establishment of Fubon Financial Holding Co. in 2001, Fubon Insurance began restructuring its organization to become "customer-oriented" by forming personal insurance and commercial insurance teams to facilitate cross-selling operations. At the same time, employees were encouraged to obtain professional financial certification. In 2003, the first year after the organizational restructuring was completed, half of the company's employees passed

the salesperson qualification test for "investment-linked insurance products," readying themselves to offer a wider range of insurance products to customers.

The company's results clearly confirmed the benefits of cross selling under the financial holding company model. In 2002, gross premiums from policies solicited with the assistance of other subsidiaries topped NT\$650 million. In 2003, the total soared 92.6% to NT\$1,165.66 million, accounting for 5.2% of total premiums and contributing significantly to the development of non-life business.

Dedication to Product Innovation

In the face of the liberalization and internationalization of the insurance market, Fubon Insurance, adhering to the business concepts of "professionalism and innovation," has been actively researching and developing new products to create differentiation and enhance competitiveness so as to escape the vicious cycles of price competition. In 2003, new products generated gross premiums of NT\$2.43 billion, accounting for 10.91% of total gross premiums, a major contribution to the sustained business growth and stable business quality of the company.

Besides the addition of new services that enhance existing insurance products, such as the exemption of depreciation for auto damages or road rescues, the company has also regularly launched new products to meet new needs arising from changes in the environment, such as directors and officers liability insurance, trade credit insurance, and credit-card comprehensive insurance. These new products, closely catering to the needs of consumers, have contributed considerably in boosting the added value of insurance policies, creating new market potential,

and opening new horizons for business growth and profits.

Providing Quality Professional Services for Loss Prevention

In 1995, Fubon Insurance set up a "Loss Control Department" ahead of other companies in the field. It also invested NT\$40 million in the establishment of the first fire-fighting laboratory in Southeast Asia. The company's loss prevention system has also been ISO-certified.

In 2002, the company signed a cooperation plan with the Industrial Technology Research Institute's (ITRI) Center for Environmental Safety & Health Technology Development. In 2003, the company further introduced "Infrared Radiation Thermography" to provide clients with sophisticated analytical services and enhance disaster prevention so that loss frequency could be effectively reduced.

In early 2004, Fubon Insurance signed a cooperation contract with National Central University to develop an "Earthquake Risk Evaluation Model," combining resources from academia, insurance companies, and ITRI to provide loss control services to domestic semiconductor, opt electronics, high-speed railway, mass rapid transit system, and power-generation businesses. The goal of the program was to help clients reduce operating risks and slash accident-related losses. Thanks to its long-term dedicated provision of risk-management services to businesses, the company was named "Risk Manager of The Year 2003" at "The 7th Asia Insurance Industry Awards" held by Asia Insurance Review magazine.

Winning the "Best Non-life Insurance Company" Award for the Fourth Time

In 2003, Risk Management & Insurance magazine

conducted its annual survey of 1,000 leading domestic enterprises on their property insurance planning and their assessments of local insurers. Fubon Insurance ranked first in four categories: brand awareness, corporate image, after-sales services, and professionalism of agents. Fubon Insurance once again was recognized as the "Best Non-life Insurance Company" for the fourth time in a row.

In its most recent annual credit survey, Taiwan Ratings Corporation again gave Fubon Insurance the highest possible "twAAA" rating, and Standard & Poor's Rating Services of the U.S. also continued to assign the company an "A+" rating. These ratings were the best among domestic insurance companies and reflect the outstanding financial performance of Fubon Insurance with its strong liquidity and stable business outlook.

Utilizing Existing Edges to Enhance Competitiveness

Enjoying a long-term leading position in the market, Fubon Insurance will capitalize on its management advantages and better utilize the financial holding company's multiple marketing channels to tap markets that, in the past, were beyond the reach of traditional marketing methods. In this way, it can expand the clientele base and deeply cultivate relations with existing customers. Meanwhile, it will also actively utilize the CRM system to develop customer-oriented products and establish a "one-stop shopping" environment for the sales of financial products. Fubon Insurance differentiates itself from other companies by providing professional services instead of relying on price competition, and looks forward to follow the lead of Fubon Financial Holding Company in achieving the goal of becoming Asia's best financial institution.



The company boasted NT\$32.4 billion from new business in 2003, representing a market share of 9.41%, the highest among newly established insurers and second largest in the life insurance industry, outperforming many large-scale rivals.

In the survey for the best life-insurance companies in 2004, conducted by Risk Management, Insurance & Finance magazine, Fubon ranks the first among newly established life insurers in "name recognition".

Thanks to the recognition of high net-worth customers, the company also ranked first among newly established insurers for "best agents" and "best claim services."



Fubon Life Ascends to 2nd Place in Market Share in 10 Years

In NT\$ Thousand	2003	2002
Total Assets	135,207,464	100,784,566
Shareholders' Equity	9,294,552	7,573,468
Revenues	55,751,188	40,835,355
Net Income	1,719,233	(1,238,257)

On the 10th anniversary of its establishment, Fubon Life Assurance Co. laid claim to stunning business results that were built on many years of steady management. With a focus on investment-linked insurance policies and effective utilization of banking channels, the company boasted revenues of NT\$32.4 billion from new business in 2003, representing a market share of 9.41%, the highest among newly established insurers and second largest in the life insurance industry, outperforming many large-scale rivals. The company also had an expense surplus for the first time in 2003, which, along with investment income, generated an after-tax profit of NT\$1.63 billion, 155.39% of the forecast level.

Following the business values of "trustworthiness, amiability, professionalism, and innovation," Fubon Life Assurance has been steadfastly pursuing the goals of better management efficiency and improved service quality for clients. These efforts, along with the success in establishing diversified marketing channels and integrating the resources of Fubon Financial Holding Company, enabled the company to turn in an outstanding performance in 2003.

Synergies From Cross-Selling

In line with the increasingly diversified marketing channels in the life insurance market, Fubon Life Assurance now has a wide range of marketing avenues, including traditional agents, integrated marketing, bancassurance, financial

services, brokers, and group insurance channels, with service points scattered throughout the island. After two years of effort, the synergies resulting from the integration of marketing resources of the financial holding company's subsidiaries have begun to emerge, providing consumers the convenience of one-stop shopping. Fubon Commercial Bank and TAIPEIBANK have been especially helpful in the sales of insurance products, thanks to their widespread retail network on the island. If their sales are added to sales through the group's insurance, securities and asset management subsidiaries, cross-selling revenues accounted for 55% of the company's new business in 2003. On the other hand, Fubon Life Assurance has a well-organized and flexible sales system, which is a valuable asset of the financial holding company, offering an additional gateway for the marketing of the financial products offered by other subsidiaries.

