

2003 ANNUAL REPORT  
FUBON COMMERCIAL BANK

169, Jen Ai Road, Section 4  
Taipei, Taiwan  
Tel: (02) 2771-6699

I. Corporate Spokesperson

Lin Jiu-Liang

Senior Vice President

Tel: (02) 2271-6699

2. Contact Information – Corporate Headquarter and Branches

Please see page 81

3. Transfer Agent

Registrar & Transfer Dept., Fubon Securities Co., Ltd.

2F., No.17, Syuchang St., Taipei, Taiwan

Tel : (02)2381-0131

4. Credit Rating Agency

Taiwan Ratings Corporation

23F, 100, Roosevelt Road, Section 2, Taipei, Taiwan

Tel : ( 02 ) 2368-8277

5. Auditors

Deloitte & Touche

12F, No.156, Minsheng E. Rd. , Section 3 , Taipei, Taiwan

Tel: (02) 2545-9988

6. Corporate Website:

[www.fubonbank.com.tw](http://www.fubonbank.com.tw)

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## I. Letter TO SHAREHOLDERS

Supported by a slowly recovering global economy and clear-cut and appropriate company strategies, Fubon Commercial Bank reported strong profits in 2003. Pre-provision profits hit a record high of NT\$9.964 billion, resulting in a sharp increase of 33% from 2002; our pre-tax return on assets (ROA) reached 1.70% and pre-tax return on equity (ROE) rate hit a high of 15.85%, all ratios showing a fivefold increase from the previous year.

The improved earnings capacity was mainly attributable to the launch of innovative financial products and services, that quickly gained the recognition and support from our clients. First, in the financial services field, the wealth management services pioneered by Fubon Commercial Bank were rated No. 1 among Taiwan's domestic banks by *Euromoney*, a world-renowned financial magazine, in a global survey of banks offering wealth management services. The quality of our services is reflected in the fact that our total assets under management increased by almost 20% to NT\$170 billion during 2003. Fubon Commercial Bank has established itself as one of the top brands in the wealth management market in Taiwan.

In the credit card business, after successfully winning hundreds of thousands of high-quality clients in 2002 through our innovative strategies, in 2003 we continued to introduce many exclusive rights and privileges for our platinum-card holders, thereby maintaining our unique service level and benefits for our customers. Our focus on providing quality services has won wide acceptance among the top tier platinum customer segment, as evidenced by the fact that our average card transaction ranks among the highest in the industry.

In the consumer banking arena, our bank also achieved outstanding results. The Adjustable Rate Personal loan launched in the first half of 2003 has generated a strong market response. As a result, our outstanding loan balance for this particular product increased by more than 123% compared to 2002. We will continue to zero in on market niches, offering specialized lending products and services for different target client groups.

In corporate banking, our bank continue to provide a full range of financial services to our small- and medium-sized enterprise (SME) customer base, aided by the credit guarantee mechanism which provides further credit support. In addition to our SME activities, Fubon Bank has joined forces with Fubon Securities and TaipeiBank in a team operating under Fubon Financial. The team combines products and services from the various Fubon companies to provide large-sized corporate clients with customized integrated financial services.

In the trust business segment, our bank developed a number of new trust products, including marketable securities trust services, preneed funeral planning trust for individual clients, and trusts for joint land development at mass rapid transit stations for corporate clients. It is expected that the real estate investment trust (REIT) products developed by Fubon Commercial Bank and the real estate securitization project team of the Fubon Group will become strong performers in the domestic financial market in 2004.

In light of the bank's strong earnings capability, our strong capital base and asset quality, Standard & Poor's Rating Services and Taiwan Ratings Corp. announced in February 2004 that they were raising their long-term credit ratings for Fubon Commercial Bank from "BBB-" and "twA" to "BBB" and "twA+," respectively.

Going forward, our bank will continue to focus on the integration with TaipeiBank, and will, as part of the Fubon Financial group of companies, continue to expand and develop products to provide our clients with more and better services. We would like to extend our sincerest gratitude to all our shareholders, and we look forward to your continued support and advise. The combined staff of Fubon Commercial Bank will continue to strive for excellence and to improve the results of our company.

## II. Company Profile

### 1. History and Important Events

Established in 1992, Fubon Commercial Bank (FCB) is one of the 16 new banks licensed to engage in banking activities in Taiwan following the liberalization of the industry. Since its inception, FCB has grown into one of the leading and most profitable private commercial banks in Taiwan.

As of December 19, 2001, Fubon Financial Holding Company Ltd. obtained 100% of the shares outstanding of FCB through a share swap. In accordance with Taiwan banking regulations, FCB's shares were de-listed from the Taiwan Stock Exchange on the same date. Milestones in FCB history are summarized as the following:

7/89 In response to government policies of liberalization and internationalization, Chairman Tsai Wan-tsai perceived the need to raise domestic standards of financial services. He decided to found a bank that would provide high-quality financial services to business and the public. He gathered other like-minded business leaders to organize the Fubon Commercial Bank.

1/92 FCB's founding meeting and first shareholders' meeting was convened at the Chung Tai Hotel. The first Supervisors and Board of Directors were elected.

4/92 Four business units launched operations: the Business Department, Savings Department, Min Sheng Branch and Jen Ai Branch. FCB was now officially open for business.

5/92 The Kaohsiung and Tao Yuan Branches opened.

6/92 The Taichung Branch opened.

12/92 Credit card business was launched.

2/93 Telephone banking was launched.

11/93 The Tu Cheng Branch opened.

12/93 The Sung Shan, Chung Li, Tainan and Feng Shan Branches opened; and the Trust Department was established.

7/94 The International Department began operations.

10/94 The Ling Ya Branch opened.

11/94 The Chia Yi and San Chung Branches opened.

12/94 The Pa Teh Branch opened.

4/95 The main bank headquarters and the business Department moved to a new location in the Fubon Building on Jen Ai Rd., and its original location of the Business Department was renamed the Chung Shan Branch. The Personal Banking Center was established, making FCB the first of post-liberalization banks to offer specialized personal financial service. Automatic banking was also launched.

5/95 FCB was the first post-liberalization bank to officially join the Trade-Van FEDI.

8/95 The Offshore Banking Branch (OBU) was set up.

11/95 The Pan Chiao Branch opened.

12/95 The San Min Branch opened.

1/96 The Pei-Taichung Branch opened.

2/96 A new program was launched combining mortgage and life insurance. The Fubon Group home page was put onto the World Wide Web.

4/96 O.T.C. trading began for FCB stock. The Chien Kuo Branch opened.

5/96 FCB cooperated with the Taiwan Power Company to become the first bank offering telephone payment of electric bills. The PC banking service system went into operation.

7/96 FCB cooperated with the Bureau of Motor Vehicles to provide telephone payment of the automobile fuel tax.

8/96 FCB cooperated with the water utility to provide telephone payment of water bills.

10/96 "Mixed Demand/Time Deposit Foreign Currency Accounts" launched to allow customers more diverse choices in financial management.

10/96 The Hsin Chu Branch opened.

1/97 The Hsin Tien Branch opened.

3/97 Non-discretionary trust fund by lump sum/cost-averaging method investment in domestic trust fund was launched.

3/97 The Tien Mu Branch opened.

9/97 The Hsi Chih Branch opened.

10/97 The Min Sheng Branch became a designated foreign exchange bank.

11/97 The International Department launched non-delivery forward operations. The Yung Kang Branch opened.

12/97 A designated foreign exchange bank branch was established in Kaohsiung. The Huei Long Branch opened.

1/98 The Cheng Chung Branch opened.

8/98 The Savings Department and Jen Ai Branch became designated foreign exchange banks.

10/98 FCB shares were officially listed on the Taiwan Stock Exchange on

10/98 The Mu Ja and Hsin Chuang Branches began operations.

11/98 The Hsin Ying Branch began operations.

12/98 The Ping Tung and Chien Chen Branches began operations.

2/99 The Credit Card Center was reorganized as the Credit Card Department, and the Personal Finance Department was established.

5/99 The 1999 Shareholders Meeting was convened and Yu, Cheng S. was elected as Chairman.

8/99 The Taichung Branch became a designated foreign exchange bank.

10/99 The Ministry of Finance gave special dispensation for FCB, Acer, and Mastercard Taiwan to jointly conduct Mondex trial operations. FCB and Taiwan Cellular Co. pioneered the launch of mobile banking.

11/99 The Tun Nan Branch began operations.

12/99 The Electronic Banking Department was established.

3/00 FCB became Taiwan's first bank to earn Ministry of Finance approval to launch Internet Banking services. The Hsuang Ho Branch was established.

5/00 Fubon Group and Citigroup announced a Strategic Alliance.

7/00 FCB set a new precedent by issuing electronic gift certificates in cooperation with the SOGO department store. Depositors and Credit Cards Broke the Million Mark.

10/00 FCB introduced its on-line website payment services.

11/00 The All-in-one Fubon Money Account was launched, integrating all of a customer's dealings with FCB into a single convenient account.

03/01 The Yuan Lin Branch opened. JCB Credit Card services were launched.

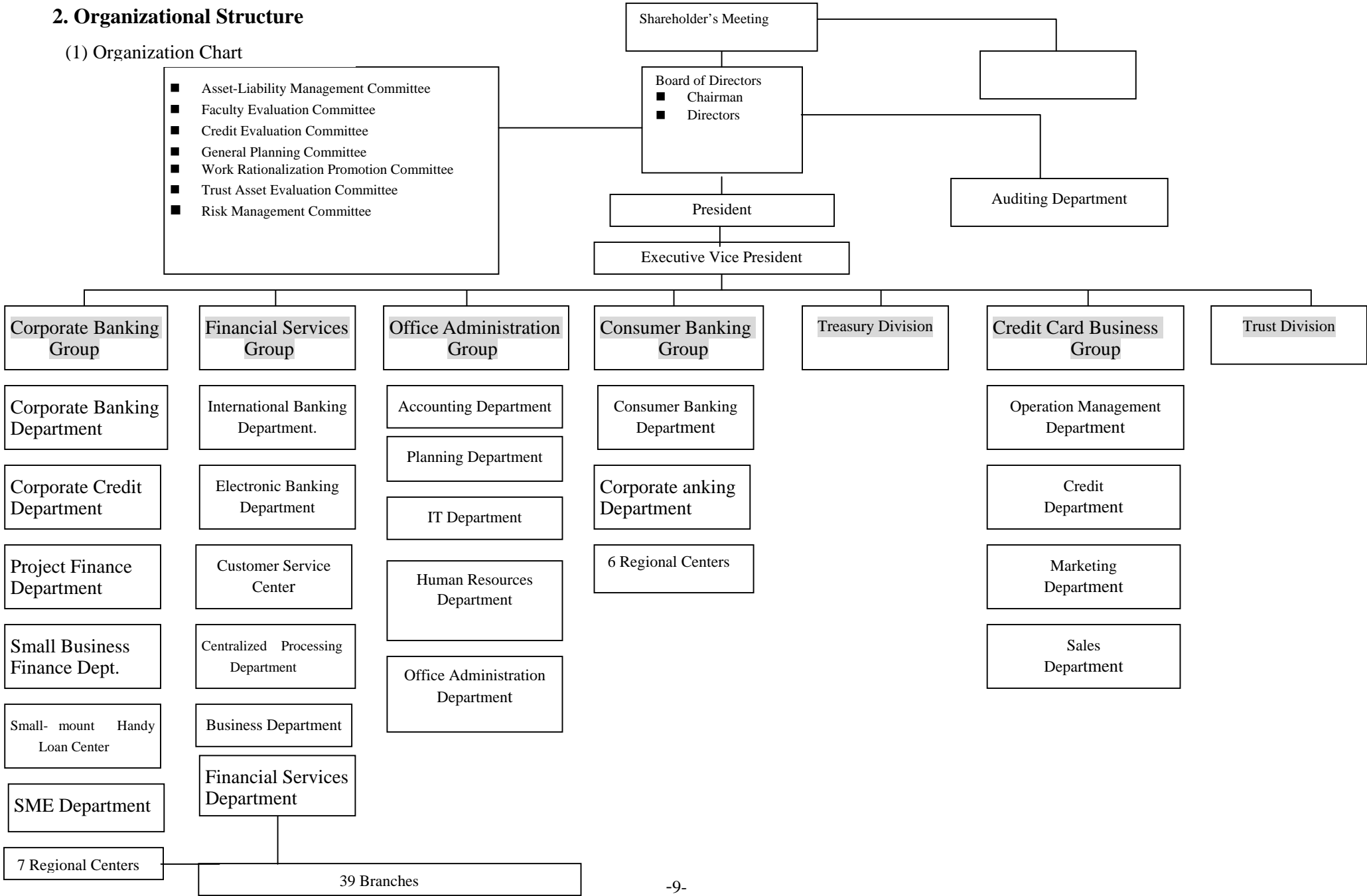
05/01 The Platinum credit card was introduced.

