



Cover photo: Taipei Fubon Bank invited the renowned Australian performance artists "Strange Fruit" to appear at Taipei Fubon Bank's unveiling ceremony on January 3, 2005 at the Fubon Financial Building. The troupe performed the main advertising theme of the newly merged bank – The Flying Trapezists – and symbolically displayed the skills and high level of trust that bringing two banks together requires.

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## Message to Shareholders



Scenes from Taipei Fubon Bank unveiling ceremony

"Integration" was the catchword for Fubon Financial Holding Company over the past year. At home, our two banking subsidiaries officially merged into Taipei Fubon Bank on January 1, 2005, culminating the first successful union in Taiwan of government-controlled and private banks. Internationally, our Hong Kong affiliate International Bank of Asia (IBA) reshaped its board of directors and top management team before being renamed Fubon Bank (Hong Kong) on April 6 this year. These milestones highlighted Fubon Financial's status as Taiwan's leader in acquiring other financial entities and seamlessly integrating them into an existing corporate framework, a distinction that will pave the way for us to emerge as one of Asia's top financial service providers.

### Integrating Taiwan's Financial Markets

Fubon Financial brought Taipei Bank under its corporate umbrella in 2002. We quickly discovered that attempting the unprecedented integration of a government-controlled bank and our privately owned Fubon Bank posed a greater challenge than that faced by other local mergers. The two banks had distinctive operating strategies and corporate cultures with few common traits. To overcome these barriers, Fubon Financial followed a gradual two-year reorganization strategy to merge the banks that has paid impressive dividends. The new bank has sustained the operational advantages and brand assets of its two predecessors while minimizing the negative consequences that usually result from corporate mergers.

Taipei Fubon Bank's aggregate assets exceed NT\$1 trillion, ranking second among private banks in Taiwan, but the impact of the merger extends beyond helping Taipei Fubon Bank expand its earnings potential. It will give Fubon Financial a stronger foothold in developing opportunities in Taiwan's financial services markets. The expanded bank has 121 domestic branches, the largest network of outlets among local private banks and also commands the highest market share in the Taipei metropolitan area. This network gives Fubon Financial a lucrative and comprehensive sales channel to support its other subsidiaries. Also, Fubon Financial's unique record of success in merging government-controlled and private banks has opened an ideal niche opportunity. With aggregate assets of government-controlled banks still accounting for 60% of the domestic banking system's total assets, more mergers are clearly in the cards. Fubon Financial can translate its pioneering record into a dominant role in further integrating Taiwan's financial industry.

### Greater China Market Operations

Fubon Financial acquired its first overseas subsidiary when it bought a 75% stake in the Hong Kong-based IBA in February 2004. After bringing IBA into the fold,

*Fubon Financial invited Mr. Jin-Yi Lee, a banking veteran with experience in the Greater China market, to serve as IBA's new chief executive officer. He has utilized Fubon Financial's ample resources to help it promote a wide range of special financial services. Among the moves: setting up a "Taiwan Division" to cater to Taiwanese investors and joining hands with Taipei Fubon Bank to launch the Hong Kong-Taiwan Express Remittance Service. As a result, IBA posted a strong earnings performance last year, with profits shooting up 117% over 2003.*

*We also renamed IBA to offer a new face to our loyal customers in Hong Kong and strengthen our appeal with Taiwanese corporate clients. The newly named Fubon Bank (Hong Kong) accentuates the well-recognized "Fubon" brand, known in Taiwan for products and services that can be trusted. Meanwhile, Hong Kong has signed a Closer Economic Partnership Arrangement (CEPA) pact with China, leaving Hong Kong-based financial institutions in a more favorable position to penetrate Chinese financial markets than other foreign financial institutions. With the emergence of the "Fubon Bank" brand in Hong Kong, Fubon Financial has laid a solid foundation to develop a regional financial platform.*

### **Financial Supermarket Strategy**

*Following the "financial supermarket" strategy set up by the Fubon Group over 10 years ago, Fubon Financial has stressed balancing the development of its financial and insurance fields and maintaining a leading position in major product lines. Fubon Financial's profit structure in 2004 reflects this approach. Since the acquisition of Taipei Bank in 2002 to expand its branch network, a majority of our earnings have come from our banking interests, including 57% of our income in 2004. But our insurance businesses contributed 26% to total income and securities the remaining 17%. This structure contrasts with that of other local financial holding companies, whose earnings are often concentrated in a single business line. With this diversified approach, Fubon Financial produces stable income in defiance of economic cycles.*

*In 2004, Taipei Bank and Fubon Bank focused their energies on merging their activities, leading to a flat profit performance in the banking sector. Fubon Securities saw its after-tax earnings recede 15% as a result of additional government provisions increasing taxes on previous stock warrant transactions. Nevertheless, Fubon Financial's other subsidiaries recorded robust earnings growth, allowing the firm to enjoy an annual growth of 7.8% in after-tax earnings for 2004, a high return on equity rate of 9.9%, and earnings per share of NT\$2.02, all better than the corresponding numbers for 2003.*

*Underlying the positive results is the strong market share we enjoy for most of our product lines. In banking, Fubon Financial's extensive branch network after the merger of Taipei Bank and Fubon Bank gives us a decided advantage and has helped us maintain a leading position in both the wealth-management and credit-card businesses. In insurance, Fubon Insurance again topped all competitors with 20% of the local property and casualty insurance market in 2004, and was rated by Asian*

## Fubon Financial Management Team



*Chairman  
Daniel Tsai*



*Vice Chairman & CEO  
Richard Tsai*



*Chairman, Fubon Insurance  
Tsan-Ming Shih*



*President, Fubon Life  
Peng-Yuan Cheng*



*President, Taipei Fubon Bank  
Jesse Y. Ding*



*CEO, Fubon Bank (Hong Kong)  
Jin-Yi Lee*



*Chairman, Fubon Securities  
Kung-Liang Yeh*



*President, Fubon Asset Management  
Michael Ding*



*Chief Financial Officer  
Victor Kung*



*Chief Strategy Officer  
Wing-Fai Ng*



*Chief Investment Officer  
Daniel Chiang*



*Insurance Review as the "General Insurance Company of the Year" in Asia for the second time, confirmation of Fubon Insurance's regional status. Fubon Life, although a late entrant in the domestic market, nevertheless had the third-highest first-year premium income among local companies in 2004. In securities, Fubon Securities maintained its No. 2 position with a 6.12% share of the local securities brokerage market.*

*Fubon Asset Management performed outstandingly in 2004. To fulfill its duty to help stabilize local markets, the company courageously took over three failing bond funds from United Securities Investment Trust. That sent the company's assets under management soaring, from NT\$150.4 billion at the end of 2003 to NT\$223.3 billion as of the end of 2004, the highest total among local counterparts. The firm also saw its earnings increase sharply last year, with its after-tax income surging 47.1%.*

### **Ending the Alliance with Citigroup**

*In 2000, Citigroup invested US\$810 million to acquire a 15% stake in Fubon Group, marking the first strategic alliance between a Taiwan-based financial conglomerate and an international financial group.*

*The alliance between Fubon Group and Citigroup was originally designed to enable both parties to jointly develop the Asian insurance market, but the two sides later gradually changed their market positioning and development strategy. Citigroup unloaded its stakes in the property & casualty and life insurance businesses. At the same time, Fubon expanded its banking platform by arranging the merger with Taipei Bank and acquiring the Hong Kong-based International Bank of Asia, positioning itself as a competitor of Citibank in the banking business. In the end, Fubon and Citigroup issued a joint statement in June 2004 advising that Citigroup would relinquish its seat on Fubon Financial's board of directors and sell its stake in the company.*

*We regret the termination of strategic alliance ties with Citigroup, but it does not diminish Fubon Financial's status as one of the largest and most successful financial services groups in Taiwan. Fubon Financial remains well positioned to further expand its operations both in Taiwan and abroad to realize its objective of becoming the leading diversified financial services company in Greater China. In November 2004, for instance, we helped Citigroup release its 400 million shares in Fubon Financial by issuing Global Depositary Receipts (GDRs), which all sold within 24 hours as a result of an overwhelmingly positive response from many world-renowned institutional investors. This not only eased the pressure Citigroup felt in letting go of its stake in Fubon Financial, but also indicated the level of recognition international investors had for the value of investing in Fubon Financial.*

### **Board of Directors and Management Team**

*Behind Fubon Financial's excellent performance in recent years lies a dedicated team of professionals. We thank all of our employees for their special efforts on the company's behalf and also wish to express our profound gratitude to former*



*Fubon Bank (Hong Kong)  
name-changing ceremony*

Chairman Chen S. Yu, who retired in July 2004, for his significant contributions. In 1999, Mr. Yu became chairman of Fubon Bank. He successfully led the bank in carrying out such key strategic missions as completing reorganization and developing niche markets, and putting Fubon Bank on a par with international banks in terms of earnings ability and asset quality. Mr. Yu assumed the chairmanship of Fubon Financial after it was founded, and was responsible for planning the firm's overall development strategy. The board of directors has invited Mr. Yu to serve as Honorary Chairman of Fubon Financial so that we can continue to benefit from his wealth of experience and expertise.