Continuing Promotion of Specialized Products to Meet the Market's Diversified Needs

Fubon Life Assurance has been providing comprehensive protection to its clients based on their specific needs, using innovative insurance concepts and diversified product features. In addition, it has been offering products designed for different groups of customers in varying market segments, thereby satisfying their multidimensional demands.

Taking advantage of market trends, Fubon Life Assurance made an all-out effort to promote investment-linked insurance products in 2003, earning new business revenues of NT\$15.2 billion on such policies, which represented a market share of 17.77%. In the low-interest era,

the successful sales of such strategic products as investment-linked insurance products and interest-sensitive annuities led to marked growth in overall sales. In 2004, with various changes in the market, such as the liberalization of policy dividends, Fubon Life Assurance has made complete preparations for participating insurance and non-participating insurance. It launched non-participating policies in June 2003, which will be followed by participating policies in the near future. There will also be more traditional life insurance products covering protection, investment, and financial management needs for consumers to choose from.

Pioneering Investment-linked Products

Fubon Life Assurance has been a pioneer in the investment-linked products market. Since its launch of investment-linked products, linking structured notes, ahead of other companies in 2002, the company has continued its research and development in this field. In March 2003, it launched the first investment-linked insurance policy for children in Taiwan, allowing the "Gili capital-protected index-linked deferred annuity" to be purchased by those 14 years of age and younger. In June 2003, it launched "Gingili capital-protected investment-linked life insurance," the first structured note insurance policy featuring annual interest distributions in the industry. Also popular is "Gishiang variable universal life insurance," which features personal financial-management planning, flexible premium payments, and the free choice of various investment funds. Fubon Life Assurance clearly offers a broad range of investment-linked products that are clearly capable of meeting clients' diversified financial-management needs.

Considerate and Extensive Services for Clients

With the gradual maturity of the concepts of household financial management and lifetime planning, Fubon Life Assurance has expanded insurance policy features and offered special products that bundle insurance and other financial services to meet the needs of clients. In June 2003, in cooperation with Fubon Commercial Bank and TAIPEIBANK, the company rolled out the special "insured amount trust" program, which offers over-one-year trust services to provide death benefits, so as to protect the livelihoods of the surviving children. In August, it further cooperated with the two banks and the funeral business to launch an "antemortem contract" program. In the face of Taiwan's aging society, the company is actively planning to bundle insurance products with the extra services of long-term care and medical treatment.

Upgrading Client Services with Establishment of e-Environment

At the end of 2003, Fubon Life Assurance had a 90.43% persistency rate, far exceeding the industry average. The performance is attributed mainly to the linkage of sales commissions with target persistency rates, as well as the insistence on high-quality services for clients. The outstanding service quality has been well recognized by the market. In a survey of the best life-insurance companies in 2004 conducted by Risk Management, Insurance & Finance magazine, Fubon ranked first among newly established life insurers in "Name Recognition." Thanks to the recognition of high net-worth customers, the company also ranked first among newly established insurers for "best agents" and "best claim services."

Computer information systems are indispensable

for providing better client services. In addition to the establishment of the "express underwriting and policy-issuing platform," the company also rapidly and accurately transmits policy notices via "EZ Send" (e-mail) and cell phone short-message services to business units and agents. In March 2003, the company launched an automatic computerized inspection and approval system to provide convenient claim services. In a timely manner. In May, it began to notify clients quickly of various notices, such as premium payments and claim services, via e-mail and cell phone short-message services. In November, by integrating platforms, it cooperated with Fubon Commercial Bank and TAIPEIBANK to launch convenient ATM (automatic teller machine) policy loan services, called "multibenefit policy loans," which have enjoyed a favorable reception from clients. Fubon Life Assurance has been dedicated to the automation and e-orientation of its operational processes, thereby providing more convenient and complete services to its clients.

Establishing Various Risk-Management Mechanisms

In line with the principle of trustworthiness and steady development, the company has put heavy emphasis on risk management. In accordance with the requirements of the authorities, it has been endeavoring to comply with various laws and regulations in its operations. It publicizes and periodically renews the company information for inspection by the public, and implements the RBC (risk-based capital) system to evaluate the various risk levels in the company's financial structure. It conducts assets/liabilities management, to assure optimal business management, and always gives the benefits of clients and investors the highest priority consideration.



Commitment to **Ensure**
Customer Satisfaction



Euromoney rated Fubon Bank No.1 among Taiwan's domestic banks, and No. 9 among Asian banks, making it the only Taiwanese bank among Asia's Top 10 in the wealth management sector.

Fubon Bank is a top 3 platinum card issuer with per-card consumption ranking second among local counterparts.

Standard & Poor's Rating Services and Taiwan Ratings Corp. announced in February 2004 that they had raised their long-term credit ratings for Fubon Bank from "BBB-" and "twA" to "BBB" and "twA+," respectively, upgraded their short-term credit ratings for the bank from "A-3" and "twA-2" to "A-2" and "twA-1," and adjusted the bank's rating outlook from "stable" to "positive."



In NT\$ Thousand	2003	2002
Total Assets	287,884,423	268,063,347
Shareholders' Equity	31,908,811	27,604,397
Revenues	20,804,316	18,540,474
Net Income	4,490,751	749,639

For Fubon Commercial Bank, 2003 was undoubtedly a banner year. Pretax earnings hit a record high of NT\$9.964 billion, representing 33% growth compared to 2002. The bank's pretax return on assets (ROA) reached 1.84% and its pretax return on equity (ROE) hit a high of 15.85% last year, both fivefold increases over the numbers posted a year earlier.

Credit Rating Upgraded, Rating Outlook "Positive"

Thanks to the strengthening of the bank's earning capability, financial structure and asset quality, Standard & Poor's Rating Services and Taiwan Ratings Corp. announced in February 2004 that they had raised their long-term credit ratings for Fubon Bank from "BBB-" and "twA" to "BBB" and "twA+" respectively, and boosted their short-term credit ratings for the bank from "A-3" and "twA-2" to "A-2" and "twA-1." The ratings agencies upgraded the bank's outlook from "stable" to "positive."

Upgrading asset quality has been one of the goals pursued by Fubon Bank in recent years. In 2003, the bank wrote off a massive amount of non-performing loans (NPLs) and appropriated NT\$5.2 billion as provisions against NPLs, bringing its NPL ratio down to 2.96%. Taiwan Ratings credited Fubon Commercial Bank with having an asset quality that surpassed the local bank average, which, together with the gradual development of new profit sources, has underpinned the bank's enhanced earning capability.