- 06/01 The Nei Hu Branch opened.
- 07/01 Corporate reorganization plans were implemented.
- 08/01 The Luo Tong Branch opened.
- 11/01 The Group Databank Information System officially began operation.
- 12/01 FCB shares were replaced on the Taiwan Stock Exchange by FFHC shares. The newly completed FCB Technology Building in Neihu began operations. C Plan was approved by the Ministry of Economics.
- 04/02 Entering into agreement with the Small and Medium Enterprise Administration, MOEA for the establishment of a window for financing, Fubon Bank is the first in the banking industry to have 19 "small and medium enterprise financing service windows" participating in this service program.
- 07/02 "Fubon Keelung Road Financial Center" officially opened for business. This is the first banking branch in Taiwan to provide customers with integrated services of banking and securities. This center allows customers to enjoy a full range of financial services in "one-stop shopping"
- 09/02 The "Small Business Finance Department" was established, and the product line of "Small-Amount Handy Loan Program" was launched. This program is specially prepared for small and medium enterprises as well as petty merchants, offering them tailor made financial products.
- 10/02 Established the "Operation Department" for coordinating the back-office operation of all business units.
- 11/02 Fubon Bank has issued more than 2 million valid credit cards, which made it emerge as one of the third largest card issuers in Taiwan. Further, the amount of monthly spending per card issued by Fubon Bank has been the highest, rated by United Credit Card Center.
- 04/03 Pioneering the launch of "seven-year fixed rate mortgage loan," triggering a new wave of fixed rate mortgage loan programs among domestic banks.
- 06/03 Introduced the "Vbanking" Integrated Electronic Banking Service to provide the preferential deposit interest rates to target young generation customers.
- 08/03 President Wang Chuan-hsi retired, and Executive Vice President Wu James was promoted to assume the presidency.
- 11/03 Fubon Bank, Taipei Bank and Fubon Life Insurance jointly launched "Life Insurance Policy Pledge Program" for Fubon One Account.
- 12/03 Fubon Bank installed automated teller machines at 273 McDonald fast food chain stores to advance the convenience and safety of automated banking services.



## 2. Organizational Structure

(1) Organization Chart



(2) Board Members and Supervisors

Title	Name	Representing Organization	Education & Background	Date Elected	Term	Fubon Financial Holding Co., Ltd Shares Owened (Self and immediate family members)
Chairman	Yu, Chen S.	Fubon Financial Holding Co.	Dept. of Engineering, University of Wisconsin Madison, USA Vice President, Central Bank of China Chairman, Chiao Tung Bank	07/01/02	3 yrs	462,932
Director	Wang, Chuan-Hsi	Fubon Financial Holding Co.	Dept. of Mathematics, Tamkang University Chairman, Fubon Direct.	07/01/02	3 yrs	862,860
Director	Wu, James	Fubon Financial Holding Co.	MBA, University of Missouri, USA Chairman, Fidelity investments Taiwan	29/04/03	Till the expiration of the current term	110,272
Director	Liu, Bang-Jen	Fubon Financial Holding Co.	Dept. of Accounting & Statistics, Cheng Kung University Vice President, Huanan Bank	07/01/02	3 yrs	265,048
Director	Kao, Chao-Yang	Fubon Financial Holding Co.	National Taiwan University, Law Department Manager, Taiwan Small-Medium Commercial Bank	15/08/03	Till the expiration of the current term	42,933
Supervisor	Lin, Chia-Chen	Fubon Financial Holding Co.	Dept. of Economics Taiwan University Chairman, Fubon Bills Financial Co. Ltd.	07/01/02	3 yrs	586,670
Supervisor	Hu, Ruey-Chang	Fubon Financial Holding Co.	Dept. of Business, Taiwan University Executive Vice President, Fubon Commercial Bank Co. Ltd	15/0803	Till the expiration of the current term	43,820

(3) 10% or More Shareholdings of Institutional Shareholder Representatives, Directors, Supervisors & Top 10 Shareholders

Institutional Shareholders	Top 10 Shareholder whose total investments account for more than 10% of total shares
Fubon Financial Holding Company	Taipei City Government

(4) Senior Management

Title	Name	Educational/ Professional Experience	Term Starting Date	Holding Company Shares Owned	Holding Company Shares Owned By Immediate Family
President	Wu, James	LLB, National Taiwan University, MBA, University of Missouri, , USA Chairman, Fidelity investments Taiwan	08/01/03	92,282	17,990
Chief Auditor	Li, Su-May	Cheng Chi University Banking Department Vice President & Deputy Chief Economist, Cocurrently Chief of Credit Center, The International Commercial Bank of China	16/04/02	91,250	0
Executive Vice President, Corporate Banking Group	Liu, Bang-Jen	Cheng Kung University, Accounting & Statistics Dept. Vice President Hua Nan Bank	30/04/01	265,048	0
Executive Vice President, Financial Services Group	Kao, Chao-Yang	National Taiwan University, Law Department Manager, Taiwan Small-Medium Commercial Bank	30/04/01	42,933	0
Executive Vice President, Consumer Banking Group	Chen, Cliff	Tam Kang University, Hydraulic Engineering Dept. Vice President, Citibank, Taiwan	30/04/01	5,355	1,308
Executive Vice President, Credit Card Business Group	Chang, Cheng-Chih	National Ocean University Shipping & Transportation Management Vice President, Chung Shing Bank	01/01/00	42,937	2,141
Assistant Executive Vice President, Office Administration Group	Huang, Kuo-Tai	National Cheng Chi University, Graduates School of Statistics Division Chief, Taiwan Business Bank	30/04/01	151,675	215,234
Assistant Executive Vice President, Small Business Finance/ SME Dept.	Guu, Daw-Shin	Taiwan University, Agricultural Economics Dept. Vice Division Chief, Hua Nan Bank	30/04/01	127	0
Assistant Executive Vice President, Treasury Division	Chung, Sylvia	Capital English Commercial College, International Finance Dept. Senior Vice President, Taishin International Bank	18/03/02	114,250	0
Senior Vice President, Office Administration Department	Lin, Jiu-Liang	National Taiwan University, Graduate School of Finance Vice President, T.C. Bank	30/04/01	103,707	0
Vice President, Accounting Department	Tseng, Ding-Jye	Cheng Chi University, Banking Department Manager, TNSoong & Co., TNS	17/04/00	39,455	0
Senior Vice President, Information Technology Department	Huang, Ei Sue	Soochow University, Accounting Department System Analyst, Szi Ping Company, Taiwan Small-Medium Business Commercial Bank	17/04/00	115,629	0
Senior Vice President, Human Resource Department	Yeh, Yih-Wen	Chinese Culture University, Labor Graduate School Junior Specialist of Hua Nan Bank	01/04/98	63,831	0
Vice President, Operation Management/ Credit Department	Huang, Rui-Tai	Fu Jen Catholic University, Law Department Associate Manager, Taiwan First Investment & Trust Co.	01/07/03	27,326	9,162
Vice President, Marketing Department	Chan, Wen-Hu	Fu Jen Catholic University, Journalism and Communication Studirs Department MBA, Barrington University, USA Manager, Taiwan First Investment & Trust Co.	01/07/03	0	0
Vice President, Sales Department	Chen, Yong-Yu	Tunghai University, Computer Science Department Tunghai University, Graduate School of Business Administration Associate Manager, Taishin International Bank	01/07/03	70,795	6,000
Senior Vice President, Electronic Banking Department	Huang, Johnathan	National Central University, Mathematics Dept. Manager, Center of Data Operation, Sysnet Co. Ltd	22/12/99	182,501	0
Senior Vice President, Planning Department	Yao, Sunny	Taiwan University, Economics Dept. Asst Vice President, Taiwan business Bank	19/08/02	22,132	0
Vice President, Financial Service Department	Chen Yifen	MBA, University of California, Berkely, USA Vice President, Citibank, Taiwan	12/08/02	77,841	0
Vice President, Centralized Processing Department	Huang, His-Hwa	Taipei Business Junior College, Accounting & Statistics Dept. Junior Specialist, Hua Nan Bank	07/01/02	129,984	7,218