Mr. Harvey Chang, formerly chief financial officer of Taiwan Semiconductor Manufacturing Co., stepped down as an independent director after becoming president of Taiwan Cellular Corp. Mr. Yancey Hai, vice chairman and chief executive officer of Delta Electronics Inc., who was elected as a new independent director at last year's shareholders' meeting, has taken his place. As part of our ongoing commitment to corporate governance, we also set up Audit and Corporate Governance committees that strictly conform to international standards for corporate governance.

Because of our rapid pace of development, we are always in need of talented professionals. Last year, we invited some elite members to join our Management Committee, the highest-level management team in our company. In addition to recruiting Mr. Jin-Yi Lee to head Fubon Bank (Hong Kong), we invited Mr. Michael Ding, originally of International Investment Trust and now president of Fubon Asset Management, to serve as a member of the Management Committee. Meanwhile, we also invited a renowned investment banker, Mr. David Chang, former managing director of Goldman Sachs Taiwan, to act as a senior adviser to the Management Committee. Chang's experience, connections and prestige can only help further develop Fubon Financial's corporate financing and investment banking businesses.

### Looking to the Future

Taiwan's government has actively promoted a series of policies to upgrade the international competitiveness of Taiwan's financial institutions. Financial authorities hope to halve the number of domestic financial holding companies, encourage mergers among banks, and cultivate leading-edge "National Champion" financial entities. With its clear-cut vision, pragmatic strategies, and abundant funds and experience, Fubon Financial can play a leading role in this process. We are also strategically positioned to venture into the financial markets of Greater China and are confident that we can continue to produce outstanding earnings and successfully manage more mergers and acquisitions to create maximum value for our shareholders.

Chairman **Daniel Tsai**

Vice Chairman & CEO **Richard Tsai**



這是一種絕對的信任

節奏同步 心跳一致

超越兩個個體 成爲一個整體

沒有彼此 沒有隔閡

只有 無間的默契

台北銀行、富邦銀行 聯手力量 超乎想像

The first merger of a private bank and government-controlled bank in Taiwan's history is testimony to Fubon's spirit of innovation. Taipei Fubon Bank has 121 domestic branches, three overseas branches, and one overseas representative office, the most extensive network of any private bank in Taiwan. Of our 4 million customers, 70% are concentrated in Taipei metropolitan area, giving us the highest banking market share in the region.

Taipei Fubon Bank launched an advertising campaign – The Flying Trapezists – to promote the union of Taipei Bank and Fubon Bank. Showing the two trapezists at the precise moment when they latch on to each other symbolized the absolute trust and cooperation the two banks showed to complete the successful merger.

In NT\$ Million	2004	2003
Total Assets	<b>986,357</b>	981,230
Shareholders' Equity	<b>83,588</b>	81,077
Revenues	<b>43,165</b>	45,485
Net Income	<b>8,695</b>	8,757



## Taipei Fubon Bank Consolidated Strength Exceeds Expectations

*After two years of intensive preparation, Fubon Financial's two banking subsidiaries were officially merged at the beginning of 2005, with the resulting bank renamed Taipei Fubon Bank. It was the first successful merger in Taiwan of a government-operated bank (Taipei Bank) and a private bank (Fubon Bank.) The move will not only help Fubon Financial expand its earnings potential but is also a milestone for innovation in Taiwan's financial development history.*

### Building an Extensive Network

*The merger initiative has significantly contributed to Fubon Financial's cost efficiency and operation synergies. Taipei Fubon Bank now operates 121 branches at home and maintains three branches and one representative office abroad, the most extensive network of any private domestic bank. Nearly 70% of the bank's 4 million customers are in Taipei City and Taipei County, giving the bank the highest market share of the Greater Taipei area among domestic banks.*

The expanded bank's consolidated net earnings for 2004 reached NT\$8.7 billion, keeping level with 2003 income despite the high costs associated with the merger project and a fall in investment gains to normal levels from a peak in 2003. The solid performance resulted mainly from a slight increase in interest income and a sharp growth in service-fee revenues.

### No. 1 in Wealth Management Services Among Domestic Banks

*Fubon Bank won acclaim over the past 10 years from clients and the news media for pioneering wealth-management services and came to be known as the leader among domestic banks in providing such services. Taipei Bank entered the wealth management field comparatively late, but still showed great promise in cultivating accounts. The newly formed Taipei Fubon Bank plans to tap into Taipei Bank's original customer base to further expand the business.*

*In order to cement its No. 1 position in the wealth management market, our bank continually strengthens the marketing capabilities of our wealth management specialists and has adopted advanced software systems to analyze clients' investment preferences and risk tolerance.*

### Personal Banking -- Balancing Quality and Quantity

*Our personal banking division concentrates on prospecting targeted customer groups and developing innovative products. Using sophisticated risk control technologies, our bank has launched many popular financial service products, such as home equity loans, 100% mortgages, super prime personal loans, second mortgages, and unsecured loan integration.*

### Credit Card Business-- Innovative Strategy Working Well

Taipei Fubon Bank's innovative strategy of not charging an annual fee for platinum cards has helped our bank successfully attract hundreds of thousands of high-quality clients, bringing the total number of Fubon credit cards in use to 1.51 million as of the end of 2004. With the spending power of our cardholders on the rise, we now rank third among domestic banks in terms of average spending per card.

### Corporate Banking - Expanding Into the Greater China Area

With local enterprises relocating overseas or expanding their interests into other parts of Asia, demand for sophisticated financial products aimed at raising capital or financial management is growing rapidly. Services such as OBU operations, CB/ECB/GDR issuances, risk-hedging operations, and syndicated lending programs are also becoming increasingly important. To capitalize on this burgeoning market, we have targeted industries and enterprises with bright growth and earnings prospects as potential customers for our specialized structured financial products.

Taipei Fubon Bank is also actively pursuing opportunities across the Taiwan Strait, using our Hong Kong affiliate Fubon Bank (Hong Kong) Limited as a springboard to penetrate China's banking market. The two banks have launched many special services to take advantage of their advantageous market positions.

### Dynamic Financial Operations

Taipei Fubon Bank has been a market leader in financial products. As of the end of 2004, we had won 16 licenses to offer the specialized products, most recently New Taiwan Dollar Credit Default Swaps and New Taiwan Dollar Credit-Linked Structured Products.

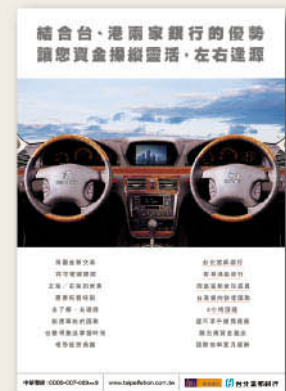
This year, we intend to pursue even more dynamic trading strategies and stringently control risk by: gradually reinforcing our marketing-oriented business operations; boosting the ratio of service fee income to total revenue; improving fund utilization efficiency; and cutting operating costs. These and other moves should propel Taipei Fubon Bank into the top five among domestic financial institutions.

### Trust Business -- Constantly Innovating

As of the end of 2004, the bank ranked third among domestic banks in terms of assets under management. We mainly invest our discretionary trust funds in domestic and foreign securities products such as mutual funds, principal-protected funds, and investment portfolios linking foreign currencies, futures and options.

In February 2005, the bank launched Taiwan's first real estate investment trust (REIT) fund, called the "Fubon No.1 REIT Fund." The fund attracted advance subscriptions of nearly NT\$30 billion, more than five times the NT\$5.83 billion target we had set, establishing it as the most popular domestic financial offering in recent years.

This year, our trust business will focus on promoting consolidated management accounts, securitized products and a wide range of trusts: personal, marketable securities, real estate, public interest, employee welfare, and retirement fund trusts.



### Public-Welfare Lottery -- Giving Back to Society

Revenue from the public-welfare lottery operated by Taipei Bank grew by 7.8% in 2004, with computerized ticket sales accounting for 87.7% of total receipts. Proceeds from lottery sales contributed considerable sums to national entitlement programs, the national health insurance system and the welfare budgets of local, county and city governments.

In order to meet lottery sales goals, the bank has introduced innovative products and sales techniques. We launched a game with a smaller matrix, with players having to pick six winning numbers out of 38 rather than the previous 42. We also incorporated TV games into the instant lottery and introduced an e-commerce system for computerized lottery tickets.

### Solid Leader in the Bills Finance Market

Since its inception in 1997, Fubon Bills Finance, one of Taipei Fubon Bank's affiliates, has remained solidly positioned as a market leader. In 2004, the company reported the highest underwriting value in the primary bond market among newer local bills finance firms, generating a pretax earnings per share of NT\$2.0, the highest in the company's history. Fubon Bills Finance also traded more government bonds than anybody else in the sector for the second consecutive year.

### Excellent Asset Quality

While aggressively pursuing growth in both earnings and revenues, Taipei Fubon Bank also values asset quality. Our non-performing loan (NPL) ratio has long remained below the average level found in Taiwan's banking system as a whole. Our broad NPL ratio stood at 2.76% at the end of 2004, dropping significantly from the 3.30% posted a year earlier, and broad NPL coverage ratio also rose from 40% at the end of 2003 to 43%, affirming that the bank's asset quality continues to grow stronger.