No. 1 in Wealth Management Service Among Domestic Banks

Fubon Bank has won acclaim from clients and

the news media for its pioneering of wealth management services in the banking industry over the past eight years. The internationally-renowned financial magazine, *Euromoney*, in its 2003 global survey, ranked Fubon Bank's wealth management services No. 1 among Taiwan's domestic banks and No. 9 among Asian banks, making it the only Taiwanese bank to crack Asia's top 10 in the sector. This clearly indicates the stature Fubon Bank's Platinum Banking Service has achieved among domestic banks in terms of its image, service quality and the level of aggregate assets managed.

The public acclaim confirms the Platinum Banking Service's excellent reputation and image built in the minds of competitors, cooperative partners and clients since the service was launched in April 1995. Moreover, the combined strength of Fubon Financial Holding Company has enabled the bank's wealth management specialists to quickly access financial resources in related areas such as insurance and securities investment to augment their services.

The total financial assets managed by the bank's Platinum Wealth Management Center posted annual growth of around 20% by the end of 2003 to exceed NT\$170 billion, and the number of clients also sharply increased by 30%. The Platinum Banking Center will continue reinforcing its service software and hardware to preserve its No. 1 status in the field.

Outstanding Personal Banking & Credit Card Businesses

After successfully gaining hundreds of thousands of high-quality clients through the innovative strategy of "no annual fee for platinum cards," Fubon Bank in 2003 introduced many exclusive rights and privileges for platinum-card holders to accentuate the cards' aura of uniqueness and dignity. The management concept of "showing high

regard for quality" has won the bank wide acceptance for its platinum cards among elite pyramid-tip clients, with per-card consumption ranking second among local competitors.

A series of sales campaigns has also effectively stimulated the willingness of clients to use credit cards. In 2003, total transactions settled with Fubon credit cards showed a significant growth of 24% from 2002, indicating that clients are quite willing to use Fubon credit cards as an ordinary payment tool. As a result, despite the negative impact of the severe acute respiratory syndrome outbreak, Fubon's credit card business still managed to generate higher-than-projected earnings in 2003.

In terms of its personal banking business, Fubon Bank also registered outstanding results. The adjustable rate personal loan program launched in the first half of 2003 was received enthusiastically in the market, leading to 123% annual growth in the value of the bank's outstanding loans as of the end of last year. The bank's consumer banking strategy will continue zeroing in on market niches, offering diversified innovative lending services for different client groups.

Developing Project Finance Expertise for Corporate Banking, Pursuing Innovative Trust Products

In the field of corporate banking, Fubon Bank, on one hand, has been extending full financial support to small- and medium-sized enterprises and using the "Small and Medium Business Credit Guarantee Fund" to upgrade lending quality. On the other hand, it has joined forces with Fubon Securities and TAIPEIBANK under Fubon Financial to develop project finance expertise, hoping to provide large-scale corporate clients with custom-tailored integrated financial services.

Following the implementation of the Trust Law in 2002, Fubon Bank moved to integrate the

resources of its affiliates to develop various types of trust service products.

Our trust service products for individuals include marketable securities trusts, advance burial-service contract/insurance fund trusts, employee welfare savings trusts and public interest trusts. On the commercial side, we offer real estate securitization, real estate trusts, trusts for joint land development at mass rapid transit stations, money trusts and collateral ownership trusts. Fubon Bank has ranked No. 1 in terms of insurance fund trust cases among domestic banks. It is expected that the real estate investment trust products jointly developed by Fubon Bank and the real estate securitization panel of the Fubon Group will become stars in the domestic financial market in 2004.

Solid Leader in Bills Finance Market

Since its inception in 1997, Fubon Bills Finance, one of Fubon Bank's affiliates, has remained entrenched as a market leader despite experiencing the Asian financial storm and intense competition from local rivals over the years. In 2003, the company recorded the highest underwriting value in the primary bond market among newer local bills finance firms. It also posted the highest transaction value of government bonds and generated a record high of NT\$2.3 in pretax earnings per share.

According to a survey of 5,000 large-sized enterprises in Taiwan conducted in 2001 by China Credit Information Service Ltd., Fubon Bills Finance ranked No. 1 in the financial service industry in terms of business performance. In an evaluation of government bond traders issued in 2002 by the Central Bank of China, Fubon Bills Finance also took first place in terms of trading performance. These accolades prove that Fubon Bills Finance is a financial institution with robust operations and the most active trader in the field. Besides actively joining efforts to promote the

sound development of the local bond market, the company has also strictly employed risk control and risk-hedging tools to minimize the risks of bond transactions, and intensified the professional expertise and knowledge of company employees to consolidate its base of operations and boost operating efficiency, thereby securing the firm's competitive advantages.

With the sharp drop in New Taiwan dollar interest rates in recent years, derivative financial products such as Supra bonds and cross currency swaps have flourished rapidly, and banks will need to develop innovative financial products to survive the intense competition in this volatile market. Facing this challenge, Fubon Bills Finance will cooperate with a government initiative to transform the company into a professional bond trader and will intensify the research and development of international financial products to gain a foothold in the global financial market.

Shining Cross-Selling Record, Pivotal in Fubon Financial's Integrated Marketing

For Fubon Financial, Fubon Bank has played a pivotal role in bringing the synergies of cross-selling operations into full play. For instance, of all cross-sales products promoted by Fubon Life Assurance in 2003, 46.5% were recommended to clients via Fubon Bank, and 70.5% of stock-based funds launched by Fubon Asset Management were also sold through the bank. It is clear that Fubon Bank boasts truly strong integrated marketing ability.

Looking toward 2004, Fubon Bank will actively promote further integration with TAIPEIBANK, and will, under the framework of the financial holding company, expand its product development reach to provide clients with more intricate services. All employees will set goals for professional advancement based on international standards to brace for global market competition.



TAIPEIBANK's ratio of service fee incomes to total revenues reached 20.69% in 2003, taking a lead among domestic banks.

Taiwan Ratings Corp. has maintained its long- and short-term credit ratings as "twAA-/twA-1" and rating outlook as "stable" for TAIPEIBANK since 1998. Standard & Poor's Rating Services has assigned international long-term and short-term credit ratings of "BBB+/A-2" and rating outlook as "stable" to the Bank.

TAIPEIBANK's branches all signed a primary/secondary stock delivery contract with Fubon Securities. In 2003, stock transactions via TAIPEIBANK stood at NT\$18.456 billion, and the number of stock trading accounts opened via TAIPEIBANK reached 3,218.



In NT\$ Thousand	2003
	2002
Total Assets	692,895,352 663,532,140
Shareholders' Equity	49,169,446 48,423,497
Revenues	24,681,658 32,108,897
Net Income	4,267,783 5,027,802

Reputed for its outstanding asset quality, TAIPEIBANK saw its non-performing loan (NPL) ratio drop to 2.37% in 2003 from 2.99% in 2002. This achievement not only met the most stringent of the Ministry of Finance's "Guidelines for Domestic Banks to Accelerate the Reduction of Non-performing Loans," but also won recognition from domestic and foreign credit rating companies. Taiwan Ratings Corp. maintained its long-term "twAA-" and short-term "twA-1" ratings and "stable" outlook assessment for TAIPEIBANK last year, the same they have been since 1998. Standard & Poor's Rating Service gave the Bank international long- and short-term credit ratings of "BBB+/A-2" respectively and assessed the outlook as "stable." Standard & Poor's said its ratings for TAIPEIBANK reflected the company's higher-than-average asset quality, satisfactory market status and good capital ratio.