Vice President, Corporate Banking Department	Lin, Hsih-Yao	Miami University of Ohio, Graduate School of Business Administration, Senior Specialist, Farmers Bank of China	07/01/02	5,880	0
Senior Vice President, Corporate Credit Department	Chiu, Hsien-Long	Extension School, Taipei Business College, International Trade Department Junior Specialist, Hua Nan Bank	09/09/98	16,725	0
Senior Vice President, Taipei Region of Small-Amount Handy Loan Center/ Shuangho Branch	Tsai, Chao-Hsiung	China Business College Business Administration Department Manager, Hua Nan Bank	15/10/02	58,140	0
Senior Vice President, Tao Yuan Region of Small-Amount Handy Loan Center / Pa Teh Branch	Wei, Tzu-Feng	Kwang Fu High School Associate Vice President, Taiwan Business Bank	15/10/02	118,859	0
Vice President, Kaohsiung & Pintung Region of Small-Amount Handy Loan Center / Fengshan Branch	Cheu, Auten	Feng Chia University, Accounting Department Manager, Chang Hua Bank	15/10/02	786	0
Senior Vice President, Taipei Regional Center of Corporate Banking / Business Department	Chao, Philip	Chung Hsing University, Business Administration Dept. Specialist, Citibank, Taiwan	30/04/01	83,856	0
Senior Vice President, Taipei Regional Center of Corporate Banking / Pan Chiao Branch	Peng Min-Tsai	Extension College of NCCU, Administration Dept. Vice President, Taiwan Business Bank	01/01/02	51,197	0
Senior Vice President, Taoyuan Regional Center of Corporate Banking/ Tao Yuan Branch	Chou, Tzu-Show	Extension College of NCCU, Administration Dept. Vice President, Taiwan Business Bank	01/01/02	217,577	0
Senior Vice President, Hsin Chu Regional Center of Corporate Banking / Hsin Chu Branch	Pan, Yu-Juce	Extension School of Taipei Business College, International Trade Dept. Associate Vice President, Hua Nan Bank	01/01/02	78,680	1,326
Senior Vice President, Taichung Regional Center of Corporate Banking /Taichung Branch	Yen, Tsai-Yuan	National Cheng Kung University, Statistics Dept. Vice President, E. Sun Bank	30/04/01	12,678	0
Senior Vice President, Tainan Regaional center of Corporate Banking / Tai-nan Branch	Chen, Shiao-Yiao	National Chen Chi University, Accounting & statistic Dept. Vice President, E. Sun Bank	30/04/01	91,490	0
Senior Vice President, Kao Ping Regaional center of Corporate Banking / Kaohsiung Branch	Teng, Ming-Chang	Feng Chian University, Accounting Department Manager, Chang Hua Bank	30/04/01	80,625	0
Vice President, Consumer Banking Department	Wu, Yun-Mei	LingTung College, International Trade Department Manager, Citibank, Taiwan	01/07/03	9,245	0
Vice President, Consumer Credit Department	Lin, Pei-Yuan	Tam Kang University Banking & Insurance Dept. Vice President, Bao Dao Bank	30/04/01	40,852	0
Vice President, Taipei Regional Center of Consumer Banking	Yao, Fong-Tse	Taipei Business College, Accounting Dept. Vice Division Chief, Hua Nan Bank	30/04/01	171,985	0
Vice President, Taipei Regional Center of Consumer Banking / San Chung Branch	Lien, Jimmy	University of Northern Illinois, Graduate School of Computer Science Assistant Manager, AnTai Bank	01/01/02	59,285	0
Senior Manager, Tao Chu Regional Center of Consumer Banking	Chao, Jin-Tai	China College of Marine Technology and Commerce ,Navigation Dept. Senior manager, Consumer Credit Department	03/03/03	0	0

Vice President, Taichung Regional Center of Consumer Banking /Northern Taichung Branch	Hsiao, Wen-Chi	Taichung Business College, Business Admin Dept. Assistant Manager, Chang Hua Bank	07/01/02	217,894	175
Manager, Cha Nan Regional Center of Consumer Banking	Wang, Tun- Cheng	National Chin-Yi Institute of Technology, Electrical Engineering Dept. Deputy Manager, Cha Nan Regional Center of Consumer Banking	17/07//03	11,589	0
Senior Vice President, Kao Ping Regional Center of Consumer Banking/ Chienchen Branch	Li, Cheng-Hsiung	Tai Na Business Vocational senior High School, Associate Vice President, Hua Nan Bank	30/04/01	52,034	0
Senior Vice President, Trust Division	Pan Esther	Taipei Business College, Banking & Insurance Dept. Soochow University, Economics Dept Associate Vice President, Taiwan First Investment & Trust Co.	12/08/02	150,870	0
Senior Vice President, International Banking Department/ OBU Department	Chu, Chuan	Chung Shing University, Finance & Tax Dept., Assisatn Vice President, Taiwan Business Bank	19/08/02	20,630	0
Vice President, Chungshan Branch	Cheng, Hane-Yeu	Fu Jen Catholic University, Accounting & Statistics Dept. Deputy Manager, Jen Ai Branch	07/03/03	87,424	0
Senior Vice President, Nan-King East Branch	Liao, An-Long	National Chung Shing University, Law Dept., Division Chief, Chang Hua Bank	01/01/00	95,353	0
Vice President, Minsheng Branch	Chen, Hui-Yu	Tulane University, Graduate School Business Administration Manager, Chang Hua Bank	01/01/02	91,259	0
Senior Vice President, Jen-Ai Branch	Lo, Wen-Chih	Chung Li Vocational High School, Commerce Dept. Junior Specialist, Hua Nan Nan Bank	01/04/93	87,883	4,212
Vice President, Sung Shan Branch	Huang, Yao-Kwuang	Tam Kang University, Banking & Insurance Dept., Division Chief, Taiwan Business Bank	07/01/02	52,375	0
Vice President, Tu Cheng Branch	Lo, Juei-Ding	Extension School of Taipei Business College, Business Administration Department Junior Specialist, Hua Nan Bank	07/01/02	13,655	0
Vice President, Chung Li Branch	Juang, Chornng-Shi	Extension College of NCCU, Administration Dept. Junior Specialist, Hua Nan Bank	30/04/01	62,969	0
Vice President, Jia Yi Branch	Lee, Lanny	National Ocean University Shipping & Transportation Management Dept. Vice President, E.Sun Bank	07/03/00	38,336	6,902
Vice President, Jia Yi Branch	Juang, Ming-Shing	Ping Tung Senior Vocational School Manager, Hua Nan Bank	30/06/98	66,513	0
Vice President, San Min Branch	Liao, Tsung-Ming	Taichung Business College, Business Administration Dept. Junior Specialist, Chang Hua Bank	15/10/02	16,410	0
Vice President, Chien Kuo Branch	Lin Spencer S.T.	Tam Kang College, Banking & Insurance Dept. Vice President, Taiwan First Investment & Trust Co.	30/04/01	31,518	5,235
Vice President, Hisn Chu Branch	Chen, Tang-Lie	Chinese Culture University, International Trade Dept. Junior Specialist, Chang Hua Bank	01/01/97	134,908	0
Senior Manager, Tienmu Branch	Wu, Ai-Hua	Fong Chia University, Business Administration Dept. Junior Specialist, Chang Hua Bank	07/03/03	23,289	0
Vice President, His Chih Branch	Hsiao, Cheng-Feng	Extension School of Taipei Business College, Banking and Insurance Dept., Manager, Hua Nan Bank	23/09/97	58,025	0
Senior Manager, Huanbei Branch	Wang, Pin-Tai	Fu Jen Catholic University, Accounting Dept. Senior Manager, Tunnan Branch	04/03/03	5,938	0
Senior Manager, Yung Kang Branch	Lin, kuan-chyr	Fong Chia University, Dept. of Traffic and Transportation Engineering and Management Chief Clerk, Farmer's Bank	17/07/03	6,107	0
Senior Manager, Chengchung Branch	Wu, Teg-Kai	Taichung Business College, Banking & Insurance Dept. Senior Manager, Nanking E Rd Branch	07/03/01	33,093	12,416
Manager, Mu Ja Branch	Kao, Hsueh-Ping	Fong Chia University, Accounting Dept.	24/12/02	10,908	0

Vice President, Hsin Chuang Branch	Li, Bud	Soochow University, Business Administration Dept., Associate Vice President, E. Sun Bank	28/10/98	29,113	3,612
Vice President, Hsin Ying Branch	Tu, A-Ching	Distance Junior College of Taipei Business Junior College, Business & Administration Dept. Assistant Manager, Farmer's Bank	30/04/01	86,022	0
Vice President, Pin Tung Branch	Kuo, Long-Chao	San Shin Vocational School, Business Dept. Manager, Hua Nan Bank	07/12/98	120,700	0
Manager, Tainan Branch	Chang, Yu-Mei	Chinese Culture University, Business Administration Dept., Assistant Manager, Tainan Branch	16/07/03	900	163
Vice President, Yuan Lin Branch	Yang, Ju-Ping	Fong Chian University, Banking & Insurance Dept. Specialist of Training Center, Chang Hua Bank	14/09/00	131,817	0
Vice President, Luo-Tung Branch	Yang, Bruce	National Taiwan University, Business Dept. Division Chief, Hua Nan Bank	30/04/01	583	0
Vice President, Nei-Hu Branch	Chen, Alex	Chung Shing, University, Economics Dept., Vice President, Bao Dao Bank	30/04/01	32,142	0
Manager, Keelung Road Branch	Tso, Mei-Jui	Jing-Wen Senior High School Assistant Manager, Pateh Branch	13/08/03	2,500	0

### 3. Capitalization

#### (1) Capital Item

2003.12.31

Item	Authorized Capital		
	Issued	Unissued	Total
Common Stock	21,857,366,970	-	21,857,366,970
Total	21,857,366,970	-	21,857,366,970

#### (2) Shareholdings

Date	Par Value/ Share	Authorized Capital		Paid-in Capital		Source	Comment	
		# of Shares	Amount (NTS)	# of Shares	Amount (NTS)		Other Source of Capitalization	Other
1992/3/10	10	1,000,000,000	10,000,000,000	1,000,000,000	10,000,000,000	Founding Capital	-	Approved by (84)Doc.#37601 of Taiwan Ministry of Finance, 7.1.95
1995/7/7	10	1,035,718,229	10,357,182,290	1,035,718,229	10,357,182,290	Capitalization of Retained Earnings: NTS357,182,290	-	Approved by (85)Doc.#41681 of Taiwan Ministry of Finance, 7.1.95
1996/8/15	10	1,073,114,521	10,731,145,210	1,073,114,521	10,731,145,210	Capitalization of Retained Earnings: NTS373,962,920	-	Approved by (86)Doc.#46218 of Taiwan Ministry of Finance, 6.26.97
1997/8/30	10	1,322,899,392	13,228,993,920	1,322,899,392	13,228,993,920	Equity Issue of NTS2,000,000,000; Capitalization of Retained Earnings: NTS497,848,710	-	Approved by (87)Doc.#48477 of Taiwan Ministry of Finance, 6.4.98
1998/7/17	10	1,458,034,367	14,580,343,670	1,458,034,367	14,580,343,670	Capitalization of Retained Earnings: NTS1,020,624,900; Capitalization of Reserves: NTS330,724,850	-	Approved by (88)Doc.#87118 of Taiwan Ministry of Finance, 10.1.99
1999/11/8	10	1,575,764,744	15,757,647,440	1,575,764,744	15,757,647,440	Capitalization of Retained Earnings: NTS812,795,180; Capitalization of Reserves: NTS364,508,590	-	Approved by (89)Doc.#58907 of Taiwan Ministry of Finance, 7.7.00
2000/8/7	10	1,734,572,033	17,345,720,330	1,734,572,033	17,345,720,330	Capitalization of Retained Earnings: NTS1,173,646,760; Capitalization of Reserves: NTS414,426,130	-	Approved by (89)Doc.#58907 of Taiwan Ministry of Finance, 12.4.00
2000/12/13	10	2,044,572,033	20,445,720,330	2,044,572,033	20,445,720,330	Equity Issue of NTS3,100,000,000; Issue of Foreign Depository Receipt	-	Approved by (90)Doc.#144064 of Taiwan Ministry of Finance, 7.10.01
2001/9/3	10	2,185,736,697	21,857,366,970	2,185,736,697	21,857,366,970	Capitalization of Retained Earnings: NTS705,823,320; Capitalization of Reserves: NTS705,823,320	-	

#### (3) Issuance of financial bonds

The Board of Fubon Bank resolved on January 20, 2003 to apply with the Finance Bureau of the Ministry of Finance for the issuance of 20 billion NTD worth of financial bonds. The application has been approved by the Ministry of Finance on March 10 in the Tai.chai.zon (II) tzu.di No. 090009081 Letter. The total value of bonds outstanding was at 12.5 billion NTD. Further, Fubon Bank has applied for trading the said bonds in the OTC market.