### Largest Cross-Selling Platform

Taipei Fubon Bank's extensive network has served as an ideal platform for selling Fubon Group products. Nearly 95% of Fubon Life Assurance sales and 25.9% of Fubon Insurance sales initiated by other group subsidiaries were introduced to clients by the bank. Nearly 77% of the equity funds and 43.5% of the bond funds launched by Fubon Asset Management sold by other Fubon affiliates were also sold through the bank.

Looking to the future, we will concentrate our efforts on boosting operating efficiency, including upgrading the marketing efficiency of our banking network and bringing to fruition innovative ideas. These highly efficient marketing channels can maximize the value of Fubon Financial's diversified product lines and greatly enhance the vitality of the organization. With the Fubon Group's backing, Taipei Fubon Bank will set the standard for financial department stores in Taiwan and emerge, along with Fubon Financial, as one of Asia's foremost financial institutions.

Taiwan Ratings in December 2004 gave Taipei Bank and Fubon Bank long-term credit ratings of "twAA" and short-term credit ratings of "twA-1," with the outlooks of both companies rated as "stable."



In HK\$ Million	2004	2003
Total Assets	45,761	37,889
Shareholders' Equity	3,703	3,784
Revenues	835	806
Net Income	330	138





## Fubon Bank (Hong Kong) Serves Customers From the Heart

*Fubon Bank (Hong Kong) Limited is now fully under the umbrella of the Fubon Group as part of the Group's ongoing strategy to create an integrated and cohesive presence in the Asian marketplace. By adopting the name Fubon, we can fully exploit the benefits of being a member of the group, delivering the full range of products and services to our customers.*

### Operating Performance

*Net interest income rose slightly from HK\$604 million to HK\$610 million despite the 16% growth in the loan portfolio. Non-interest income has recorded an increase of 11% to HK\$225 million, with major contributions coming from new investment products, stock brokerage and wealth management activities. Operating income reached HK\$835 million, an increase of 4% compared with the year 2003. Operating expenses increased to HK\$602 million as a result of opening new branches and wealth management centers, increased staffing in SME lending and treasury, operations, depreciation of new information technology systems and one-off retirement expenses.*

*Specific provisions fell by 83% to HK\$31 million, while general provisions were HK\$20 million, reflecting the expansion of the loan portfolio. As a result of write-backs following the disposal of repossessed property total provisions plummeted 98% to HK\$4.5 million. Gains on the sale of non-trading securities contributed HK\$93 million, compared to HK\$91 million in 2003.*

*Total assets as of 31 December 2004 were HK\$46 billion, 21% higher than December 2003. The loan portfolio grew 16% to reach HK\$18 billion, with the substantial increase coming in the second half. Equipment leasing and loans to SMEs showed steady growth over the year. Residential mortgages also increased, and personal loans resumed growth with our strong risk management systems having proven their effectiveness. The Bank's portfolio of Hong Kong Exchange Fund bills and notes and US Treasuries, along with a nominal amount of high grade corporate bonds and bank certificate of deposits, reduced by 46% to HK\$6 billion. The Bank's high level of liquidity was evident from the HK\$19 billion in interbank placements and short-term funds.*

*Customer deposits rose to HK\$30.1 billion, an increase of 4.4%. Of the total, current, savings and call accounts comprised 40%, compared to 36% for these low cost deposits in 2003. Capital funds stood at HK\$3.7 billion as of 31 December 2004.*

*The Bank achieved an impressive rebound in 2004, with profit and return on average equity, HK\$300 million and 8.02%, respectively, more than doubling. Return on average assets rose to 0.72%, up from 0.39% in 2003. The stage has been set for sustained growth, with new market segments opening up as a result of integration*

On April 6, 2005, International Bank of Asia formally changed its name to Fubon Bank (Hong Kong), setting a new milestone in the bank's business development. We promised we would surpass our customers' expectations by providing the best possible banking service.

into the Fubon Group. In 2005 we will expand Treasury operations and wealth management services, increase SME lending and equipment finance, round out personal lending services, and become the platform for serving Fubon's Taiwan individual and corporate clients overseas.

### Retail Distribution Network

The Bank continued to enhance its delivery network and customer segmentation during 2004, with increased focus on providing wealth management services to the growing middle class. In March the Sheung Wan Superbranch was opened, with a special Ambassador Banking team to serve the affluent sector. Ambassador Centers were also introduced in the Mei Foo Branch and Kowloon Main Branch, an Ambassador Center was opened in Homantin and North Point.

By amalgamating the traditional retail network and the Ambassador Banking unit, the Bank is assuring that higher income clients enjoy the convenience of a broad network and the access to a wide range of products and services offered by highly qualified officers. A special team of Ambassador Banking officers was formed to service the offshore needs of Taiwanese and Chinese customers, opening a new business initiative.

Residential mortgages remained the core of retail lending. During 2004 a total of HK\$3.7 billion in housing loans were booked. These borrowers are incorporated into our customer relationship management system, and are then approached through systematic cross-selling campaigns.

The retail network continues to provide funding to support the entire loan portfolio. Our flagship 3M account brought in more than 25,000 new customers, with individual account balances exceeding HK\$5.7 billion. The Bank also introduced RMB deposits in February 2004.

### Consumer Finance

The effectiveness of the Bank's consumer finance risk management systems and the improving economic environment provided the basis for renewed promotion of consumer finance. Major acquisition programs executed during the year exploited innovative risk adjusted pricing, weekend double bonus points, and attractive gift items. The use of direct sales agents increased our acquisition outreach.

The Bank has been a leader in affinity and co-branded cards, and carried out the feasibility study and marketing planning for the Federation of Medical Societies of Hong Kong VISA Card, which was officially launched in January 2005, providing the FMSHK's 50,000 members with a comprehensive range of credit card and banking services. The Bank was recognized by MasterCard for the growth in cardholder spending as a result of effective promotional programs.

### SME Finance

The Bank has long been a leader in providing SMEs with lease and hire purchase financing for the acquisition of production equipment and vehicles. In order to fully

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leverage that segment, the SME working capital and trade finance function originally attached to the branch network has been consolidated with Fubon Credit (Hong Kong) Limited, the Bank's wholly owned leasing subsidiary. Moreover, by linking to Ambassador Banking support, we are also gaining new revenues from the company owners.

Leasing business also achieved strong growth, up by 27% year-on-year, continuing to be a major contributor to overall Bank profitability. SME lending is a priority of the Bank. We have recruited new lending officers to expand our scope. The experience in providing SME finance and equipment lending for Hong Kong companies operating in China is readily applicable to the large number of Taiwan companies operating in Dongguan County, north of Shenzhen. A special Taiwan team has been added to market these companies, and a growing portfolio of loans has already been booked. Similar marketing programs are being carried out in the Shanghai area, another center of Taiwan investment in China.

### Corporate Banking

The economic revival in Hong Kong provided new opportunities for corporate lending, after six years of decline in bank lending to industry. The Bank added experienced corporate lending officers, new financing techniques and streamlined the marketing and credit approval process to attract new business.

The additional resources and revised processes supported strong growth, with loans increasing by 29% year on year. The growth came from increased utilization of facilities by existing customers, and the 20% increase in the number of active customers served by the division.

### Financial Markets

The Financial Markets Group was established to oversee the Bank's activities in various markets including currency, money, fixed income and equity related markets. The Treasury operations include foreign exchange services, centralized cash management, interest rate risk management and management of the Bank's securities portfolio. The group is responsible for the development of investment, interest rate risk management and currency risk management products. The marketing team has been expanded, and works closely with the Retail Distribution Network (especially Ambassador Banking), SME and Corporate Banking to deliver the growing range of products we are able to offer.

As Hong Kong investors have sought diversity, the Bank has broadened its product range in structured products, offering currency, credit, interest rate and equity-linked products. The expanded capabilities and increased number of marketing staff enabled us to achieve a 22% increase in financial markets related fee income.

Improved sentiment for Hong Kong shares provided a boost in stock market turnover. The Bank's retail customers were active in trading, and brokerage increased by 31%. An internet based trading system will be installed in 2005 to better serve our clients, and also enable Taiwan customers to trade online.



Fubon Bank (Hong Kong) has formally become a subsidiary of the Fubon Group, and will help Fubon realize its long-term goal of projecting a unified brand in the Asian market. The bank will be able to draw on the distinguished "Fubon" brand identity to develop a competitive advantage and provide customers with the widest range of products and services.

The first time Fubon Bank (Hong Kong) employees joined the annual party of Fubon Group in Taiwan, they raised the eyebrows of those attending with their coordinated flashy green jackets that brought a sense of vitality and elation to the event.