To further enhance its asset quality, TAIPEIBANK set aside an additional NT\$1 billion in loan-loss provisions after settling its financial accounts at the end of 2003. This enabled our NPL coverage ratio to reach 47.32%, after-adjustment pretax earnings to reach NT\$4.679 billion and earnings per share to hit NT\$2. These results were among the best in the industry.

With traditional banking businesses gradually losing momentum and the gap between deposit and lending interest rates narrowing, TAIPEIBANK has diversified its sources of income. In addition to operating the Public Welfare Lottery, the Bank has striven to lead or co-lead syndicated loan consortiums and aggressively develop the wealth management market. An exciting development is service fee revenues accounting for 20.69% of total revenues in 2003, the highest ratio among domestic banks.

Venturing Into the Wealth Management Market, and Developing Marketing Synergies

TAIPEIBANK has been actively developing its wealth management platform and strengthening its professional expertise in consumer banking fields, including insurance and mutual funds, through Fubon Financial Holding Co. affiliates to augment its product lines. A Wealth Management Planner System has been established to accurately forecast domestic and foreign economic indicators and factors affecting fluctuations in consumer prices, as well as provide customers with professional and personalized money management consulting services. The Bank has also developed VIP services for large-asset clients, with special emphasis on customer-oriented and one-stop shopping services. Wealth management specialists are posted at every operating unit, and 30 Platinum Wealth Management Centers had been created by the end of last year which earned NT\$430 million in service fees from money management products in 2003, up 603.41% from 2002.

As part of its continuing strategy to expand its marketing channels, TAIPEIBANK in 2003 set up a new mini-branch office in Fengshan, Kaohsiung County in southern Taiwan, upgraded the Mushin representative office to a branch, and inaugurated its Taipei 101 branch in the Taipei International Financial Center. Not only did TAIPEIBANK become the first bank to open in the world's tallest building, the new branch was the Bank's first to extend its business hours and gain a foothold in a shopping mall. The Bank's automated service channels have also been expanded, with deposit machines capable of accepting cash on a bundle basis being widely installed. By the end of the year, the bank operated 517 automated teller machines around Taiwan, a 15.66% jump from a year earlier.

TAIPEIBANK has also been extending the functions of its virtual service channels like e-banking, telephone banking and mobile banking,

and offering value-added services like mutual fund trading, automatic account deductions for utilities fees and foreign-currency account transfers. All of these functions provide individual clients with financial services at their own convenience.

Effectively Utilizing Resources of Fubon Financial to Intensify Product Development and Marketing Strengths

TAIPEIBANK has utilized the ample and diverse financial resources of Fubon Financial Holding Co. to develop innovative services and products and maximize the benefits from cross selling.

TAIPEIBANK's active promotion of one of its innovative products — chip-embedded financial cards — earned the bank a citation from the Ministry of Finance. By the end of 2003, the Bank, one of 13 financial institutions to issue the cards, had added the chip-card transaction function in 75.05% of its automated teller machines, offering consumers a secure transaction environment. We also took the lead among local banks at the end of the year to launch a "Balanced Housing Loan" program, featuring dual credit lines — one with a fixed interest rate and the other with a floating rate. This plan has allowed clients to manage interest rate risk effectively and significantly enhanced our product competitiveness. Other new products such as integrated account service, zero-interest credit loans, V-banking, adjustable rate credit loans, and insurance fund trust are well differentiated to meet the diverse demands of customers.

TAIPEIBANK's marketing strategy will focus on joining forces with the service teams of Fubon Securities and Fubon Commercial Bank to integrate lending and capital market products and provide core corporate clients with comprehensive and tailor-made financial services, setting a precedent in the local banking industry. In 2003,

TAIPEIBANK led three syndicated loans, including one to Ho Tung Chemical Corp., and co-led five. The bank's branches also all signed a primary/secondary stock delivery contract with Fubon Securities. Under the contract, seven branches share the same offices with Fubon Securities, three branches feature dedicated securities counters, and 72 branches handle secondary stock delivery services. In 2003, the value of stock transactions executed through TAIPEIBANK totaled NT\$18.456 billion, and the number of stock trading accounts opened via the Bank reached 3,218.

Lottery Issuing and Giving Back to Society

In 2003, TAIPEIBANK continued launching innovative lotteries with outstanding success. The bank introduced a new online game, "Four-Star Numbers Game," and designed diverse game combinations for the instant lottery. We also ushered in the "2 in 1 Lottery" (which combines instant and passive lotteries on one ticket) as well as "Big Lotto," a lotto game with a bigger matrix encompassing 49 numbers.

Adhering to the original spirit behind the Public Welfare Lottery of "giving back to society," TAIPEIBANK has spared no effort in promoting public welfare programs. In 2003, the Bank contributed NT\$22.6 billion to charity and philanthropic causes out of proceeds from lottery sales, and also created considerable sums to support national annuity programs, national health insurance, and welfare expenditures of local, county and city governments. The "TAIPEIBANK Charitable Foundation" set up by TAIPEIBANK initiated a number of charitable programs in 2003, and supported underprivileged group care, public community interests, and the promotion of good causes, and offered relief funds to the needy. The Bank also solicited up to NT\$149.3 million from jackpot winners of lotto games as donations in 2003, and significantly

helped the finances of some social welfare organizations. Through various types of public-interest promotion programs, TAIPEIBANK has become one of the major domestic organizations soliciting charitable donations, and is fulfilling its duty as a corporate citizen.

Restructuring the Organization to Enhance Competitiveness, and Promoting Mergers to Boost Market Status

To counter intense competition in the financial market, TAIPEIBANK will revamp its organizational structure and aim for greater customer segmentation in line with its market-oriented goals, thereby boosting the bank's operating efficiency and setting the table for the merger with Fubon Commercial Bank.

The new structure of the bank comprises three major business categories — Corporate Banking, Consumer Banking and Financial Services — and five departments, including the Remedial Management, Accounting, Trust, Lottery and Treasury departments. Each of them is an individual profit center. Also, the bank has set up a back office operations section (including Financial Services and Consumer Banking operations departments and a Foreign Exchange Section) that has adopted standardized processes in centralizing branch operations. Such a practice has not only helped boost operating efficiency and ensure consistent service quality, but has also successfully transformed branch offices into marketing channels that function as financial service stations and product sales outlets.