### **III. Operating Profile**

#### **1. Business Scope**

- (1). Checking Deposit
- (2). Demand Deposit
- (3). Time Deposit
- (4). Short-term, Mid-term, Long-term Loans
- (5). Bills Discount
- (6). Marketable Securities Investments
- (7). Domestic Exchange
- (8). Commercial Acceptance
- (9). Certification of Domestic Letter of Credit
- (10). Domestic Guarantee Business
- (11). Fund Collection and Payment Services
- (12). Underwriting of Government Bonds, Treasury Bills, Corporate Bonds and Common Stocks
- (13). Credit Card Business
- (14). Brokerage & Dealing of Short-term Bills & Notes
- (15). Custodial Account Management & Warehouse Business
- (16). Safety Box Leasing
- (17). Guarantee of Corporate Bond Issuance
- (18). Negotiations of Export/Import Bills, General Inbound and Outbound Remittance, Foreign Exchange Deposit, Foreign Currency Loan, Foreign Currency Guarantee Payment Warranty
- (19). Management of Non-discretionary Trust Fund Investment of International, Domestic Securities.
- (20). Government Approved Derivatives Trading Business
- (21). Trust Law Designated Businesses
- (22). Brokerage Services of Marketable Securities
- (23). Dealer of Government Bonds
- (24). Sale of Gold Bullion, Gold Coin, Silver Coin
- (25). Government Approved Business Related Agency Services
- (26). Cash Card Value Charging Service



## 2. Market Conditions& Business Analysis

### (1) Deposits

Descending domestic interest rates, and a wide range of management products in 2003 have affected the utilization funding of enterprises. Last year, Fubon Bank focused more on growing stable long term deposits with lower funding cost rather than pursuing the growth of deposits. In other words, Fubon Bank has taken measures to diversity and stabilize source of funding by increasing small –amount time deposits and demand deposits.

As of December 31, 2003, total deposits increased a little, most of the increase was from the lower-cost demand deposits, which accounted for 42.39% of total deposits, higher than the average ratio of the industry.

Deposits		Unit : NT\$1,000				
Type	2002		2003		2002 vs. 2003	
	Amount	%	Amount	%	Differences	Growth%
Checking Deposits	2,413,074	1.10 %	2,337,707	1.06 %	-75,367	-3.12 %
Demand Deposits						
Excluding Foreign Exchange	16,539,594	7.56 %	17,112,008	7.73 %	572,414	3.46 %
Including Foreign Exchange	21,655,911	9.90 %	22,327,349	10.09 %	671,438	3.10 %
Demand Saving Deposits	60,125,831	27.50 %	74,356,389	33.60 %	14,230,558	23.67 %
Time Deposits						
Excluding Foreign Exchange	35,751,585	16.35 %	22,968,648	10.38 %	-12,782,937	-35.75 %
Including Foreign Exchange	48,332,664	22.10 %	39,758,739	17.96 %	-8,573,925	-17.74 %
Time Savings Deposits	66,128,246	30.24 %	68,229,095	30.83 %	2,100,849	3.18 %
Postal Transfer Deposits	20,018,070	9.16 %	14,306,452	6.46 %	-5,711,618	-28.53 %
Total (including foreign exchange)	218,673,796	100.00 %	221,315,731	100.00 %	2,641,935	1.21 %

### (2) Loans

Total loans and large corporate loans shrank by 5.33% and 29.09% respectively at the end of 2003. Most of the decrease could be attributed to three major reasons. Firstly, domestic economic continued to be unfavorable, corporate investment remained stagnant. Secondly, Fubon Bank implemented more stringent lending policy on lending margins. Thirdly, Fubon Bank has shifted its focus from large corporate business to small and midsize corporate business in recent years. As of December 31 2003, our small and midsize loans increased by 7.71% through successfully promoting “Small Business Development Loans”.

In the view of consumer loans, Credit Card business continued strong growth momentum, and its revolving loans grew 6.23% in 2003 from 2002. Meanwhile, the successful launch

of “small-amount consumer loans” contributed to the growth of the total customer loans.

Loans Unit : NT\$1,000

Type	2002		2003		2002 vs.2003	
	Amount	%	Amount	%	Differences	Growth%
Large corporate Loans	40,681,564	28.27%	28,847,768	21.18%	-11,833,796	-29.09%
Small & Medium Business Loan	14,000,039	9.73%	15,079,497	11.07%	1,079,458	7.71%
Revolving Loans	23,032,245	16.00%	24,466,433	17.96%	1,434,188	6.23%
Consumer Loans	57,066,623	39.66%	59,712,497	43.83%	2,645,874	4.64%
Other Revolving Loans	9,123,779	6.34%	8,125,866	5.96%	-997,913	-10.94%
Total	143,904,250	100%	136,232,061	100%	-7,672,189	-5.33%

Non Performing Loans Unit : NT\$1,000

	12/31/2002	12/31/2003
Amount	5,692,716	4,110,409
Ratio	3.91%	2.96%

### (3.) Credit Cards

Proactive marketing strategy and innovative product offerings have helped Fubon Bank increased the number of credit cards issued by 0.7 millions as of December 31,2003. In platinum credit card, Fubon Bank launched co-branded platinum card and the world's first "JCB Platinum Card,". A market survey showed that Fubon Commercial Bank jumped to the first place in 2003 from the 5th place in 2002 in terms of customer satisfaction among cardholders. Additionally, Fubon Bank has been launching co-branded cards with a number of enterprises (e.g. Les Enphants and TVBS Charity Co-branded card) to increase both brand awareness and capture new customers. Total numbers of credit cards outstanding increased by 18.8% in 2003 from December 2002, and accounted for 2.38 millions. The numbers of platinum cards outstanding were more than 550,000 and ranked third in the local platinum card market as of December 31 2002.

In addition, in order to boost the quality of services to clients, our bank also set up a new-generation IVR voice service system to provide clients with the most comprehensive and efficient services.

Credit Cards Unit: NT\$1,000

Loan	2002	2003	2002 vs. 2003	
			Differences	Growth %
# of Card Issued	2,813,048	3,583,591	770,543	27.39%
# of Card in Force	2,003,909	2,380,591	376,682	18.80%

# of Merchant Accounts	4,864	5,321	457	9.40%
Total Transaction Amount	71,771,958	88,713,904	16,941,946	23.61%
# of Transactions	28,956,877	34,100,470	5,143,593	17.76%
Ave.Monthly Card Spending	3,519	3,389	-130	-3.69%
Revolving Credit Balance	23,032,245	24,466,433	1,434,188	6.23%
Cash Advance Amount	13,936,307	16,498,939	2,562,632	18.39%

#### (4) Trust Operations

##### 1. Wealth Management

The introduction of assorted fixed income and structured products in late 2001, representing a full spectrum of product lines, enables Fubon Bank to render satisfactory services to clients obtaining various investment objectives and further demonstrate its leadership in the arena of wealth management. As of the end of 2003, total assets under Fubon Trust Bank's management exceeded NT\$45.3 billion and generated 223.57% of growth in terms of fee income.

In 2003, in addition to launching Investec Funds, Fubon bank also came up with many innovative trust products, such as FX Forward Hedging Service packaged with selected USD denominated bond funds, principal-protected products insensitive to volatile markets, dynamic investment portfolios linked to currency, and various options. Meanwhile, we also provide trading services of exchange traded funds such as QQQ, SPDR, and DIAJ.

Products	2002	2003	Unit : NT\$1,000 2002 vs. 2003	
			Differences	Growth%
Mutual Funds				
# of Funds	15	15	-	-
Amount sold	68,683,59	54,597,979	-14,085,614	-20.51 %
Domestic Non-discretionary Trust Fund				
# of Funds	450	629	179	39.78 %
Balance	24,665,174	27,279,402	2,614,228	10.60 %
Amount	8,063,589	14,284,785	6,221,196	77.15 %

International Bonds				
# of Bonds	132	206	74	56.06 %
Balance	6,760,060	16,711,712	9,951,652	147.21 %
Amounts	9,598,288	16,658,177	7,059,889	73.55 %
Total Fees and Handling Charges	300,556	972,501	671,945	223.57 %

## 2. Custodian Business

As of the end of 2003, the assets under the custody of Fubon bank consisted of domestic mutual funds, discretionary investment assets, business operation funds, stock owned by venture capital company and marketable securities certificates owned by securities and bills finance company, of which 57.75% were domestic securities investment trust funds. To comply with the new regulations that banks are prohibited to act as a custodian institution for their group companies, Fubon Bank transferred two domestic bond funds to another custodian institution for custody, as a result, the assets under custody declined by 54.49% from the previous year. Due to the unfavorable economy, the assets under discretionary services decreased by 56.04% from 2002.

Custodian				
Item	2002	2003	2002 vs. 2003	
			Differences	Growth%
Domestic Mutual Funds Assets	14	12	-2	-14.29 %
# of Funds	122,732,313	55,859,473	-66,872,840	-54.49 %
Balance				
Discretionary authorization investment	25	21	-4	-16 %
# of Accounts	4,829,551	2,122,927	-2,706,624	-56.04 %
Balance				
Operation Funds & Stock Owned by Venture Capital Co.				
# of Accounts	13	12	-1	-7.69 %
Balance	3,234,377	2,313,771	-920,606	-28.46 %
Marketable Securities owned by securities & bills companies				
# of Accounts	8	8	-	-
Balance	29,145,700	36,438,500	7,292,800	25.02 %
Total Trust Balance	159,941,941	96,734,671	-63,207,270	-39.52 %
Fees and Handling Charges	109,684	116,002	6,318	5.76 %

### 3. Notary Business

Due to listed firms shifting their stock dividend policy to disburse cash dividend, and the Taiwan Securities Central Depository Co.LTD promotes immobilization of securities, and the rising competition in service fee among banks, the total book value of notary and notary-related fee income fall in 2003.