In NT\$ Million	2004	2003
Total Assets	<b>60,212</b>	59,695
Shareholders' Equity	<b>29,616</b>	31,842
Revenues	<b>43,729</b>	40,668
Net Income	<b>2,473</b>	2,254



## Fubon Insurance

### The Industry's Leader for the 23rd Straight Year

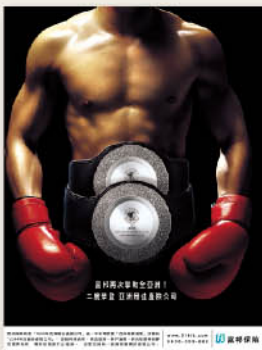
*In 2004, Taiwan's P&C insurance industry took advantage of the global economic upturn and the growing trend toward financial liberalization and globalization to push for growth. With the support of Taiwan's Financial Supervisory Commission, the value of industry-wide direct written premium revenues grew by NT\$6.04 billion or 5.52% for the year to total NT\$115.48 billion.*

*Fubon Insurance, with its consolidated distribution channels and cross-industry alliances, was perfectly positioned to benefit from these positive trends and maintain its leadership position in the industry. The company's direct written premium revenues grew by 5.06% in 2004 to NT\$23.39 billion, giving us a market share of 20.26% that topped the industry for the 23rd consecutive year.*

#### Honored Again as "General Insurance Company of the Year"

*The Asian Insurance Industry Awards have received growing recognition within the industry since being launched by the Asia Insurance Review in 1997 and are now seen as the industry's "Oscar Awards." Insurers in the Asia-Pacific region nominate candidates for the award, and a jury evaluates the candidates based on four major indicators: financial performance, product innovation, customer satisfaction, and research and development.*

*In 2004, Fubon Insurance emerged from over 100 contestants to be proclaimed "General Insurance Company of the Year," the second time in five years that the company has been so honored. The award reflects the recognition Fubon Insurance earned from its customers and peers for its efforts to improve the company's performance and competitiveness. Winning the award again after earning it in 1999 proved that Fubon Insurance is the industry champion not only in Taiwan but also in Asia.*



Fubon Insurance was named "General Insurance Company of the year in Asia" in 2004, becoming Asia's first P&C insurer to earn the honor twice since it was launched in 1997.

#### Mr. T.M. Shih Elected Chairman of the Non-Life Insurance Association of the R.O.C.

*Fubon Insurance's chairman, Mr. T.M. Shih, joined Fubon Insurance 33 years ago and has dedicated himself ever since to the P&C insurance industry. His contributions to the industry were recognized when he was elected by an*

overwhelming majority to become chairman of the Non-Life Insurance Association of the R.O.C. during its annual meeting in August 2004.

The wide-ranging support Mr. Shih received from his peers affirmed the seasoned professional's achievements over the course of his career. Regulatory agencies and the association's commissioners have high expectations for Mr. Shih's term atop the organization.

### Maximizing Group Synergies, Diversifying Our Product Line

Shortly after the establishment of Fubon Financial in 2001, Fubon Insurance adjusted its structure to become more customer-oriented. We set up separate personal and commercial insurance groups to facilitate cross-selling operations. The strategy was again vindicated in 2004, when direct written premium revenues from cross-selling topped NT\$1.44 billion, accounting for 6.15% of total premium revenues.

Over the past several years, Fubon Insurance has been determined to avoid the spiral of acute price competition prevalent in the industry by focusing on innovation. We have stressed enhancing our products' competitiveness through diversification or differentiation to satisfy customers' varied needs. In 2004, new products generated NT\$2.82 billion in sales, or 12.03% of total premium revenue, a significant contribution to our sustained business growth.

### Providing Quality Professional Services for Loss Prevention

The passive function of an insurer is to compensate individuals or businesses for losses suffered through unforeseen calamities. But business owners need professional help that goes beyond insurance coverage. They want preventive solutions that can lower the risk of accidents occurring or mitigate the damage suffered from natural disasters. P&C insurers can take an active role in minimizing commercial risks by helping businesses with loss-control planning.

In 1995, Fubon Insurance took the initiative before any of its competitors to set up a Loss Control Department, in which loss control professionals introduce international fire-fighting security norms and offer other related services to clients. In March 2004, Fubon Insurance signed a cooperation agreement to help companies implement "Earthquake PML Evaluation Systems." We also have a cooperation agreement with National Central University that combines the resources of academia, insurance firms and the Industrial Technology Research Institute (ITRI) to develop an "Earthquake Risk Evaluation System for High-tech Industries." The goal of the project, which will specifically assist domestic semiconductor, optoelectronic, high-speed railway, mass rapid transit system, and power-generation enterprises, is to help clients cut down on operational risks and reduce accident-related losses, a cause even



Fubon Insurance was voted as the best in terms of "reputation," "corporate image," "professionalism," and "recommendation worthiness" by local peers and was honored for the fifth time as "The Best P&C Insurance Company" in a survey of 1,000 of Taiwan's biggest enterprises.



Fubon Insurance's Outstanding Achievements Recipient of many "2004 Insurance Faith Hope Love" awards:

"Best Insurance Leader" among Non-life Insurers: Chairman Shi Tsan-ming

"Most Distinguished Insurance Specialization Award" for Non-life Insurers

"Best Brand Image Advertising Award" in Print Media for the "Insurance Champion" campaign

"Best Specialized Adviser Award" among Non-life Insurers: Senior manager Chen Wei-ge, personal insurance division

"Best Representative Office" for Non-life Insurers: Da An Branch

"Best Representative Office Award" for Non-life Insurers: Dun Hua Branch, Neihu Office

"Best Product Innovation Award" for Non-life Insurers (Honorable Mention) for Fubon Third-party Legal Liability Collision Insurance

"Most Socially Responsible Award" (Honorable Mention)

"Best Representative Office Award" for Non-life Insurers (Honorable Mention) Hsinyi Branch

"Best Representative Office Award" for Non-life Insurers (Honorable Mention) Hsinchu Branch, Chudong, Chupei Science Industrial Park Offices

the government endorses. The Industrial Development Bureau of the Ministry of Economic Affairs has provided funding for these projects, the first-ever public grants for financial industry research projects.

### 'Stable' Outlook Reflects Financial Steadiness

Fubon Insurance's emphasis on financial integrity is reflected in its credit ratings. Both Taiwan Ratings Co., with a "twAAA," and Standard & Poor's, with an "A+," once again gave Fubon Insurance their highest possible ratings in 2004. Moody's gave Fubon Insurance an "A2" credit rating and assessed our outlook as "stable."

Taken as a whole, these independent evaluations underscore our company's superior financial strength and stable business outlook.

### Elected by 1,000 Enterprises as

#### "The Best P&C Insurance Company" for the Fifth Time

In the "Insurance Faith, Hope, and Love Award 2004," sponsored by the Risk Management & Insurance Education Foundation, Fubon Insurance stood out, winning four awards in the group category and two awards in the individual category, the best performance among the peers. Chairman Mr. T.M Shih also won "The Best Insurance Leader" award.

Fubon Insurance was also lauded in an annual survey conducted by "Risk Management, Insurance & Finance" magazine. The media group asked 1,000 leading domestic enterprises to discuss their insurance planning and rate local P&C insurers. Fubon Insurance again ranked first in four categories - brand awareness, corporate image, agent professionalism, and recommendation worthiness - and was recognized as "The Best P&C Insurance Company" for the fifth time.

### Utilizing Existing Edges to Enhance Competitiveness

In the future, as technology becomes more advanced and economies develop more rapidly, evolving values and lifestyles will create increasing demand for more sophisticated insurance products. To meet this demand, Fubon Insurance will step up its commitment to research and development and launch novel and diversified plans.

Fubon Insurance also intends to capitalize on its existing management advantages and better utilize its corporate resources by promoting greater integration among affiliates. This enhanced mutual support and cooperation will enable us to expand the reach of our product development and provide more diversified and sophisticated products and services under the umbrella of the financial holding group. Meanwhile, by expanding our client base and strengthening our ties with existing customers, we will become more competitive, increase overall benefits for shareholders, and create optimal management synergies.





In NT\$ Million	2004	2003
Total Assets	<b>178,063</b>	135,207
Shareholders' Equity	<b>11,039</b>	9,294
Revenues	<b>74,453</b>	56,093
Net Income	<b>1,801</b>	1,719



## Fubon Life

### After-tax profits hit NT\$1.8 billion, the highest of any newly established life insurers

*Fubon Life may be a relative newcomer in the life insurance business, but our highly skilled management team and dynamic marketing strategies consistently deliver top-notch results. With a corporate philosophy firmly grounded on the principles of "trustworthiness, sincerity, professionalism and innovation," we are committed to giving unflinching attention to our customers and launching cutting-edge products and services on a regular basis. These efforts, and an unrivaled service network that sees to our customers' every need, enable Fubon Life to provide the most reliable insurance coverage in the industry.*

*In 2004, Fubon Life's new business premiums totaled NT\$43.62 billion, representing a 9.8% market share that not only ranked No. 1 among newly established insurers but also third in the life insurance industry as a whole. Thanks to the success of our core business and solid returns on investments, the company chalked up after-tax profits of NT\$1.8 billion for the year, the highest since Fubon Life was founded 11 years ago and tops among all other newly established insurers in 2004.*

#### Opening New Sales Channels and Maximizing Synergies

*Fubon Life is able to satisfy the many needs of the market and generate high growth because of our highly diversified sales network and product line. Aside from straightforward life insurance policies, we also offer flexible packages of products that combine insurance and wealth management, consisting of life insurance, property insurance, credit cards, mutual funds, and housing loans. Furthermore, our tireless staff goes the extra mile to find the best option for customers by offering expeditious mobile or home service.*

*Fubon Life is fully capitalizing on the cross-selling and product integration opportunities that being part of the Fubon Group offers. We have, for example, tailored sales training programs in other subsidiaries to heighten awareness of our products and provided incentives to promote cross-selling.*

*Our efforts paid off in 2004. Nearly 35% of new business growth came from sales made through Fubon Financial's banking network. Looking ahead, Fubon Life will intensify its training programs and expand its sales network in the banking sector to further capitalize on the group's cross-selling synergies.*

#### Dedication to Product Innovation

*Fubon Life has spared no effort in developing distinctive insurance products, which allows us to compete based on product quality and added value rather than on price.*

By continuously rolling out new insurance products that best meet market needs, we're able to satisfy the diversified demands of consumers and provide them with unparalleled protection.