TAIPEIBANK will continue its organizational re-engineering over the next year. The bank will promote competition and cooperative ties among different business departments to boost profit-earning ability, while accelerating the integration of its back office operating system with that of Fubon Commercial Bank in 2004, thus creating a new merger model for the financial market.



The Magic Money Manager deposit, known as the 3M account, is an example of IBA's ability to identify market niches. 3M account balances increased by HK\$8.5 billion during 2003 alone, raising the percentage of low cost deposits from 18.5% to 34% of total customer deposits.

IBA's A-3 short-term, BBB long-term rating have remained unchanged over the past eight years despite the persistent recession and deflation that have plagued Hong Kong since 1998.

IBA was the first Hong Kong bank to partner with iMarkets, a real time pricing platform for derivative products such as equity linked notes.



In HK\$ Thousand	2003	2002
Total Assets	37,888,808	32,313,934
Shareholders' Equity	3,784,171	3,767,384
Revenues	805,841	879,616
Net Income	138,138	220,444

In February 2004 Fubon Financial Holding acquired a controlling stake in International Bank of Asia (IBA) from Bahrain-based Arab Banking Corporation. Through a general offer for IBA shares, Fubon Financial has acquired a 75% stake in IBA, making the bank Fubon Financial's first overseas subsidiary and the optimal springboard for Fubon Financial's business deployment in the Greater China market.

IBA began operations in 1982, and has grown into a significant player in the Hong Kong banking market. Total assets as of December 31, 2003 were HK\$37.9 billion, including loans of HK\$15.6 billion, cash and short-term funds of HK\$7.2 billion and securities investments of HK\$10.7 billion. Customer deposits totaled HK\$28.8 billion, and capital funds stood at HK\$37.9 billion.

IBA focuses on the retail market, serving Hong Kong consumers and small and medium enterprises ("SMEs"). Through a network of 25 branches, 10 wealth management centers, 50 ATMs, a Call Center fully integrated with a customer relationship management system and sophisticated data warehouse, along with internet banking, IBA delivers a wide range of deposit, lending and wealth management products. IBA's residential mortgage facilities enable Hong Kong citizens to acquire their own homes. VISA and MasterCard programs, along with co-branded cards, provide consumer finance and merchant processing services throughout the retail, restaurant, entertainment and travel sectors. The Wealth Management Centers (WMCs) provide access to the Hong Kong stock market, bond markets, unit

trust investments, insurance products and structured investments; this unique network has placed IBA in a leadership position in retail investment services. IBA is a leader in equipment financing through its wholly owned subsidiary, IBA Credit, supporting the purchase of textile and plastic production equipment, machine tools, printing presses, commercial and private vehicles and other industrial items. IBA also provides trade finance, working capital loans, property mortgage lending for both retail and commercial property and term lending to SMEs.

IBA has an active Treasury operation. Treasury sets deposit rates offered by the Bank under the guidance of the Asset and Liability Committee, manages the cashflow of the Bank, develops and markets financial products delivered through the branch and WMC network, provides foreign exchange hedging and investment services and manages the Bank's securities investment portfolio. IBA is a designated Market Maker in Hong Kong Exchange Fund Bills and Notes, as well as other quasi government paper.

IBA addresses the interests of the wealthier segment of consumers through IBA Ambassador Privileged Banking, a special team of highly trained personal bankers who meet with clients in well-appointed offices at the IBA Head Office, or at the clients' offices. IBA Ambassadors are able to provide the entire range of banking services with the support of all departments, and add the personalized touch of assisting with clients' travel and entertainment plans.

With a shorter history than its counterparts in Hong Kong, IBA has always relied on service quality and innovation to attract customers. The Magic Money Manager deposit, known as the 3M account, is an example of IBA's ability to identify market niches. The 3M account is an interest bearing checking account, a product which was

not authorized prior to July 2001. Initially offered to consumers and subsequently extended to corporations, the account offers the convenience of checking with the yield of a savings account. It has proved very popular, drawing more than 40,000 new customers to the bank, and meeting the needs of companies with accounts that do not earn interest from larger banks. 3M account balances increased by HK\$8.5 billion during 2003 alone, raising the percentage of low cost deposits from 18.5% to 34% of total customer deposits.

IBA's retail Callable Certificate of Deposit is another innovative response, at a time when deposit rates in Hong Kong have fallen below one quarter of one percent. By attaching an interest rate swap to the deposit, IBA is able to offer interest rates as high as 4% per annum. The advantage to IBA? IBA obtains medium term funding (3-5 years) at 3 month HIBOR or lower, a significant savings on the cost of floating rate certificates of deposit funded by institutional investors in the past.

IBA was the first Hong Kong bank to partner with iMarkets, a real time pricing platform for derivative products such as equity-linked notes. IBA customers enjoy access to the most competitive of quotes, and IBA increases its commission income. The Bank also provides equity-linked and currency-linked deposits, another source of funding and commission income.

As IBA's business continues to diversify, competition intensifies, economic cycles affect credit quality and global markets experience volatility, IBA has continuously upgraded risk management systems to address the challenges of changing environments. Under the Bank's Risk Management Committee, independent risk management units operate in consumer finance, corporate and retail banking and treasury, complying with a basic principle of good banking,

separation of marketing and controls. Introduction of new application processing and monitoring systems have reduced loan loss provisions dramatically, providing the foundation for expanded lending as the Hong Kong economy recovers.

Placing a priority on integrity, and prudent and sound principles of corporate governance, IBA is respected for the level of its corporate governance. It was the first bank to establish a Corporate Governance and Compliance Department. The Audit Committee of the Board of Directors is comprised solely of independent non-executive directors to ensure that there is an unbiased overview of policies, procedures, financial reporting and risk assessment. IBA is particularly conscious of the need to be responsive to community needs and to ensure that the public is well informed about the Bank's activities. In 1998 IBA introduced its Regional Advisory Council, comprised of business, government and community leaders who advise each of the branches, and meet on a quarterly basis with senior management. They offer comments on the quality of services, advice on the introduction of new products, function as a focus group for new initiatives, and can keep their neighborhoods informed of IBA's progress.

IBA's credit quality, profitability, control systems and favorable reputation have not only won the regard of regulators, but earned IBA the first full rating from Standard & Poor's among all Hong Kong banks in 1996. IBA's A-3 short-term, BBB long-term ratings have remained unchanged over the past eight years despite the persistent recession and deflation that have plagued Hong Kong since 1998. The investment grade ratings are a tribute to the efforts of IBA staff, a sound business strategy and the dedication of the management team under the leadership of Chief Executive Mike M Murad.