Item	2002	2003	2002 vs. 2003	
			Differences	Growth%
# of Notary	109	89	-20	-18.35 %
Total Underwriting Book Value	75,063,720	39,874,206	-35,189,514	-46.88 %
Fee Income	3,146	1,844	-1,302	-41.39 %

### 4. Individual Management Trust

Due to the passage of trust laws and regulations and clients' increasing demand for diversified trust products, Fubon bank has launched various individual management trust services, such as pecuniary trust, securities trust, real estate trust, and trust of encumbrance and related security interests. The business volume and service fee income of all such trust products grew sharply from 2002, with the exception of pecuniary trust.

Item	2002	2003	2002 vs. 2003	
			Difference	%
Pecuniary Trust	4,079	726	-3,353	-82.2 %
Securities Trust	79	180,290	180,211	228,115.19 %
Real Estate Trust	29,126	218,594	189,468	650.51 %
Loan creditorship and collateral ownership trust		1,096,829	1,096,829	-
Trust Properties balance	33,284	1,496,439	1,463,158	4,395.98 %
Service Charges	535	5,200	4,665	871.96 %

### (5). International Banking

In 2003, trade finance business dropped sharply while our bank's remittance operations recorded a remarkable growth, due to clients changing their foreign trade payment method to forex remittances.

Due to the introduction of structured deposit in 2003, time foreign-currency deposits enjoyed a growth from the previous year, securing a stable source of foreign-currency funds for our bank.

## International Banking volumes

Unit : USD\$1,000

Item	2002		2003		2002vs.2003	
	Amounts	%	Amounts	%	Differences	Growth%
Export	185,237	2.92%	121,017	1.60%	-64,220	-34.67%
Import	390,956	6.15%	270,580	3.59%	-120,376	-30.79%
Outward Remittances	2,949,872	46.44%	4,159,207	55.14%	1,209,335	41.00%
Inward Remittances	2,825,805	44.49%	2,992,211	39.67%	166,406	5.89%
Total	6,351,870	100.00%	7,543,015	100.00%	1,191,145	18.75%

## Foreign Currency Deposit Volumes

Unit : USD \$1,000

Item	12/31/02		12/31/03		2002vs.2003	
	Amounts	%	Amounts	%	Differences	Growth%
Foreign Exchange Demand Deposits	147,105	28.91%	153,401	23.70%	6,296	4.28%
Foreign Exchange Time Saving Deposits	361,733	71.09%	493,855	76.30%	132,122	36.52%
Total	508,838	100.00%	647,256	100.00%	138,418	27.20%

## (6). Financial Operations

**1. New Taiwan Dollar Bonds**

With the tension of the Iraq War, SARS panic and the U.S. Federal Reserve's concern about deflation, bond yields dropped sharply in the first half of 2003. However, with the fade out of the above events and a promising outlook of a strong recovery, bond market started going south. During the year of 2003, long-end of yield curve fluctuated dramatically, but the short-end maintained relatively stable around 1%. To improve the credit quality of its short-term securities, the bank cut its holdings of commercial papers and increased its portfolio of NCDs, causing the total holding of commercial papers drop to NT\$7.503 billion as of 2003 from NT\$10.484 billion of 2002.

**2. Foreign Bonds**

Interest rates have moved into two extreme directions in 2003. Poor fundamentals and deflation risk caused the interest rates moving sharply in the first half; but after the Fed cut its prime rate by 0.25% on June 25, interest rates surged over the optimistic expectation about economy and stock market. In terms of the 10-year U.S. government bonds, the yield rebounded from 3.10% to 4.60%, with a rise of 150 basis points. However, bond yields stabilized since September and the 10-year U.S. government bonds ranged within 4.0% to 4.5%. The bank reduced the holding positions gradually while interest rate became lower

to avoid the risk of exposure too much and used the range-trading strategy to increase capital gains. Although interest rates bounced a little in second half of 2003 than 2002, it was still a stable trend and moved to convergence later.

(7). Electronic Banking

Fubon bank recorded a total of 1.27 million electronic banking accounts and a total of 9.16 million transactions in 2003, up 16.08% and 34.22% from the previous year. Particularly, the number of Internet banking accounts and transactions posted even higher growth rates of 27.69% and 62.11%, respectively. Furthermore, we installed 270 ATMs at McDonald chain stores around the island in 2003 to build a more comprehensive network of banking channels.

Fubon bank introduced V-Banking accounts in June, not only meeting the international trend of automating banking services but also satisfying the requirements of the e-generation by offering 24-hour convenient and cash management services.

Electronic Banking Business

Item	12/31/02	12/31/03	2002 vs. 2003		
			Differences	Growth%	
Internet Banking	# of Customers	182,496	233,027	50,531	27.69%
	# of Transactions	3,169,305	5,137,858	1,968,553	62.11%
Phone banking	# of Customers	911,441	1,037,156	125,715	13.79%
	# of Transactions	3,649,766	4,018,025	368,259	10.09%
Mobile Phone Banking	# of Customers	2,437	2,464	27	1.11%
	# of Transactions	4,964	3,340	-1,624	-32.72%
Total	# of Customers	1,096,374	1,272,647	176,273	16.08%
	# of Transactions	6,824,035	9,159,223	2,335,188	34.22%

ATM Business

Unit : NT\$1,000

Item	2002	2003	2002 vs. 2003	
			Differences	Growth
ATM Cards	1,296,795	1,516,149	219,354	16.92%
Number of ATM	192	466	274	142.71%
# of Transactions	12,834,802	14,141,345	1,306,543	10.18%
Total Transaction Amounts	159,241,000	186,163,000	26,922,000	16.91%

### 3. Employees

#### (1) Number of Employees, Average Age & Average Years Worked

Item	12/31/02		12/31/03		2002 vs.2003	
	Persons	%	Persons	%	Differences	Growth%
Full time	1,406	76.37%	1,451	74.03%	45	3.20%
Part time	435	23.63%	509	25.94%	74	17.01%
Total	1,841	100%	1,960	100%	119	6.46%
Average Age	31.09		32.01		0.92	2.96%
Average Working years	8.06		9.00		0.94	11.66%

#### (2) Employee's Education Levels

Item	12/31/02		12/31/03		2002vs.2003	
	Persons	%	Persons	%	Differences	Growth%
Master's Degree or Above	98	5.32%	104	5.31%	6	6.12%
College	1,460	79.3%	1,573	80.26%	113	7.74%
High School/Vocational School	280	15.21%	281	14.33%	1	0.36%
Jr.High or Below	3	0.17%	2	0.10%	-1	0.00%
Total	1,841	100%	1,960	100%	119	6.46%



## **4. Risk Management**

### **(1) Loan Authorization Risk**

To fully utilize limited resources and exercise effective risk control, we undertook our loan authorization in accordance with the related regulations stipulated in Banking Law and other government mandated laws. Depending on the borrower, the secured item, the business group, industry sector and the investment type involved, we then set a ceiling of risk tolerance to avoid over concentration, thereby protecting our financial operations.

### **(2) Credit Risk**

We were able to effectively control our credit risk by properly monitoring transaction amounts. In the case of interbank loans and repurchase agreements, we exercised our control of transaction amounts based on each trading partner's credit profile; in the case of outright purchases, we controlled the safe amount based on the credibility of the securing financial institution. Credit lines on derivatives shall be carried out in accordance with "Fubon Commercial Bank Derivatives Trading Processing Procedure."

### **(3) Interest Risk**

We mainly used the interest rate sensitivity gap-to-net value ratio and the interest rate sensitive asset-to-interest rate sensitive liability ratio to control risk to a manageable level. We carefully monitored both these ratios, making sure that they fell between appropriate parameters.

### **(4) Exchange Rate Risk**

The Bank has strict controls over its foreign exchange position including the overall exposure limit, individual dealer's position limit, single transaction limit and stoploss limit, counterparty's limits and relevant authorization are governed under the Bank's "Foreign Exchange, Money Market and Capital Market Internal Guidelines" which is reviewed regularly to enhance the risk management.

### **(5) Derivatives Trading Risk**

In compliance with the related government regulations, the "FCB Derivatives Trading Processing Procedure" guidelines were submitted to and approved by the FCB Board of Directors. These procedures regulate the accountability of all transaction, settlement, management and audit departments. In addition, we also conducted regular profit/loss evaluations based on the trading nature (hedging vs. non-hedging). The results were all submitted to the general manager or other authorized, responsible persons in order to ensure new business was developed in accordance with sound management practices for credit risk, market risk, liquidity risk, operating risk and litigation risk.

### **(6) Risk Management Information System**

In light of our increased business volumes, FCB adopted the real-time risk management system - "Kondor+" provided by Reuters to control our interest risk, exchange risk and credit risk. Kondor+ is equipped to exercise quantity limit controls on all financial product positions, trader positions and counterpart credit risks as well as country risks. It also provides data regarding

real-time market price evaluation to allow users to conduct sensitivity analyses on interest rate and exchange rate fluctuations. This information system greatly improved the efficiency of manual control and helped to avoid risk control blind spots, enhancing our financial operating performance.

### **(7) Operating Risk**

Along with the growing complication and sophistication of banking businesses, the operating risks are getting higher and higher. Our bank, based on a planning made by Fubon Financial Holding Co. at the end of 2003, has established an internal operating risk management mechanism to effectively control the operating risks, reduce the occurring frequency of operating-risk events and the subsequent losses. Key points of the new operating risk management mechanism include: a). Setting the operating risk management framework within the entire bank and defining the rights and duties of relevant responsible units; b). Establishing the operating risk management mechanism as follows: Every unit should conduct a self-evaluation in accordance with risk-monitoring points and should come up with effective measures to control, reduce and eliminate any existing and potential risks shown in the evaluation results. In case that any operating-risk event occurs, all the related units should, in accordance with their respective rights delegated and duties held, evaluate the impact of the event, take remedial and corrective measures, conduct follow-up tracking and collect relevant information. Risk management staff at every general business office should submit quarterly statistics and analyses to the Chairman of our bank to Financial Financial Holding Co

### **5. Important Contracts**

Contract Name	Parties	Major Content	Singing Date
Affinity/Co-branded Card Contract	Futon Commercial Bank/TaipeiBank	Joint issuance of Taipei City Government Affinity Card and TaipeiBank Co-Branded Card	April 28, 2003

## **IV. Operation and Capital Utilization Plan**

### **1. Annual Business Plans**

#### (1) Financial Services

1. The wealth management related fee incomes are a major source of income for financial service businesses. Coping with the recovery of economy, our bank will keep helping clients adjust their investment strategies accordingly. More innovative products with moderate risk exposure expected to be launched to enhance investment returns for clients
2. Collective investment trust accounts will be launched in 2004, providing a convenient investment alternative to continually satisfy clients' needs for diversified asset allocation.
3. Telephone Wealth Management Center unveiled in 2003, providing investment consultation and products to clients with AUM less than NT\$100,000. The service team will be expanded to meet with the fast growing client base and business to further intensify relative sales volume.
4. Centralized processing has demonstrated efficiency in saving manpower, time and cost. Further operation streamlining will be implemented to enhance the operating efficiency of every business unit.