In 2002, our company was the first to launch investment-linked insurance products, and we continue to aggressively research new offerings in this area. In May 2004, we launched the latest of our investment-linked products, "Chi-Hsiang variable universal deferred annuity insurance." This product combines variable insurance and annuities, offering customers the dual benefit of flexible premium payments and life-long annuity benefits. In 2004, the company earned NT\$17.26 billion in new business premiums from investment-linked products, fourth highest in the industry.

In a related niche market, we launched last July the trend-setting "Tang-Tai universal endowment." It was the first package to combine an interest-sensitive annuity with an endowment to be introduced in Taiwan and offered a declared interest rate that was higher than market rates. The product was well-received by the market, greatly boosting the business growth of our interest-sensitive products.

#### Continuously Upgrading Services for Our Customers

As of the end of 2004, Fubon Life had an above-average persistency rate of 93.3%, attributable to the good will generated by our insistence on maintaining the highest standard of service quality. That includes our efforts to offer products that provide the greatest convenience and value to our clients. In November 2004, in order to offer preferential-interest loans to clients taking out policies, we launched the "policy-mortgaged loan program for flexible wealth management." This product gives clients great flexibility in utilizing their funds, allowing them to capitalize on profitable opportunities in a timely way. We have also enhanced our understanding of clients' needs through the Customer Relationship Management (CRM) system and promoted various CRM marketing programs to provide the timely products and services needed by clients. Moreover, we set up an electronic billing system -- dubbed BillHunter -- that sends clients electronic birthday cards and account-status statements. In the future, Fubon Life will step up promotion of interactive electronic billing to enhance customer service.

Our commitment to service has been widely acclaimed by the market. According to a survey published by RMI (Risk Management, Insurance & Finance) magazine on Taiwan's best life-insurance companies in 2004, Fubon Life ranked No. 1 among newly established insurers in two categories: "Most Commendable Overall Performance" and "Best Compensation Service in the Eyes of Prospective Insurance Clients." This result affirmed the market's recognition of the Fubon brand as one that stands for outstanding service.

#### Stressing Greater Efficiency

At Fubon Life, we are totally committed to satisfying our customers. That not only entails providing timely services and products, but also making sure that our internal



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support systems are as efficient and accessible as possible. In April 2004, Fubon Life put in place the "Fubon Life Channel Service Network." We integrated our agent, broker and Financial Service Group websites to offer real-time network services and full marketing support to our sales outlets. In addition, our company has incorporated reporting forms used in human resources, general administration and computer-related affairs into the existing EIP-platform, accelerating the reporting/approval process and lowering personnel costs. In the future, the company will continue to promote greater electronic workflow, so as to cut paper waste, upgrade administrative efficiency, and achieve the goal of a paperless office.

### Strengthening Risk-Control Mechanisms

Fubon Life has placed a heavy emphasis on risk control to protect its hard-earned reputation for reliably delivering results. Under the direction of the financial holding company, we have proactively established risk-control mechanisms and developed sound processes to make sure those mechanisms work properly. At the same time, we have strengthened our internal auditing operations to insure we fully comply with all applicable regulations and accounting rules.

Fubon Life has, in fact, met or surpassed all risk-based capital (RBC) requirements and constantly monitors the exposure of the company's financial structure to variable risk. To enhance our financial strength, our outstanding financial investment and actuarial professionals regularly adjust the allocation of our assets and liabilities in a timely way. Ultimately, all of these moves to control risk guarantee the high quality of our assets and asset management, which paves the way for higher returns.

### Moving Out of Red Ink and Achieving Steady Growth

Although one of the later entrants in the industry, Fubon Life has flexibly responded to market changes; strengthened cross-selling activities with other Fubon Group subsidiaries; developed strong banking distribution channels; stressed new-product innovation; enhanced client services; and intensified risk-control mechanisms. As a result, we have succeeded in sustaining double-digit annual growth in recent years, greatly boosting our assets and disposable funds.

Most newly established insurance companies often require many years to make up for their early losses. Two years of steady profit growth, however, has allowed Fubon Life to cover almost all previous losses suffered, and soon, we'll be the first of the newly established insurers to have reached profitability over the lifetime of their operation. Looking ahead to 2005 and beyond, Fubon Life will continue to promote investment-linked products and interest-sensitive annuities, intensify sales of traditional insurance products, enhance ratios of non-single premium products, and strengthen our training and organizational cohesiveness. With the support of Fubon Financial's extensive resources, Fubon Life believes it can deliver even better results and provide our customers with even greater benefits and security over their lifetimes.

In April 2004, Fubon Life consolidated its agent, broker and Financial Service Group Web sites to create the "Fubon Life Channel Service Network." It will provide all of our sales outlets with real-time marketing assistance, increasing the speed at which they have access to critical sales information.



Fubon Financial's precise vision, clear strategy, and vast resources and experience enable it to assume a leading position in consolidating Taiwan's financial markets and developing a presence in markets across the Taiwan Strait. These strengths allow us to consistently deliver high returns and make timely acquisitions that maximize value for our shareholders.

All of our subsidiaries attended our annual athletics meet and displayed real team spirit in competing for top honors, reflection of the spirit and ambition that will help Fubon Financial become one of the top financial institutions in Asia.

In NT\$ Million	2004	2003
Total Assets	<b>59,230</b>	54,672
Shareholders' Equity	<b>31,525</b>	31,316
Revenues	<b>8,032</b>	6,607
Net Income	<b>2,171</b>	2,581



## Fubon Securities Emerges as Top Earner Among Securities Brokerages

In 2004, Fubon Securities had a 6.12% share of the brokerage market and a 6.38% share of the margin-trading market, both ranking second among local securities firms. These market shares should exceed 10% in the near future through new acquisitions, greater integration of our group's marketing channels and increasing differentiation of our services to appeal to a wider range of customers.

*Fubon Securities emerged as the most profitable securities firm in Taiwan in 2004, thanks to the concerted effort of all of our employees and the backing of Fubon Financial. Relying on our dedication to "professionalism and innovation," Fubon Securities overcame volatile equity markets to post NT\$2.1 billion in after-tax earnings, or NT\$1.63 per share, outpacing all other securities brokers in Taiwan.*

*Independent credit rating agencies recognized our outstanding performance in 2004 and exciting prospects for the future. Taiwan Ratings Corp. gave Fubon Securities a long-term credit rating of "twAA-" and a short-term rating of "twA-1" in 2004, while assessing the company's outlook as "stable." These ratings, among the highest in the local securities brokerage industry, reflect our sound financial structure and commitment to steadily developing our core business.*

### No. 2 in Securities Brokerage Market Share

*In the face of difficult competitive conditions, Fubon Securities maintained its strong presence in the industry last year with a 6.12% share of the brokerage market and a 6.38% share of the margin-trading market, both second best among local securities firms. But with the government encouraging consolidation in the financial sector to create larger, more competitive financial institutions, Fubon's presence is bound to grow. Already well-positioned with our network of 64 retail branch offices, Fubon Securities expects to capture a 10% share of the market in the near future through mergers or acquisitions and further integration of Fubon Financial's marketing channels.*

### Diversifying Investment Banking Business

*Fubon Securities also caters to overseas investors and markets. In early 2003, we signed a long-term cooperation memorandum with Samsung Securities, the largest securities firm in South Korea, to jointly develop detailed analytical reports on the stock markets in Taiwan and South Korea for existing and potential customers. These cooperative efforts got underway in the first quarter of last year.*

*We have recently taken the initiative to develop secondary market services, developing sources of euro-convertible bonds (ECBs) and depositary receipts (DRs) to provide institutional investors with the best risk-hedging and arbitrage tools.*

### Actively Creating Wealth for Clients with Innovative Products

*With an eye to becoming the Fubon Group's R&D center for new financial products over the long term, Fubon Securities has always dedicated itself to product innovation.*

Last year, the firm issued 27 stock warrants valued at over NT\$1.4 billion, and also floated exchange traded fund (ETF)-based subscription warrants. The company was among the first group of securities firms licensed to handle New Taiwan dollar-based structural products, and was later licensed to handle foreign-currency structural products as well. Last year, we issued 13 structured notes worth NT\$370 million, ranking among the top-10 issuers of such products in the market.

### Dedicated to Promoting Real Estate Securitization

Fubon Securities is recognized in the industry for pioneering new financial services, including the promotion of real estate securitization services. In November 2004, we filed a formal application with the government for permission to offer Taiwan's first real estate investment trust fund, the Fubon-No.1 REIT Fund. Early this year, after the financial authorities gave their go-ahead, fund subscriptions soared to double the amount of shares that had been issued.