Commitment to **Value**
Shareholders



"Fubon Securities won the Most Admired Company award" – Commercial Times

"Taiwan Ratings Corp. has upgraded its long-term and short-term credit ratings for Fubon Securities, to "twA+" and "twA-1," demonstrating the securities firm's high integration with Fubon Financial and great importance in the overarching management strategy of the Fubon Group." – Economic Daily News

"Fubon Securities expects to attain a 10% share of the local brokerage market within three years." – Commercial Times



Most Profitable Among Securities Affiliates Under Financial Holding Companies

In NT\$ Thousand	2003	2002
Total Assets	54,672,195	64,715,369
Shareholders' Equity	31,316,952	37,778,269
Revenues	6,607,822	9,020,287
Net Income	2,581,542	3,824,456

Despite volatile global equity markets in 2003, Fubon Securities Co. retained its leadership position among local securities firms through the concerted efforts of all the firm's employees and the support of Fubon Financial Holding Co. The company's after-tax earnings hit a historical high of over NT\$2.5 billion in 2003, or NT\$1.36 per share, outpacing all other financial holding company securities affiliates in Taiwan. Thanks to its unparalleled business performance, earnings capability, long-term investment worthiness and exemplary conduct in fulfilling its duties as a corporate citizen, Fubon Securities won CommonWealth magazine's "Most Admired Company" award for 2003 among local securities firms.

Fubon Securities' outstanding performance was also confirmed by Taiwan Ratings Corp.'s long-term "twA+" and short-term "twA-1" credit ratings with an outlook rated "stable," all among the highest in the local securities brokerage industry. The ratings reflect Fubon Securities' sound financial structure, its prominent stature in Taiwan's securities brokerage market, and the invaluable financial support provided by Fubon Financial.

Ranked No. 2 in Securities Brokerage Market Share

After experiencing a wave of mergers in 2000 and 2001, and the consolidation of financial institutions into financial holding companies in 2003, Taiwan's securities firms have experienced first-hand that "the big will get bigger." Faced with strong competition from foreign securities firms for the brokerage pie, especially as orders

from foreign institutional investors grew, Fubon Securities still brokered NT\$50 billion in securities transactions for qualified foreign institutional investors in 2003, the second highest in the industry. Backed by its 64 branch offices, the company's shares of the overall brokerage and margin-trading markets exceeded 6.35% last year, also second best among securities firms. With many analysts expecting that only three to five large-sized securities firms will survive in Taiwan, Fubon Securities has targeted a 10% market share within three years through mergers or acquisitions of local competitors and greater integration of Fubon Financial's marketing channels.

Fully Developing International Business, Deploying Operations in Mainland China

After signing in May 2001 a cooperation memorandum with the mainland's largest securities house, China Galaxy Securities Co., to exchange industry information, study reports and training programs, Fubon Securities looked across the Pacific last year. The company formed a strategic alliance with the New York subsidiary of South Korea's Samsung Securities to solicit investment in Taiwan from North American institutional investors, who are provided with analytical reports and outlooks on the stock markets in Taiwan and South Korea. Initially, the two sides will exchange research reports, resources, and securities orders. Fubon Securities will then capitalize on its expansive understanding of Taiwanese investors in mainland China to develop investment banking services that will assist them in listing their shares in foreign equity markets and raising funds abroad. In the second half of 2003, Fubon Securities held a simulation contest to promote the trading of U.S. shares via the Internet, and 563 online stock accounts had been opened by the end of the year.

Fubon Securities' crack research team now offers the Taiwan Daily Report and issues a monthly Company Report, with Mediatek Inc., Taiwan Green Point Enterprise Co., Ltd., and Nien Hsing Textile Co. among the companies profiled so far. The company also holds Marketing Road Shows on high-tech and traditional industries on an irregular basis.

Driving Market Trends with Innovative Products

Fubon Securities was among the first group of securities firms that qualified to handle New Taiwan dollar-based structural products, and floated its first such product on October 1, 2003. The company was also one of the first securities firms authorized to trade the Taiwan Top 50 Tracker Fund, and is a major player in trading government bonds.

The First Domestic Securities Firm Entering the CDO (Collateralized Debt Obligation) Market

Fubon Securities was the first domestic securities firm to venture into the CDO market, which is dominated by foreign banks. In April of 2003, the company joined hands with BVI and SSB HK to issue Synthetic CDO Silk-Road 2003-1, the first global CDO portfolio product with a Taiwanese financial institution participating in its asset management and underwriting operations. Fubon Securities will continue floating CDO products based on the global debt market situation to maintain a pre-emptive advantage in the market. The company will also develop a platform for debt-based structural products to boost the economies of scale in managing investment portfolios.

Promoting Securitization of Financial and Real Estate Assets

Fubon Securities has actively promoted financial

asset securitization services, serving in 2003 as a financial consultant for the Collateralized Loan Obligation issued by the Industrial Bank of Taiwan. It also cooperated with TAIPEIBANK to plan the securitization of land rents from Taipei 101 and Shin-King Mitsukoshi A-9 on behalf of the Taipei City Government's Bureau of Finance. Fubon Securities also drew on its experience in handling the IBT CLO and Silk-Road Synthetic CDO to help TAIPEIBANK plan the issuance of relevant CLOs in its capacities as a host institution and a financial planning consultant for the project.

Top-Quality Research Reports Meeting Clients' Investment Requirements

Established in 1987, Fubon Asset Management Co. now serves as an investment research center for the Fubon Group, utilizing various industry studies and analyses and diverse financial products to identify investment trends. The resources of Fubon Financial are integrated to bring professional investment consultancy functions into full play and provide corporate and individual investors with diverse investment channels and professional money management advice.

Ranking No. 3 in TAIEX Index Options Futures Trading Lots

Fubon Securities set up Fubon Futures in 1998 to offer clients a new financial investment and risk-hedging channel. In 2003, Fubon Futures commanded a 5.98% share of the TAIEX index options futures market, the third highest in the business.

Fulfilling Our Duty to Society as a Good Corporate Citizen

To show its concern for local communities on its

15th anniversary, Fubon Securities sponsored a series of social welfare activities, including co-hosting a garden party for the mentally-handicapped with the Eden Social Welfare Foundation at a sports park in Ilan County, and sponsoring youth-growth evening parties and charitable blood donation campaigns. These activities have won accolades from the news media and society as a whole. Fubon Securities hopes people everywhere can better understand its efforts to give back to society.

Fully Devoted to Creating a "Golden Brand" as an Investment Bank in Asia

Fubon Securities plays a pivotal role in the integrated marketing operations of Fubon Financial. In addition to its network of 64 offices nationwide, the company has significant advantages in distribution and expertise when it comes to cross-selling financial products. Fubon Securities has actively joined forces with the property insurance, banking, life insurance, and asset management affiliates of Fubon Financial to integrate financial products and sales-staff training programs, and has set up insurance and banking counters at various outlets to provide clients with one-stop-shopping financial services.