#### (2) International Banking

1. We consolidate operation platforms and operating procedure with Taipei Bank to providing better service. Meanwhile, we introduce risk-management concept into operations, and plan to develop operational risk management mechanism in compliance with BASEL II requirement.

#### (3) Corporate Banking

1. Our bank completed, in 2003, its task in the Electronic Cash Flow Project (Project C) under the Industrial Automation and Electronic Business Program launched by the Ministry of Economic Affairs. We're now engaged in signing contracts with suppliers and installing relevant computer systems. The plan is designed to build an electronic financial-transaction mechanism to help industries integrate cash flow and logistics management, thereby upgrading their efficiency and competitiveness.
2. To effectively internationalize financial environment and provide our clients with more diversified financial products, Fubon bank have been developing financial management products and actively promoted derivative products

for corporate clients to satisfy their needs in seeking more sophisticated products and better services.

3. Fubon Bank's automation of application processing was officially launched for service at the end of 2002. The loan application and credit checking process were computerized and standardized with higher efficiency. In responding to BASEL II, which will be in effect in 2006, the credit scoring mechanism will be included into the electronic processing system in order to detect deterioration in asset quality.
4. We're going to cooperate with Taipei Bank in establishing risk control and marketing mechanisms, and further cooperate in syndicated lending through bank-referrals in order to facilitate cross-selling.
5. Enhance the relationship with small and medium enterprises and take advantage of "Small and Medium Business Credit Guarantee Fund" ( SMBCGF ) to minimize related risk.
6. In line with the "allotted credit guarantee project " offered by the Small and Medium Business Credit Guarantee Fund, Fubon bank has initiated medium-term revolving funds or capital loans to medium- and small-sized enterprises, with a fixed annual interest of 5%, for a one-year period.

#### (4) Consumer Banking

1. Fubon bank will aggressively develop of new products, in the direction of diversification, segmentation, and timeliness, and will develop customized products targeted on valuable customers. We will also offer specialized financial products meeting the seasonal needs, such as during the period of tax payment, summer travels, and Christmas or New Year holidays.
2. We will continue to strengthen the existing sales channels, provide various initiatives programs for sales agents, and adjust pay and reward schemes in accordance with the levels of our peers, so as to uphold the momentum of the sale agents. Meanwhile, we will intensify the branch-referral mechanism and cross-selling among group companies. In addition, Fubon bank will also set up a single contact window for incoming documents, streamline operational processes, provide proprietary products, and constantly review our strategies.
3. Our bank will expand sales channels, including the establishment of telemarketing teams, mechanism of outsourcing programs, automated application channels, and recommendation of existing clients (MGM).
4. We will carry out centralized credit approval process instead of regional

credit approval process since the personal loan business have the characters of high volume and standardized process. The new workflow follows the division-of-labor concept of factory production lines, aiming to enhance operational efficiency, quality, and uniformity, so as to raise the limit on operational output and facilitate rapid expansion of operational scale.

5. Our bank will set up a car-loan center to integrate the back office of cross-selling and regional operation centers, in order to improve service quality and efficiency, as well as enhance the competitiveness of car-loan business.

#### (5) Credit Cards

1. Continuing to boost the product competitiveness and client-service quality, so as to establish good brand image, strengthen customer loyalty, and grow card base.
2. To aggressively launch co-branded card with a number of enterprises to capture new customers.
3. Continuing to promote platinum cards to good clients.
4. Marketing and promotional programs are tailored for each customer segment by utilizing CRM system.
5. Expanding sales channels and mapping out incentive programs, so as to augment the marketing willingness and capability of sales agents.
6. Increase transaction volume and usage ratio via usage promotional programs.
7. To launch programs for revitalizing inactive cards.
8. Establishing CTI system for the enhancement of service efficiency and customer satisfaction.
9. To enhance credit approval system and professional expertise, so as to control related risk.
10. To enhance the collection of default accounts and enhance risk control.
11. To review working procedures and processes, so as to enhance efficiency and reduce operating cost

12. Implementing the integration with Taipei bank to complete the integration work smoothly..

(6) Trust Operation

1. Introducing sophisticated trust funds, to increase competitiveness and attract market capital with niche products.
2. Enhancing the fund-trading system, to provide better electronic fund transaction services and reduce business costs with e-operation.
3. Promoting standardized trust products, such as collective investment accounts and investment portfolio comprised of trust, insurance and wealth management products.
4. Designing and developing personalized trust products based on customers' needs.
5. Initiating securities trust business, which enables clients to retain substantial control of securities and achieve the purpose of assets transfer, thereby cultivating a new source of clients.
6. The Recovery of economy will accelerate the growth momentum in the real estate trust and real estate securitization, which create the liquidity and convertibility of real assets; Fubon Bank will aggressively cooperate with construction firms, financial institutions, and landlords to develop such business.
7. To promote charity trust for the purposes of charity, culture, academic study, craftsmanship, religion, worship, or other public benefits.
8. Developing employee benefit trust and pension funds, in line with forthcoming "Statute for Labor Pension Funds" in the future, which will require mandatory or semi-mandatory planning for individual employees.

## 2. Research & Development

Unit : NT\$1,000

Item	2002	2003
Current R & D expenditure	56,838	18,021

### (1) Launching MOD Service in Cooperation With Chunghwa Telecom

In line with the upgrading of fixed-line telecom equipment and multiplication of related applications worldwide, the MOD (Multimedia On Demand) system of Chunghwa Telecom connects its multi-media services to the existing household TV sets via the broadband ADSL (Asymmetric Digital Subscriber Line) networking and household local-call lines, thereby sending diversified and high-quality audio-visual contents to the TV sets through set-top boxes. Chunghwa Telecom has obtained the necessary license and permission to provide the service, which will enable the audiences to enjoy the programs of their selection at anytime. Our bank is in talks with Chunghwa Telecom for the utilization of the system's platform for on-line financial trading and e-commerce, thereby creating a new electronic sales channel.

### (2) Mobile Deposit Withdrawal

In order to augment the service quality of automated trading, our bank is cooperating with Taiwan Cellular Corp. in the development of the world's first mobile deposit-withdrawal service, which will utilize one-time password and SMS (Short-Message Service) technology, providing better safety and convenience than the existing ATM (automated teller machine) mechanism. The commencement of the service is scheduled in 2004.

### (3) Upgrading of e-Payment Function

To provide clients with an instant and convenient fund-management service, our bank completed test and launch of the e-Payment system in 2003, which now allows clients to transfer money and conduct trading inquiry. In the future, the system will expand its application scope to over-withdrawal of deposits, investment and financial management, money management, purchase of insurance products, and payment of utility fees and taxes. It also plans to provide the value-added service of bills management, by integrating the functions of e-Billing system.

### (4) Chip Card

According to the regulations of Visa International and MasterCard International, new

credit cards in Taiwan will be issued in the form of chip cards from January 2006. Meanwhile, the chip card migration steering committee of the Bankers Association of the ROC has resolved that in order to accelerate the installation of the chip card terminals, the IRF for credit cards (the ratio between the issuing banks and acquiring banks) will be lowered by 0.0442% for 4 years to subsidize the acquiring banks, the transaction fee rate allocated to the issuing banks will be cut to 1.5058%, down from the existing 1.55%, so as to subsidize the acquiring banks. In July 2003, a project management office (PMO) for the chip card migration was established to push for the smooth conversion to credit chip cards. The PMO is backed by an NT\$60 million fund, to be shared by member banks according to the value of the customer transaction. Our bank plans to install the related systems in 2004 and then adopt the marketing strategy to issue credit chip-cards at a proper time.

#### (5) New Trust Products

Our trust division has been sparing no effort in the developing of new trust products over last few years.

##### Development of New Businesses

#### 1. Real Estate Securitization

In line with the development of Real Estate Securitization market and the mode of division-of-labor, our bank has set up a cross-department securitization panel (with members from the Securities, Banking, Construction, and Construction-management companies), to provide clients with the diversified services of assets planning, financial management, securities issuance and underwriting, so as to expand the market share actively.

#### 2. Employee Benefit Trust

We plan to consolidate personal accounts and trust system, encouraging employees to appropriate a certain amount of money from their monthly pays, which will be deposited, along with a matching sum provided by their companies, into the pool fund, which will be raised by monthly saving plans with fixed investment amount and will be invested with flexibility. Employees are allowed to withdraw against the accounts when they retire or leave their jobs, so as to accumulate wealth for them and enhance their identification with the company. In addition to the increase of processing income, the product can also help the bank establish its assets management capability.



## **V. Financial Statements**

### **English Translation of a Report Originally Issued in Chinese**

#### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Fubon Bank Co., Ltd.

We have audited the accompanying balance sheets of Fubon Bank Co., Ltd. as of December 31, 2003 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements as of December 31, 2002 were audited by other auditors, who expressed an unqualified opinion.

We conducted our audits in accordance with the Rules Governing the Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Fubon Bank Co., Ltd. as of December 31, 2003, and the results of its operation and its cash flow for the year then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

January 28, 2004

#### **Notice to Readers**

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

**English Translation of Financial Statements Originally Issued in Chinese**

**FUBON BANK CO., LTD.**

**BALANCE SHEETS**

**DECEMBER 31, 2003 AND 2002**

**(In Thousands of New Taiwan Dollars, Except Par Value)**

ASSETS	2003		2002		LIABILITIES AND SHAREHOLDERS' EQUITY	2003		2002	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH (Notes 2, 3 and 23)	\$ 33,383,218	12	\$ 24,694,876	9	LIABILITIES				
DUE FROM BANKS (Notes 4 and 22)	28,180,189	10	21,465,309	8	Due to banks (Notes 11 and 22)	\$ 4,406,959	2	\$ 1,565,988	1
DUE FROM CENTRAL BANK (Notes 5 and 23)	17,220,740	6	10,472,457	4	Payables (Notes 2 and 12)	6,053,305	2	9,157,587	3
SECURITIES PURCHASED (Notes 2, 6, 22 and 23)	43,999,361	15	37,674,975	14	Advance receipts	357,292	-	174,042	-
RECEIVABLES—Net (Notes 2, 7 and 8)	11,338,140	4	13,170,121	5	Deposits and remittances (Notes 13 and 22)	221,433,147	77	218,841,188	82
PREPAYMENTS	172,313	-	79,276	-	Bank debentures (Notes 14 and 22)	22,500,000	8	10,000,000	4
LOANS, BILLS AND DISCOUNTS—Net (Notes 2, 8 and 22)	136,696,707	47	143,465,102	53	Other liabilities (Notes 2 and 15)	1,224,909	-	720,145	-
LONG-TERM INVESTMENTS—Net (Notes 2 and 9)					Total liabilities	255,975,612	89	240,458,950	90
Long-term equity investments under the equity method	6,963,973	2	6,924,301	3	SHAREHOLDERS' EQUITY				
Long-term equity investments under the cost method	2,795,171	1	2,810,984	1	Capital stock—\$10 par value				
Long-term bond investments	456,501	-	831,528	-	Authorized and issued—2,185,736,697 shares	21,857,367	8	21,857,367	8
Long-term investments—net	10,215,645	3	10,566,813	4	Capital surplus				
PROPERTIES (Notes 2 and 22)					Paid-in capital in excess of par value	1,437,250	-	1,437,250	-
Cost					Reissuance of treasury stock	26,054	-	6,510	-
Land	2,574,997	1	2,582,508	1	Retained earnings				
Buildings	2,205,374	1	2,192,252	1	Legal reserve	3,801,201	1	3,576,309	2
Equipment	936,874	-	844,720	1	Special reserve	252,058	-	252,058	-
Transportation and communications equipment	109,050	-	110,000	-	Unappropriated	4,596,072	2	854,960	-
Miscellaneous equipment	349,376	-	336,824	-	Unrealized loss on long-term equity investments	( 61,191)	-	( 134,725)	-
Leasehold improvements	569,579	-	535,736	-	Treasury stock—at cost: 21,573,884 shares in 2002	-	-	( 245,332)	-
Leased assets	-	-	2,050	-	Total shareholders' equity	31,908,811	11	27,604,397	10
Total cost	6,745,250	2	6,604,090	3	CONTINGENCIES AND COMMITMENTS (Notes 2 and 24)				
Less: Accumulated depreciation	1,777,540	-	1,646,785	1					
Advances on acquisitions of equipment and construction in progress	42,996	-	64,934	-	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 287,884,423	100	\$ 268,063,347	100
Net properties	5,010,706	2	5,022,239	2					
OTHER ASSETS—Net (Notes 2, 10, 20 and 24)	1,667,404	1	1,452,179	1					
TOTAL ASSETS	\$ 287,884,423	100	\$ 268,063,347	100					