### No. 1 in Emerging Stock Trading, No. 2 in IPO Cases

In August 2004, Fubon Securities set up an emerging market department, an unprecedented move in the local securities industry. The division's aggregate turnover totaled NT\$11.9 billion for the year, which commanded the highest market share among local securities firms at 14.15%. To encourage investors to trade in this new market, Fubon Securities has promoted book-entry trading of emerging stocks, which enhanced the transparency of market information and improved the trading environment. As for underwriting, while the market remained sluggish last year, Fubon Securities ranked No. 2 by underwriting 16 IPOs (initial public offering), including those where companies switched their listing from the over-the-counter securities market to the Taiwan Stock Exchange.

### Futures Market Share Rising Sharply

Fubon Securities set up Fubon Futures in 1998 and then established Fubon Managed Futures Co. to offer not only the best products and services to our clients but also the most complete range. With Taiwan's stock market highly volatile and the concept of asset management earning growing acceptance in the past two years, futures products have grown in popularity among investors as a risk-hedging tool. In 2004, Fubon Futures took a 5.21% share of the local futures market and posted pretax earnings of NT\$110 million, slightly higher than in 2003.

### Bringing Customer Relationship Management to the Fore

Fubon Securities has built a large customer base by staying true to the principles of "sincerity, professionalism and innovativeness." To secure and expand this impressive base through the "Customer Relationship Management" concept, we set up the "Fubon VIP Club" this year and mapped out various client reward programs. We believe these efforts will strengthen customer loyalty in an era of intense competition and demanding investors.



Independent credit rating agencies recognized our outstanding performance in 2004 and exciting prospects for the future. Taiwan Ratings Corp. gave Fubon Securities a long-term debt rating of "twAA-" and a short-term rating of "twA-1" in 2004, while assessing the company's outlook as "stable." These ratings, among the highest in the local securities brokerage industry, reflect our sound financial structure and our commitment to steadily developing our core business.



### Professional Investment Services That Uncover Great Opportunities

*In support of the group's "financial supermarket," the renowned research team of Fubon Securities' subsidiary, Fubon Investment Services, puts out a "Taiwan Daily Report" and issues "Monthly Company Reports." Because Fubon Investment Services constantly reviews and improves the quality of its research products, personnel training and level of specialization, Fubon Group customers have access to an unusually wide range of investment options and the most professional wealth management advice to be found in the industry.*

### Fulfilling Our Duty to Society as a Good Corporate Citizen

*Throughout our 16 years as one of Taiwan's top securities firms, Fubon Securities has always believed that you reinvest back into society what you get from society. We give back by sponsoring a series of social welfare activities around Taiwan on an annual basis. Last year, for example, we joined forces with the Fubon Charitable Foundation to raise money and provide relief to the victims of Typhoon Mindulle in Taiwan and the tsunamis that rocked Southeast Asia last December 26. Through this and other initiatives, Fubon Securities hopes to inspire more companies to wield their influence in a socially conscientious way.*

### Caring for Employee Health, Enhancing Corporate Vitality

*Out of recognition that "employees are a company's assets, and healthy employees can generate wealth for the company," Fubon Securities created a "2004 Keep Fit Club" campaign focused on "slimming down." Within a short period of three months, our employees as a group lost 2,881 kilograms. The kilos dropped inspired employees to better manage their health and also injected vigor into their attitudes toward work.*

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

*Faced with rapidly changing conditions in global markets and intense competition from other financial institutions, all of Fubon Securities' people remain devoted to the mission of generating maximum benefits for shareholders and offering the best possible service quality. The company has mapped out a series of action plans to achieve these goals, including:*

- *building an aggressive sales culture*
- *streamlining operating procedures and reducing operating costs*
- *strengthening the commitment to financial engineering*
- *diversifying operations and boosting asset efficiency*
- *producing the most authoritative reports*
- *cultivating talent*
- *controlling risk*

*These measures 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.*

Out of recognition that "employees are a company's assets, and healthy employees can generate wealth for the company," Fubon Securities created a "2004 Keep Fit Club" campaign centering on the theme of "slimming down." Our employees as a group beat their target by losing 2,881 kilograms.

In NT\$ Million	2004 2003
Total Assets	<b>1,860</b> 1,591
Shareholders' Equity	<b>1,648</b> 1,489
Revenues	<b>959</b> 749
Net Income	<b>405</b> 273



## Fubon Asset Management Taiwan's Biggest Fund Manager

*The current trend in Taiwan's financial sector is toward greater consolidation and operating size, a trend Fubon Asset Management capitalized on in 2004. We surpassed NT\$200 billion in funds managed at the end of the year, a barrier that had never before been breached by domestic fund managers.*

### Total Managed Assets Ascend to a New Peak

*Fubon Asset Management was able to make history in 2004, thanks to the collective effort of our team of skilled professionals. It was certainly a year full of highlights. We successfully launched the Fubon Futai Fund, the largest balanced fund in Taiwan's history with NT\$16.2 billion in assets, took over three bond funds from United Securities Investment Trust, and expanded the scale of total managed assets above the unprecedented level of NT\$200 billion, boosting the company's market share to 8.09%.*

*The confidence investors place in Fubon Asset Management was clearly reflected in the second half of 2004. Three bond funds under the management of United Securities Investment Trust were on the verge of insolvency after nervous investors redeemed NT\$23.1 billion from the funds. Fubon Asset Management stepped in to stabilize investor confidence and restore order to the market by taking over United's three funds and maintaining their aggregate scale at NT\$25.7 billion during those tumultuous days. By the end of December, aggregate assets in the three funds had expanded to NT\$48 billion, soaring 86% over a five-month period, attesting to the confidence investors have in Fubon Asset Management.*

*At the end of 2004, Fubon Asset Management was handling 23 funds with total assets of NT\$200.8 billion, representing 41% growth versus the previous year. The scale of discretionary-account operations under our management soared 150% to NT\$22.5 billion, boosting the company's total managed assets to NT\$223.3 billion.*

*Backed by soaring growth and tight cost control, Fubon Asset Management posted record earnings. Pre-tax income totaled NT\$536 million, gross margins reached 52%, and returns on assets (ROA) and equity (ROE) stood at 21.15% and 23.34%, respectively. Pre-tax earnings per share hit NT\$9.63 and after-tax earnings per share reached NT\$7.24, representing annual growth rates of 59.7% and 47.2%, respectively.*

### Professional Assets Manager, Stellar Performance

*Several top-flight managers joined Fubon Asset Management in 2004. These additions clearly strengthened our investment teams and contributed significantly to our strong results and the success of our funds. Of the nine listed domestic stock funds*

At the end of 2004, Fubon Asset Management was handling 23 funds with total assets of NT\$200.8 billion, representing 41% growth over a year earlier. The scale of discretionary-account operations under our management soared 150% to NT\$22.5 billion, boosting the company's total managed assets to NT\$223.3 billion.

under the management of the company, five had one-year performances that ranked in the top third among similar domestic funds. We're able to maximize profits for investors with an accurate grasp of the global economic pulse, an ability to spot and capitalize on investment opportunities before others, and position an optimal allocation of assets. These efforts are supported by our research teams, which closely follow the latest trends in interest rates, exchange rates, and industrial and economic development.

Of the seven domestic bond funds under management, four ranked in the top third for one-year performance among similar domestic funds. As a result, Taiwan Ratings Corp. adjusted its ratings upward for Fubon Ju-I III and Fubon Ju-I to "twAA-f" and "twA+" respectively. The three bond funds taken over from United Securities Investment Trust were renamed Fubon Chi-Hsiang series funds. Of the three, Fubon Chi-Hsiang I and Fubon Chi-Hsiang III were evaluated by Taiwan Ratings Corp. and received a "twAf" rating. Because their liquidity improved in the second half of the year, Taiwan Ratings upped their grade to "twA+f" at the end of 2004.

Looking at the discretionary accounts we manage, Chunghwa Post Co., Ltd. has entrusted us with funds to invest in recent years. Thanks to the outstanding long-term results achieved on its behalf, Chunghwa gave us two more allotments of funds to manage in 2004, bringing the total amount Fubon Asset Management handles for Taiwan's postal service to NT\$9 billion.

### Trust From Investors & International Recognition

Thanks to its consistent results, Fubon Asset Management has earned the trust of its investors, leading to sustained high growth in the scale of assets under management, especially in bond funds and discretionary accounts. Even with some bond funds were fully subscribed, the aggregate scale of assets in our bond funds still chalked up a 44% growth rate in 2004. The assets managed in our discretionary accounts rose by more than 150%, and funds entrusted to us by institutional investors grew by 67%.

This remarkable growth was recognized by international credit agencies and media organizations. The Fubon Precision Fund, for instance, was granted the "2004 Taiwan Investment Fund Award" by Standard & Poor's. "Asian Asset Management" magazine named Fubon Asset Management "the Fastest-growing Assets-Management Company" and "Best Community Services" company for Taiwan in 2004. In addition, the Fubon OTC Fund received the 8th Annual Outstanding award in 2005. In a survey compiled by "Asian Investor Magazine," we ranked seventh in assets under management among the top 251 asset management firms in Asia, and were the only local investment trust firm that made it into the top 10.