Fubon Securities will continue to use return on equity (ROE) as a key benchmark in evaluating performance. Beginning in 2004, the company will map out a series of action plans to build township financial trading centers, increase revenue sources and reduce operating costs, provide clients with in-depth study reports, develop unique operating traits and differentiated services, cultivate talent, and control risk. This will enable Fubon Securities to further consolidate its business strength and relentlessly pursue excellence in building a "golden brand" as an investment bank in Asia.



**Fubon Asset
Management**

The Company's four bond funds have all recorded top-notch ratings by Taiwan Ratings Corp., including "twAf" for Fubon Ju-i Fund, and "twA+f" for Fubon Ju-i 2 Fund, Fubon Ju-i 3 Fund, and Fubon Dragon Fund.

The total assets under management has hit a record high of NT\$141.5 billion.



Fubon Asset Management **Becomes Industry Leader**
With Record High AUM

In NT\$ Thousand	2003	2002
Total Assets	1,591,145	1,533,198
Shareholders' Equity	1,489,427	1,428,144
Revenues	749,537	671,672
Net Income	273,573	235,807

Amid the acute competition among the 43 domestic investment trust firms, Fubon Asset Management Co. is firmly situated among the industry's elite, with AUM (assets under management) exceeding NT\$130 billion in value.

Total Assets Repeatedly Hitting New Highs

By the end of 2003, there were 19 funds being handled by Fubon Asset Management, including two closed-end stock funds, 11 open-end stock funds, one domestic balanced fund, four domestic bond funds, and one overseas fund launched in July 2003. In December 2003, the total assets under the company's management hit NT\$141.5 billion in value, a record high and the third highest among the 43 domestic investment trust firms, with a market share of 5.31%. If assets managed in discretionary accounts are included, the scale of total assets reached NT\$149.8 billion.

Thanks to the continuous support of investors, three of the four domestic bond funds, namely Fubon Ju-i 2, Fubon Ju-i 3, and Fubon Dragon, have continued to be fully booked, allowing the scale of the company's bond funds to repeatedly hit record highs.

Driven by business growth and effective cost

control, the company's pretax earnings advanced 16.03% to NT\$334 million in 2003, translating to a net profit of NT\$4.92 per share, outperforming the market average.

Acknowledgements for Outstanding Performance

Thanks to the concerted efforts of the company's investment and research teams, the nine domestic stock funds under its management boasted an average performance rate of 25.5%, surpassing the overall market average of 23.27%. The performance of five of our domestic stock funds ranked in the top third of similar funds on the island. The Fubon Precision Fund, for instance, was a category finalist for the "Diamond Award" for funds with the best three-year performance, and won the "Taiwan Investment Fund Award" sponsored by Standard & Poor's Rating Services. The Fubon Taiwan Phoenix Fund, a stock fund with capital raised overseas, ranked first in its category in performances over terms of three months, six months, one year, and three years, according to an evaluation conducted by the Securities Investment Trust and Consulting Association of the ROC in December 2003. It boasted an average annual investment return of 31.94%, much higher than the average 22.8% return of similar funds.

In addition, the company's four bond funds have all recorded top-notch ratings by Taiwan Ratings Corp., including "twAf" for Fubon Ju-i Fund, and "twA+f" for Fubon Ju-i 2, Fubon Ju-i 3, and Fubon Dragon, underscoring their

strong credit quality and liquidity, and solid risk diversification. The ratings confirm they are attractive financial products offering both good returns and security for investors.

In terms of the performance of our discretionary-account operations, Chunghwa Post Co., Ltd. entrusted Fubon Asset Management with a significant sum for investment purposes in October 2001. By October 2003, the company's management of the fund had delivered a return on investment that was much higher than the standard 24%, earning the company a contract extension to handle the discretionary account. In December 2003, the company received another NT\$3 billion from Chunghwa Post to manage, boosting its total discretionary-account funds from Chunghwa to NT\$5 billion.

Bright Future Under Brand – New Management Team

In 2003, a number of heavyweight professional fund managers joined Fubon's leadership team. Daniel Chiang, a veteran fund manager with over 20 years of experience, assumed the presidency of the company in September but subsequently left the position to become the chief investment officer of Fubon Financial Holding Co.. He was succeeded as president by another industry veteran, Michael Ding, an expert in macroeconomic analysis. Gloria Ku, a celebrated figure in the bond market, became the senior vice president, heading the bond management department. Her expertise in the securities and forex markets is expected to boost the company's returns for bond funds.

Ma Pao-lin, with over 10 years of experience in the stock market, took over as vice president in charge of the stock-investment department, and is expected to deliver even better returns for investors with his unique insight and distinct investment strategy. Under the leadership of these professional managers, Fubon is expected to fully maximize its strength, further boosting the scale of the assets under its management and enhancing its performance.

Complete Sales Channels and Client Services

In 2003, Fubon Asset Management's second year under Fubon Financial Holding Co.'s corporate umbrella, Fubon Asset Management signed sales contracts with a number of outside banks to further expand its business. Presently, investors can subscribe to Fubon's funds at over 25 domestic financial institutions, including Taiwan Cooperative Bank, Bank of Taiwan, and First Bank.

In order to provide more complete services to clients and allow them to access fund-related data, Fubon Asset Management has set up a complete Internet service system, enabling investors to conduct online fund trading and access transaction records for a real time look at their investment status. The company plans to send transaction confirmation notices to clients via e-mail instead of surface mail, and is marching in the direction of e-operations, which will lower human and organizational risks by instituting standard operational procedures and stringent internal auditing and controls.

Outlook

Looking ahead, Fubon Asset Management expects to boost the scale of its managed assets to NT\$173 billion, targeting a high growth rate of 19.71%. The target for discretionary-account assets is NT\$16 billion, which would represent growth of 42.25%. It will take an all-out effort to solicit business from the four major public funds, insurance firms, and other institutional clients to meet our discretionary-account assets goal.

In addition, Fubon Asset Management is scheduled to raise two different types of new funds — global balanced-portfolio funds and principal-protected funds — to enrich our fund product lineup. The company aims to expand its fund business by adding 8,000 new fund clients and 1,500 investors who periodically invest flexible sums.

To address the accelerated internationalization of the domestic financial market and the constant rollout of new financial products, Fubon Asset Management will continue to adhere to the management concepts of "trustworthiness, amiability, professionalism, and innovation," enhance its investment performance, intensify risk control, and promote new kinds of businesses, thereby offering quality products to the investing public. Our aim is to make customers accept that "Fubon Asset Management is tantamount to a guarantee for product quality," and even more firmly establish our brand reputation. By earning the recognition of investors, Fubon Asset Management will become the market's most trusted asset management company.