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche report dated January 28, 2004)

**English Translation of Financial Statements Originally Issued in Chinese**

**FUBON BANK CO., LTD.**

**STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2003</b>		<b>2002</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>OPERATING INCOME</b>				
Interest (Notes 2 and 22)	\$ 12,367,218	59	\$ 11,398,412	61
Service fees (Notes 2 and 22)	3,923,076	19	2,613,380	14
Income from securities—net (Notes 2 and 22)	3,461,898	17	3,435,573	19
Income from long-term equity investments under the equity method—net (Notes 2 and 9)	887,123	4	970,602	5
Foreign exchange gain (Note 2)	65,591	-	107,435	1
Other	99,410	1	15,072	-
Total operating income	<u>20,804,316</u>	<u>100</u>	<u>18,540,474</u>	<u>100</u>
<b>OPERATING COSTS</b>				
Interest (Notes 2 and 22)	4,011,983	19	4,969,879	27
Service charges (Note 22)	2,120,207	10	1,711,699	9
Loss on long-term investments (Note 2)	42,947	-	-	-
Provisions for credit losses (Notes 2 and 8)	5,246,714	25	2,403,175	13
Other	99,304	1	37,663	-
Total operating costs	<u>11,521,155</u>	<u>55</u>	<u>9,122,416</u>	<u>49</u>
<b>GROSS PROFIT</b>	<u>9,283,161</u>	<u>45</u>	<u>9,418,058</u>	<u>51</u>
<b>OPERATING EXPENSES</b>				
Functional (Notes 16, 19 and 22)	3,728,974	18	3,347,446	18
Administrative (Note 19)	826,640	4	797,873	5
Other	10,905	-	9,857	-
Total operating expenses	<u>4,566,519</u>	<u>22</u>	<u>4,155,176</u>	<u>23</u>
<b>OPERATING INCOME</b>	4,716,642	23	5,262,882	28
<b>NONOPERATING INCOME AND GAINS (Note 2)</b>	287,656	1	89,081	1
<b>NONOPERATING EXPENSES AND LOSSES (Notes 2 and 8)</b>	<u>287,087</u>	<u>1</u>	<u>4,606,638</u>	<u>25</u>
<b>INCOME BEFORE INCOME TAX</b>	4,717,211	23	745,325	4
<b>INCOME TAX (Notes 2 and 20)</b>	<u>226,460</u>	<u>1</u>	( <u>4,314</u> )	<u>-</u>
<b>NET INCOME</b>	<u>\$ 4,490,751</u>	<u>22</u>	<u>\$ 749,639</u>	<u>4</u>

(Continued)

**English Translation of Financial Statements Originally Issued in Chinese**

	<u>2003</u>		<u>2002</u>	
	<u>Pretax</u>	<u>After Tax</u>	<u>Pretax</u>	<u>After Tax</u>
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$ 2.16</u>	<u>\$ 2.06</u>	<u>\$ 0.34</u>	<u>\$ 0.35</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche report dated January 28, 2004)

(Concluded)

FUBON BANK CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(In Thousands of New Taiwan Dollars)

	Capital Stock		Capital Surplus (Notes 2 and 17)				Retained Earnings (Notes 2 and 17)				Unrealized Loss on Long-term Equity Investments (Notes 2 and 9)	Treasury Stock (Notes 2 and 18)	Total Shareholders' Equity
	Shares (in thousands)	Amount	Paid-in capital in excess of par value	Gain on disposal of properties	Reissuance of treasury stock	Total	Legal reserve	Special reserve	Unappropriated	Total			
BALANCE, JANUARY 1, 2002	2,185,737	\$ 21,857,367	\$1,437,250	\$ 1,291	\$ -	\$1,438,541	\$2,691,158	\$598,438	\$2,963,801	\$6,253,397	(\$ 73,058)	(\$313,190)	\$ 29,163,057
Appropriation of 2001 earnings													
Legal reserve	-	-	-	-	-	-	885,151	-	( 885,151)	-	-	-	-
Reversal of special reserve to retained earnings	-	-	-	-	-	-	-	( 346,380)	346,380	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	( 2,300,000)	( 2,300,000)	-	-	( 2,300,000)
Bonus to employees	-	-	-	-	-	-	-	-	( 21,000)	( 21,000)	-	-	( 21,000)
Capital surplus transferred to retained earnings	-	-	-	( 1,291)	-	( 1,291)	-	-	1,291	1,291	-	-	-
Net income in 2002	-	-	-	-	-	-	-	-	749,639	749,639	-	-	749,639
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	( 61,667)	-	( 61,667)
Treasury stock reissued to employees	-	-	-	-	6,510	6,510	-	-	-	-	-	67,858	74,368
BALANCE, DECEMBER 31, 2002	2,185,737	21,857,367	1,437,250	-	6,510	1,443,760	3,576,309	\$252,058	854,960	4,683,327	( 134,725)	( 245,332)	27,604,397
Appropriation of 2002 earnings													
Legal reserve	-	-	-	-	-	-	224,892	-	( 224,892)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	( 518,747)	( 518,747)	-	-	( 518,747)
Bonus to employees	-	-	-	-	-	-	-	-	( 6,000)	( 6,000)	-	-	( 6,000)
Treasury stock reissued to employees	-	-	-	-	19,544	19,544	-	-	-	-	-	245,332	264,876
Reversal of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	73,534	-	73,534
Net income in 2003	-	-	-	-	-	-	-	-	4,490,751	4,490,751	-	-	4,490,751
BALANCE, DECEMBER 31, 2003	<u>2,185,737</u>	<u>\$ 21,857,367</u>	<u>\$1,437,250</u>	<u>\$ -</u>	<u>\$26,054</u>	<u>\$1,463,304</u>	<u>\$3,801,201</u>	<u>\$252,058</u>	<u>\$4,596,072</u>	<u>\$8,649,331</u>	<u>(\$ 61,191)</u>	<u>\$ -</u>	<u>\$ 31,908,811</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche report dated January 28, 2004)

**English Translation of Financial Statements Originally Issued in Chinese**

**FUBON BANK CO., LTD.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(In Thousands of New Taiwan Dollars)**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 4,490,751	\$ 749,639
Loss on sale of nonperforming loans	-	4,367,562
Provision (reversal of allowance) for loss on long-term bond investments	47,757	( 30,291)
Loss on long-term equity investments	19,146	-
Provisions for losses	5,246,714	2,403,175
Provision for losses on guarantees	-	( 26,500)
Depreciation and amortization	285,115	254,473
Income from long-term equity investments under the equity method	( 887,123)	( 970,602)
Cash dividends received	675,289	26,504
Loss on disposal of long-term investments	23,801	122,518
Loss on disposal of properties	2,181	3,542
Loss on disposal of collaterals assumed	92,220	98,316
Deferred income taxes	35,997	( 53,029)
Decrease (increase) in receivables and prepayments	1,770,625	( 4,382,710)
Increase (decrease) in payables and advance receipts	( 2,906,026)	1,077,686
Other	-	213
	<u>8,896,447</u>	<u>3,640,496</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in securities purchased—for investing purposes	( 6,324,386)	( 1,039,062)
Decrease (increase) in due from banks	( 6,714,880)	11,376,527
Decrease (increase) in due from Central Bank	( 6,748,283)	2,121,819
Decrease (increase) in loans, bills and discounts	1,491,050	( 6,774,482)
Increase in long-term bond investments	( 271,984)	-
Disposal of long-term investments	-	239,827
Proceeds from disposal of long-term investments	816,766	56,321
Acquisition of properties	( 288,365)	( 322,467)
Proceeds from disposal of properties	9,044	2,109
Proceeds from disposal of collaterals assumed	241,677	298,946
Proceeds from disposal of nonperforming loans	-	412,906
Increase in other assets	( 581,561)	( 91,036)
	<u>( 18,370,922)</u>	<u>6,311,408</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in due to banks	2,840,971	744,200
Increase (decrease) in deposits and remittances	2,591,959	( 8,640,052)
Increase in bank debentures	12,500,000	10,000,000
Increase (decrease) in other liabilities	504,764	( 141,371)
Cash dividends and bonus to employees paid	( 524,747)	( 2,313,436)
Decrease in dividends and bonus payable	( 15,006)	-
Proceeds from disposal of treasury stock	264,876	74,369
	<u>18,162,817</u>	<u>( 276,290)</u>

(Continued)

**English Translation of Financial Statements Originally Issued in Chinese**

	<u>2003</u>	<u>2002</u>
EFFECTS OF EXCHANGE RATE CHANGES	\$ -	\$ 6,723
NET INCREASE IN CASH	8,688,342	9,682,337
CASH, BEGINNING OF YEAR	<u>24,694,876</u>	<u>15,012,539</u>
CASH, END OF YEAR	<u>\$33,383,218</u>	<u>\$24,694,876</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 4,345,209</u>	<u>\$ 5,808,569</u>
Income tax paid	<u>\$ 164,711</u>	<u>\$ 215,684</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche report dated January 28, 2004)

(Concluded)

## **English Translation of Financial Statements Originally Issued in Chinese**

**FUBON BANK CO., LTD.**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated)**

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#### **1. ORGANIZATION AND OPERATIONS**

Fubon Bank Co., Ltd. (the "Bank") was authorized by the Ministry of Finance (the "MOF") of the Republic of China ("ROC") to operate as a commercial bank on August 1, 1991 and started operations on April 20, 1992.