### Aggressively Expanding Sales Channels and Creating New Outlets for Wealth Management

Since becoming part of Fubon Financial Holding Co., Ltd., Fubon Asset Management has aggressively pursued cross-selling opportunities. The strategy paid



The Fubon Precision Fund won Standard & Poor's "2004 Taiwan Investment Fund Award."



"Asian Asset Management" magazine named Fubon Asset Management "the fastest-growing assets-management company" and "best community services" company for Taiwan in 2004. A survey compiled by "Asian Investor Magazine" ranked the company seventh in assets under management among the top 251 asset management firms in Asia, Taiwan's only investment trust firm to make it into the top ten.

dividends in 2004, with group affiliates accounting for 50% of our total sales. At the same time, we have developed an extensive external sales network, with outlets at 36 unaffiliated financial institutions.

This retail network provides even greater convenience for investors to redeem money they've put into our funds, and fulfill our mission to give "priority consideration to our clients." Besides these brick-and-mortar operations, Fubon Asset Management has set up a group-wide network of virtual fund-sales platforms. Along with the accelerated promotion of Internet-based operations, we've also strengthened our use of computerized auditing and online operational-process and internal controls. All of these measures are designed to give investors greater security, more innovative products, and added convenience.

### Outlook

Looking ahead, Fubon Asset Management intends to concentrate on three core areas in 2005.

**Asset Management:** One of our goals is to expand the average scale of assets under management in 2005 by 19% to NT\$232.8 billion, and grow our average discretionary accounts for the year by 11% to NT\$21.6 billion. We also want to tap into the newly opened market for private-equity funds and have set a target of handling NT\$5 billion in assets in this area. The purpose of this expansion is to meet the investment needs and objectives of different investor segments, so that individual investors, mid-scale investors, and institutional accounts can all obtain the most satisfactory services from our versatile wealth-management service network.

**Product Innovation:** With the government liberalizing local financial markets and investors increasingly demanding more wealth management options, the company plans to offer three new funds this year, including a REIT (real estate investment trust) fund, stock fund and principal-protection fund. We also hope to add 1,800 clients to our fixed-interval but variable-amount investment fund.

**Fund Performance:** Thanks to the concerted effort of our professional research team, the company delivered a solid performance in 2004, but we expect to be even more competitive in 2005. Our goals include to have our domestic bond funds and balanced funds rank in the top half of similar domestic funds; to exceed the two-year industry average for rates of return on domestic stock funds; and to have two-thirds of the company's stock funds rank within the top half and four funds within the top quarter of all such domestic funds.

In addition to these goals, Fubon Asset Management will continue to emphasize corporate governance and risk control management as key pillars in enhancing our results and building even greater investor loyalty. We expect to grow through the tremendous synergies offered by being part of Fubon Financial Holding Company and move closer to the pinnacle of Asia's asset-management industry, allowing the "Fubon" brand name to become known and respected around the globe.



**"Putting back into society  
what you get from society"**

"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 reciprocate. Even a trickle of a flow is better than a dead sea."

Wan-tsai Tsai, Fubon Group Chairman

The interactive installation by artist Hung Yi called "A Full Cup of Blessings" toured many sites of Taiwan, appearing in such diverse places as the gardens of the Fubon Enterprise Buildings, nursing homes, and even remote tribal villages. The sculpture created a special image on city stages and gave people something to look forward to and talk about. The reactions to the work by admirers encouraged us to continue in our efforts to make dreams come true. Through our art outreach activities, we would like to send all the best regards to our fellow citizens and bring joy to their lives.



## "Putting back into society what you get from society"

- Fubon Charitable Foundation
- Fubon Cultural & Educational Foundation
- Fubon Art Foundation
- Taipei Fubon Bank Charitable Foundation

*Fubon Financial may be a diversified "financial department store" committed to offering outstanding financial products, but we also take our responsibility to society seriously. Guided by the philosophy of "feeding what you get from society back into society," we have long paid close attention to social issues and initiated many activities through our four foundations to improve public welfare. To Fubon Financial, being a good corporate citizen is of paramount importance.*

*The Fubon Charitable Foundation is the first public-interest organization set up by*



*Fubon Group, and has a history of sponsoring activities related to caring for underprivileged groups and providing medical subsidies and financial aid to the needy. The "Fubon Charity Financial Aid and Medical Care Fund," for example, was established to subsidize medical treatment and care for seriously injured and ill people from low-income families. In addition, we helped 5,243 children living in impoverished conditions in 2004 through our "making friends with love" program. The foundation has also joined forces with hospitals and local township administration units to set up a network that highlights families in urgent need of financial aid, enabling over 200 low-income families to receive timely medical and funeral subsidies last year. When Typhoon Mindulle swept Taiwan and catastrophic tsunamis ravaged southern Asia in 2004, the foundation immediately contributed manpower, goods, and materials, a tangible sign of corporate concern.*

*In recent years, the Fubon Charitable Foundation has developed an international*

presence. Two community-based medical-treatment centers were set up in Mozambique that offered free diagnoses and helped alleviate the shortage of medical resources in remote areas of that country. The foundation has also cooperated with the Beijing-based Soong Ching Ling Foundation to offer medical services to physically and mentally-challenged children in mainland China. Locally, the foundation has inspired corporate employees to set up the Fubon Compassion Volunteers Association, proving our staffs an ideal channel to participate in charitable activities and enhance Fubon's image as a responsible corporate citizen.

The Fubon Cultural and Educational Foundation devotes itself to Promulgate positive lifestyle, value judgment and individual growth. Nowadays, mediated information is pervasive and far-reaching to everyday life to the youth, those who are most vulnerable to media impacts.



To advocate media literacy, the Fubon Cultural and Education Foundation has organized 100 campus lectures at local senior high schools in 2004, inviting Mr. Eric Wu, a renowned writer, to serve as "ambassador" for the lectures. The lectures were designed to help students learn more about the media and become individual readers and writers who can better interpret the conveyed messages.

The Fubon Cultural and Education Foundation is also involved in strengthening the local academic environment to encourage more research on domestic financial issues and cultivate professional financial talent. To this end, the foundation has sponsored the "Fubon Financial Lectureship" and "Fubon Wealth Management Lectureship," and established scholarships – the "Fubon Financial Research Scholarship" and "Fubon Scholarship for National Chengchi University IMBAs" for university and college students, scholars of finance, banking and insurance majors and financial researchers.



Entering its eighth year, the Fubon Art Foundation has always been committed to strengthening Taiwan's cultural roots and enriching life through art. Over the years, the Fubon Art Foundation has sponsored a diversity of activities to inject "artistic nutrition" into people's daily lives, including the "Fubon Forum," the "Art Buffet," the specially-designed "VIP Night," and the "Aesthetic Education Promotion Program." Through these initiatives the foundation has broken the myth that local residents have little interest in art and broadened the public's international vision. Fubon Financial believes it is able to give something back to society by cultivating a heightened appreciation for aesthetics and art.

In recognition of such efforts, the Council for Cultural Affairs under the Executive Yuan has presented the Fubon Group with cash awards.

One of the foundation's many projects is the "unblock art museum" concept to bring art to city streets. Last year, the foundation invited the artist Hung Yi to create a large-scale outdoor masterpiece entitled "A Full Cup of Blessings" that was positioned in



public places around Taiwan as a much-talked-about art ambassador. The foundation also used the masterpiece in 2005 calendars and notebooks, and used the voice-guided viewing system of Taiwan Cellular Corp. to give the public another way to access the masterpiece. The "Fubon Forum," long embraced as a kind of community university, also proved highly popular last year. Some 6,000 students from various fields shared their views and impressions in courses on aesthetics, the humanities, and creative concepts, thus transforming the "Fubon Forum" into a brand for cultural and art education. Well-established enterprises in other fields helped sponsor the forums, allowing students to enjoy refreshments. Through an integrated marketing operation, the Fubon Art Foundation has successfully combined the resources of various sectors to better promote the development of art education, enriching lives by helping the public appreciate the beauty of art and culture.