Commitment to
Serving Society



Replenishing the Source: Corporate Citizenship

"Many rivers flow into the ocean, but if the ocean doesn't return the water back to the rivers, it will die. Only when water constantly flows back and forth can marine life be sustained. Similarly, companies that receive from society must remember to give back. Even a trickle of a flow is better than a dead sea." – Wan-Tsai Tsai Fubon Group Chairman

"Feed what you get from society back into society" is the guiding concept that inspired the Fubon Group to join and sponsor public-welfare activities over the long term and to participate in different public-interest sectors through the Fubon Charitable Foundation, the Fubon Cultural and Educational Foundation and the Fubon Art Foundation. After joining Fubon Financial Holding Co., TAIPEIBANK has appropriated part of its earnings garnered from the public-welfare lottery business to set up the TAIPEIBANK Charitable Foundation, and better highlight the original public-interest purpose of launching the computerized lottery. According to a survey of public-welfare donations by enterprises conducted by Commonwealth magazine, Fubon Group donated more than NT\$100 million to support public-interest activities in 2003, making it one of the biggest donors among local business groups. This indicates that Fubon not only cares about its own interests and the interests of its shareholders, but also takes a far-sighted approach to safeguarding the overall social welfare system, thereby actively fulfilling its duties as a socially responsible corporate citizen.

The Fubon Charitable Foundation is the earliest public-interest organization set up by Fubon Group, with a history of providing medical subsidies and financial aid to the needy and caring for underprivileged groups. Last year, it cooperated with the Menmonite Christian Hospital in Hualien County, eastern Taiwan, to set up a foundation to help seriously injured and ill people from low-income families in remote areas receive medical treatment. When severe acute respiratory syndrome broke out in Taiwan last

year, the foundation joined hands with Taipei Charitable Foundation to help tens of hospitals set up fever-screening stations. In addition, beginning in 2002, the foundation and Fubon Bank jointly launched the "making friends with love" campaign, encouraging school children in municipal areas to make a daily donation of NT\$20 to help aboriginal children return to school. The program has benefited more than 3,000 aboriginal children. Fubon Bank has long encouraged its credit-card holders to donate their accumulated bonus points, which are then converted into cash donations to other public-welfare organizations.

Recognizing the media's far-reaching influence and their ability to forge a defining set of values within society, the Fubon Cultural and Educational Foundation has been actively engaged in civil education programs through Taiwan's media. It has sponsored national seed teacher study camps, helping more than 120,000 teachers and students learn more about media through audio and video teaching materials; sponsored a rotary lecture series on "Have a Close Look at the Media" at local senior high schools, benefiting more than 100,000 people; and periodically published an electronic paper on the same subject. Fubon Cultural and Educational Foundation has also set up a fund to sponsor Fubon financial lectureship courses in cooperation with National Chengchi University and National Sun Yat-sen University, systematically cultivating financial talent.

Meanwhile, based on the concept of blending the arts and daily life, the Fubon Art Foundation has continuously sponsored a series of "Feast of Mind, Buffet of Art" campaigns at primary schools, attracting over 10,000 students from tens of elementary schools to participate in 2003. It also sponsors a regular "Fubon Lecture Series" to introduce culture and the arts to the general public, which now boasts a total of close to 6,000 students and 110 courses per year. The foundation began cooperating with BMG and classical music lecturers last year to issue limited-edition double CDs, becoming a positive example for the cultural innovation industry.

Over the years, the Fubon Group has sponsored large-scale art exhibitions in Taiwan, giving local residents access to major collections from various world-renowned museums without going abroad. In order to better exercise its professionalism, Fubon Art Foundation has often planned a series of localized educational programs channeled into schools through the "Little Art Dining Cart" and to the public via the free exhibition-guide course at the "Fubon Art Foundation." It has also planned "VIP Night" programs exclusively for Fubon's VIP customers with satisfactory arts

gifts and exclusive exhibition guides, creating a unique art public relations platform.

TAIPEIBANK Charitable Foundation was only recently established in 2003. It devotes its resources to social charity activities and hopes to extend its "tentacles of care" to places failing to benefit from the earnings of the public-interest lottery as a way of thanking and giving something back to society. Last year, the foundation began a program to help low-income families in counties and cities bid a farewell to poverty, cooperating with the Taipei City Government to encourage children in low-income families to save money by matching their savings on a 1:1 basis and create a reserve fund for their education and employment. This year, the program will be extended to other counties and cities, so that every public-interest lottery ticket can better realize its public-welfare potential.

In addition to the various public-interest activities, donations and sponsorships undertaken by the above-mentioned four foundations, Fubon Group Chairman Wan-Tsai Tsai also inspired over 1,000 Fubon staff members to set up the Fubon Compassion Volunteers Association in 2003. The association arranges training courses to enrich the volunteers' professional skills and expertise in areas such as blood-donation and charity sale services. In addition to donating money, the Fubon Group also hopes to contribute manpower resources to the public-interest bandwagon and encourage staff members to deeply care about community development and their social responsibility, even as they work hard to maintain normal business operations and maximize the interests of shareholders. As a sound social environment is closely related to the sustainability of company operations, only by fulfilling its duty as a socially responsible corporate citizen can Fubon Financial win recognition from people in the markets where it operates while marching toward the internationalization of its business.



Continuing a **Tradition Of**
Commitment

The Fubon Group was born on April 19, 1961, when Cathay Insurance, known today as Fubon Insurance, opened for business as Taiwan's first private property and casualty insurance company. In 1992, after years of continued expansion, Fubon Group Founder and Chairman Wan-Tsai Tsai decided to change the corporate name to "Fubon" and bring together all group affiliates under the new corporate identification system. After four decades of perseverance, the Fubon Group has become the most comprehensive financial services group in Taiwan, with interests in land development and construction as well. The Fubon Group adheres to a business philosophy emphasizing "trustworthiness, amiability, professionalism and innovation," and is dedicated to developing innovative new products to satisfy society's diversified needs and embrace the new era of internationalization.

Fubon Financial

Fubon Insurance

Fubon Life

Fubon Bank

Taipei Bank

International Bank of Asia

Fubon Securities

Fubon Asset Management

Fubon Direct

Fubon Financial Holding Venture Capital

Fubon Bills Finance

Fubon Futures

Fubon Investment Services

Other Financial Services

Fubon Securities Finance

Fubon Venture Capital

Property & Construction Services

Fubon Land

Fubon Property Management

Fubon Construction

Fubon Construction Management

Fubon Leisure & Entertainment

Charitable Services

Fubon Charitable Foundation

Fubon Cultural & Educational Foundation

Fubon Art Foundation

TAIPEIBANK Charitable Foundation

Fubon Group Chairman Wan-Tsai Tsai, second from left, enjoys the 2003 annual party with the Fubon Group's staff.



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