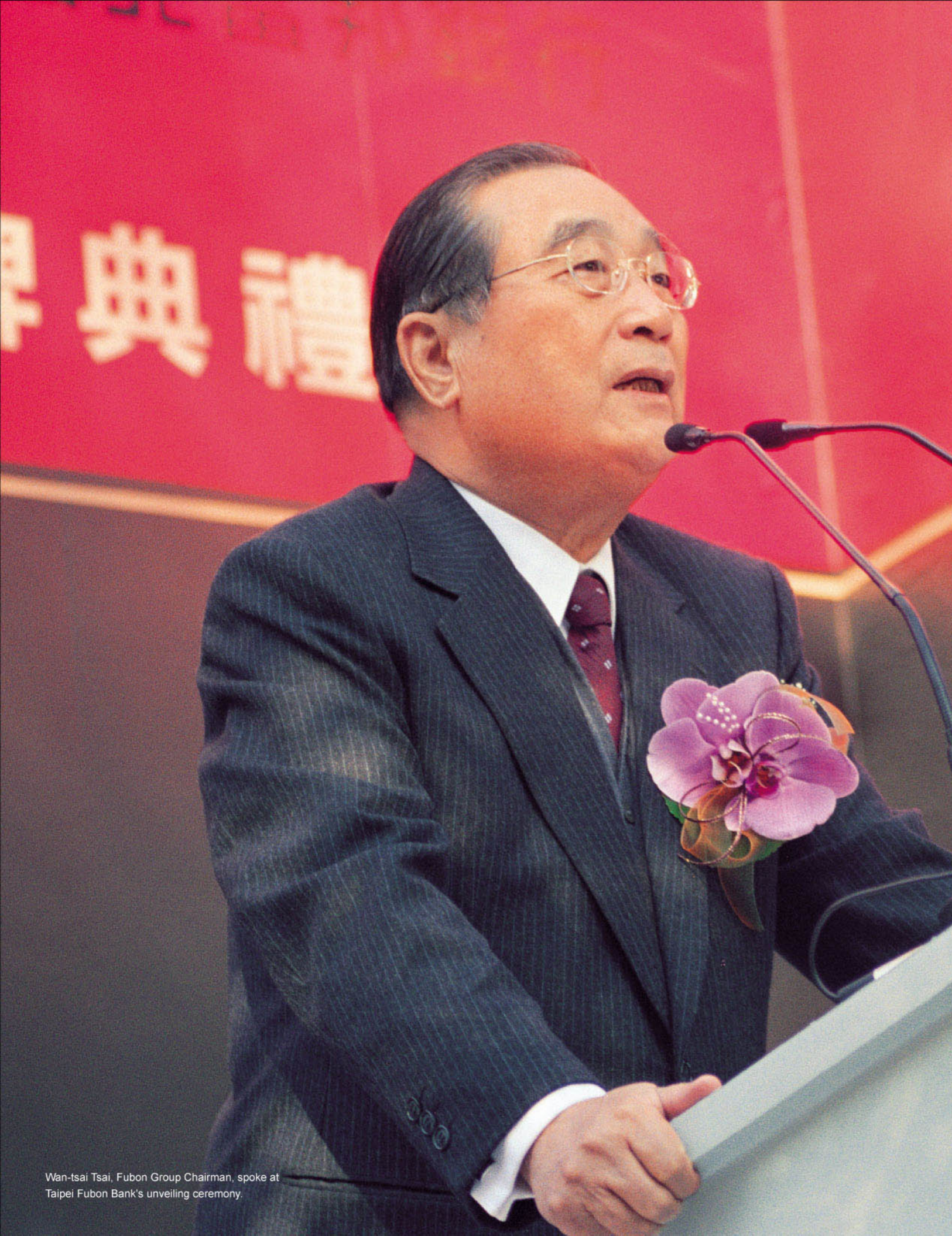
The Taipei Fubon Bank Charitable Foundation was established to harness the bank's public lotteries as contributors to public welfare. The foundation both donates money to charity and sponsors charitable activities, giving it more options and creative outlets to promote social welfare programs. In the two years since its inception, the foundation has been engaged in five major types of philanthropic activities: caring for underprivileged groups, advancing social interests, promoting positive social behavior, offering emergency financial aid to the needy, and conducting research and development on relevant programs.

For instance, the foundation last year continued a program to help low-income families bid farewell to poverty. In cooperation with the Social Welfare Departments of both the Taipei and Kaohsiung city governments, the foundation encouraged 180 youngsters from low-income families to save money by matching their savings on a 1:1 basis to create a reserve fund for their education and employment. In addition, the foundation also



arranged part-time jobs for them within the Fubon Group, and offered courses on money management and artistic and cultural performance programs to help them develop the self-confidence and social skills that can help them overcome their impoverished upbringing.

The foundation also launched a campaign called "realizing dreams through the lottery" that has pioneered the integration of private-sector resources and the public guidance system. The program offers interest-free loans and invites experts to give advice on how to start a business career, while at the same time providing comprehensive assistance to 50 middle-aged and older people living in Taipei and forced out of work by unexpected accidents to restart their businesses. Showing its support for physically- and mentally-challenged citizens, the foundation has sponsored a series of campaigns including "Taipei Fubon Bank Skills Award for the Physically- and Mentally-Challenged" and "Feast of Mind" to inspire their creative instincts and enable them to fully express the light in their life through an arts-exchange platform.



**Fubon Group**

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
  - Taipei Fubon Bank — *Fubon Bills Finance*
  - Fubon Bank (Hong Kong)
  - Fubon Securities — *Fubon Futures*
  - Fubon Investment Services*
  - Fubon Asset Management
  - Fubon Direct
  - Fubon Financil Holding Venture Capital
  - Fubon Venture Capital Consulting
  - Fubon AMC

- Other Financial Services**
  - Fubon Securities Finance
  - Fubon Venture Capital

- Property & Construction Services**
  - Fubon Land
  - Fubon Property Management
  - Fubon Construction
  - Fubon Construction Management

- Charitable Services**
  - Fubon Charitable Foundation
  - Fubon Cultural & Educational Foundation
  - Fubon Art Foundation
  - Taipei Fubon Bank Charitable Foundation

 台北富邦銀行

Wan-Tsai Tsai, Fubon Group Chairman, spoke at Taipei Fubon Bank's unveiling ceremony.



Fubon Financial Holding Co., Ltd.  
Founded in December, 2001  
Chairman: Daniel Tsai  
President: Richard Tsai  
Capital: NT\$82.5 Billion  
237 Section 1 Chien Kuo S Road  
Taipei, Taiwan  
Tel (886-2)6636-6636  
Fax (886-2)6636-0111  
www.fubongroup.com

Fubon Securities Co., Ltd.  
Founded in September, 1988  
Chairman: Kung-Liang Yeh  
President: Kung-Liang Yeh  
Capital: NT\$13.5 Billion  
108 Section 1 Tun Hua S Road  
Taipei, Taiwan  
Tel (886-2) 8771-6888  
Fax (886-2) 8771-6795  
www.fbs.com.tw

Taipei Fubon Commercial Bank  
Co., Ltd.  
Founded in April, 1969  
Chairman: Chi-Yuan Lin  
President: Jesse Y. Ding  
Capital: NT\$38.13 Billion  
169 Section 4 Jen Ai Road  
Taipei, Taiwan  
Tel (886-2) 2771-6699  
Fax (886-2) 2778-0021  
www.taipeifubon.com.tw

Fubon Asset Management Co., Ltd.  
Founded in September, 1992  
Chairman: Richard Tsai  
President: Michael Ding  
Capital: NT\$560 Million  
108 Section 1 Tun Hua S Road  
Taipei, Taiwan  
Tel (886-2) 8771-6688  
Fax (886-2) 8771-8966  
www.fsit.com.tw

Fubon Bank (Hong Kong) Co., Ltd.  
Founded in 1982  
Chairman: Richard Tsai  
CEO: Jin-Yi Lee  
Capital: HK\$1.17 Billion  
38 Des Voeux Road Central  
Hong Kong  
Tel (852) 2842-6222  
Fax (852) 2810-1483  
www.fubonbank.com.hk

Fubon Direct Marketing  
Consulting Co., Ltd.  
Founded in 1997  
Chairman: Kuai-Sung Su  
President: Fred T. M. Juang  
Capital: NT\$8.1 Million  
62 Ruei Hu Street Nei Hu  
Taipei, Taiwan  
Tel (8862) 8751-1889  
Fax (8862) 8751-2168  
www.fubondirect.com.tw

Fubon Insurance Co., Ltd.  
Founded in April, 1961  
Chairman: Tsan-Ming Shih  
President: Steve T.H. Chen  
Capital: NT\$20 Billion  
237 Section 1 Chien Kuo S Road  
Taipei, Taiwan  
Tel (886-2) 2706-7890  
Fax (886-2) 2704-2915  
www.518fb.com.tw

Fubon Financial Holding  
Venture Capital Co., Ltd.  
Founded in 2003  
Chairman: Richard Tsai  
President: Howard Lin  
Capital: NT\$1 Billion  
7F 108 Section 1 Tun Hua S Road  
Taipei, Taiwan  
Tel (886-2) 8773-7711  
Fax (886-2) 8771-8889

Fubon Life Assurance Co., Ltd.  
Founded in July, 1993  
Chairman: Richard Tsai  
President: Pen-Yuan Cheng  
Capital: NT\$5.65 Billion  
108 Section 1 Tun Hua S Road  
Taipei, Taiwan  
Tel (886-2) 8771-6699  
Fax (886-2) 8771-5919  
www.fubonlife.com.tw

Fubon Venture Capital  
Consulting Co., Ltd.  
Founded in 2004  
Chairman: Richard Tsai  
President: Howard Lin  
Capital: NT\$50 Million  
7F 108 Section 1 Tun Hua S Road  
Taipei, Taiwan  
Tel (886-2) 8773-7711  
Fax (886-2) 8771-8889

Fubon AMC Co., Ltd.  
Founded in 2004  
Chairman: Jesse Y. Ding  
President: Chang-Ming Ho  
Capital: NT\$2.5 Billion  
5F 169 Section 4 Jen Ai Road  
Taipei, Taiwan  
Tel (886-2) 2779-0988  
Fax (886-2) 2731-3837



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