The Bank was established to engage in all commercial banking operations allowed by the Banking Law.

Through a share swap effective December 19, 2001, the Bank became an unlisted wholly owned subsidiary of Fubon Financial Holdings Co., Ltd. (FFH, a newly formed financial holdings company under the ROC Financial Holdings Company Act).

As of December 31, 2003, the Bank's operating units included Banking, Trust Department, International Division of the Head Office, an offshore banking unit (OBU) and 38 domestic branches.

The operations of the Bank's Trust Department consist of (1) planning, managing and operating of a trust business; and (2) custody of nondiscretionary trust funds in overseas securities and mutual funds. These operations are regulated under the Banking Law and the Trust Law.

As of December 31, 2003 and 2002, the Bank had a total of 1,960 and 1,841 employees, respectively.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Bank's financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by Securities Issuers and generally accepted accounting principles in ROC. Under these guidelines and principles, the Bank should estimate reasonable amounts of the allowance for credit losses, depreciation, pension, losses on suspended lawsuits and provision for losses on guarantees. Since the estimates were usually judged and made under uncertain conditions, thus, the estimates may vary from the actual amounts. Also, since defining the operating cycle in the banking industry is difficult, accounts included in the Bank's financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 27 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank are summarized below:

##### **Basis of Financial Statement Preparation**

The accompanying financial statements include the accounts of the Head Office, the OBU and all branches. All inter-office balances and transactions have been eliminated.

##### **Foreign-currency Transactions**

The Bank records foreign-currency transactions in the respective currencies in which are denominated. Foreign-currency denominated income and expenses are translated into New Taiwan dollars at rates prevailing on the date of each transaction. Foreign-currency assets and liabilities are translated into New Taiwan dollars at month-end rates, and resulting differences are credited or charged to current income.



## **Securities Purchased**

Securities purchased, which consist of short-term bills, stocks, beneficiary certificates, bank debentures and bonds, are stated at cost less allowance for losses from decline in market value. The allowance is charged to current income and reversed when the market value recovers. Market prices are determined as follows: (a) listed stocks—average daily closing prices for the last month of the accounting period; (b) over-the-counter (OTC) stocks—average daily closing prices for the last month of the accounting period, published by GreTai Securities Market (the OTC); (c) beneficiary certificates (open-end fund)—net asset values as of the balance sheet dates; (d) short-term bills—dealing prices on the balance sheet date; and (e) domestic bonds—period-end reference prices published by the OTC.

Cost of securities sold are determined by the moving-average method, except those of short-term bills and resell transactions, which are determined by the specific identification method.

Under a directive issued by the MOF, sales and purchases of bonds and short-term bills under agreements to repurchase or to resell are treated as outright sales or purchases. However, under the “Criteria Governing the Preparation of Financial Reports by Public Banks” effective January 1, 2004, the repurchase/resell transactions will be treated as financing.

## **Nonperforming Loans**

Under guidelines issued by the MOF, the balances of loans and other credits extended by the Bank and the related accrued interest are classified as nonperforming when the loan is six months overdue.

### **Allowance for Credit Losses and Provision for Losses on Guarantees**

In determining the allowance for credit losses and provision for losses on guarantees, the Bank assesses the collectibility on the balances of loans, discounts and bills purchased, accounts, interest, acceptances and other receivables, and nonperforming loans, as well as guarantees as of the balance sheet dates.

Pursuant to “The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts” (the “Rules”) issued by the MOF, the Bank evaluates credit losses on the basis of its borrowers’/clients’ financial positions, the Bank’s prior experiences, repayments for principal and interest by borrowers/clients, collateral provided, and estimated collectibility.

The Bank assesses losses on particular loans in accordance with the Rules. The Rules require that the minimum provision for credit losses should not be less than the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits.

Write-offs of loans falling under the MOF guidelines, upon approval by the board of directors, are offset against the recorded allowance for credits losses.

### **Provision for Trading Losses**

Under the Rules Governing Securities Firms, 10% of the net gain from sale of securities is recognized monthly as provision for trading losses. This provision is recognized until its balance reaches \$200,000. This provision can be used only to offset actual loss from securities dealings.

## **Long-term Investments**

Long-term equity investments are accounted for by the equity method if the Bank has significant influence over the investees. Under this method, investments are stated at cost plus (or minus) the Bank's equity in the investees' net earnings (losses) or changes in net worth. Cash dividends received from equity-accounted investees are treated as a reduction of the carrying value of the investment. Any difference between the investment cost on the acquisition date and the proportionate equity in the investee's net asset is amortized over five years. Unrealized gain or loss arising from transactions between the Bank and equity-method investees is deferred or eliminated. Long-term equity investments are accounted for by the cost method if the Bank does not have significant influence over the investees.

For listed stocks accounted for by the cost method, when the aggregate market value is lower than the total carrying amount, an allowance for market value decline is provided and the unrealized loss is charged against shareholders' equity. This allowance is reversed when the market value recovers. If a decline in the value of an unlisted stock investment is considered permanent, the decline is charged to current income. Cash dividends received a year after the acquisition date are recorded as investment income.

Under accounting principles generally accepted in the ROC, in applying the lower of cost or market method, the shares of the Fubon Financial Holdings held by the Bank should be evaluated separately from the listed stocks.

For both equity-method and cost-method investments, stock dividends result only in an increase in the number of shares and are not recognized as investment income.

Cost of equity investments sold is determined by the weighted-average method.

Investments in bonds are stated at cost. Premium (discount) is amortized over the average remaining term of the bond and treated as decrease (increase) in interest revenue. Cost of bond investment sold is determined by the specific-identification method.

## **Properties**

Properties are stated at cost less accumulated depreciation. Major renewals, additions and improvements are capitalized, while repairs and maintenance are expensed as incurred.

Depreciation is calculated by the straight-line method over service lives estimated as follows: buildings, 5 to 47 years; equipment, 3 to 4 years; transportation and communications equipment, 3 to 5 years; miscellaneous equipment, 5 to 8 years; and leasehold improvements, lower of contract period or service lives. For assets still in use beyond their original estimated service lives, further depreciation is calculated on the basis of any remaining salvage value and newly estimated service lives.

Upon sale or other disposal of properties, their cost and related accumulated depreciation are removed from the accounts. Any resulting gain (loss) or revenue (expense) is credited (charged) to current income.

## **Collaterals Assumed**

Collaterals assumed are recorded at cost (included in other assets) and revalued at the lower of cost or net realizable value as of the balance sheet dates.

## **Treasury Stock**

Issued stock reacquired is carried at cost and presented as a deduction to arrive at shareholders' equity. The treasury stocks are to be reissued to employees. The reissuance of treasury stocks is accounted for as follows: (a) reissue price higher than the acquisition cost—the excess is credited to additional paid-in capital from treasury stock; and (b) reissue price less than the acquisition cost—initially charged to additional paid-in capital treasury stock, with any remaining deficiency charged to unappropriated earnings.

## **Pension**

Pension costs on defined benefit plans are determined on the basis of actuarial calculations. Unrecognized net transition obligation is amortized over the average remaining service years of employees.

## **Interest Revenue and Service Fees**

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as nonperforming loans. The interest revenue on those loans/credits is recognized upon collection.

Under MOF regulations, the interest revenue on credits on which agreements have been reached to extend their maturities is recognized upon collection.

Service fees are recorded as income upon receipt and substantial completion of activities involved in the earnings process.

## **Income Tax**

Inter-period income tax allocation is applied, in which tax effects of deductible temporary differences, loss carryforwards and unused investment tax credits are recognized as deferred income tax assets and those of taxable temporary differences are recognized as deferred income tax liabilities. A valuation allowance is provided for deferred income tax assets that are not certain to be realized.

Tax credits for acquisitions of certain equipment or technology, research and development expenditures, personnel training expenditures and equity investment acquisition are recognized as reduction of current income tax.

Income tax on interest derived from short-term negotiable instrument is levied separately.

Adjustments of prior years' tax liabilities are included in the current year's tax expense.

Income tax (10%) on unappropriated earnings is recorded as income tax in the year when the shareholders resolve the appropriation of the earnings.

The Bank and Fubon Financial Holdings and subsidiaries used a linked-tax system for income tax filings for the year ended December 31, 2002. Under the related rules, the accounting procedure is reasonable and applied systematically on a consistent basis on a consistent basis, and related contributions and payments are accrued as receivables and payables, respectively.

## **Forward Exchange Contracts**

Foreign-currency assets and liabilities on forward exchange contracts for trading purposes are recorded at contracted forward rates on the contract dates. Gains or losses arising from the differences between the contracted forward rates on the contract dates and spot rates on settlement are credited or charged to current income. For contracts outstanding as of the balance sheet dates, the gains or losses arising from the differences between the contracted forward rates and the forward rates available for the remaining maturities of the contracts are credited or charged to related payables as of the balance sheet dates.

Nondeliverable forward contracts do not involve exchanges of principal upon settlement. Gains or losses arising from the differences between the contracted interest rates and actual interest rates upon settlement or as of the balance sheet dates are credited or charged to current income.

### **Currency Swap Contracts**

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are mainly for managing risks on the Bank's currency positions, are recorded at spot rates when the transactions occur. Discounts or premiums are amortized by the straight-line method over the contract terms and are recorded as interest income or expense. The corresponding forward-position assets or liabilities are recorded at the contracted forward rates. For contracts outstanding as of the balance sheet dates, the receivables and payables are netted out.

### **Cross-currency Swaps**

Cross-currency swap contracts are recorded at spot rates on the contract dates. The net interest receivable or payable on the settlement or balance sheet date is recorded as an adjustment to the revenue or expense associated with the item being hedged.

### **Asset Swaps**

Asset swap contracts involve the exchange of interest payments on fixed-rate bonds and stock conversion rights of convertible bonds for floating-rate interest. Gains or losses arising from the differences between these rates are recorded as adjustments to interest income or expense associated with the bonds being hedged.

### **Options**

The amounts received from options written are recorded as liabilities and amounts paid on options bought are recorded as assets. Gains or losses on the exercise of options are credited or charged to current income. Outstanding contracts as of the balance sheet dates are marked to market, and the resulting gain or loss is recognized currently as "net gain or loss on derivative financial instruments".

### **Interest Rate Swaps**

Interest rate swaps do not involve an exchange of principal amounts. The transactions are recorded by memorandum entries on the contract dates. The interest received or paid on each settlement date is recognized as interest income or expense.

For swaps entered into for non-trading purposes, the net interest on each settlement is recorded as an adjustment to interest income or expense associated with the items being hedged.

### **Contingencies**

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If the amount of loss cannot be reasonably estimated and the loss is possible but remote, the reason for the possible loss is described as a footnote disclosure in the financial statements.

### **Reclassifications**

Certain accounts for 2002 have been reclassified to conform to the 2003 financial statement presentation.

**3. CASH**

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Negotiable certificates of deposits	\$28,270,517	\$20,526,120
Checks for clearing	2,903,737	2,309,611
Cash on hand	<u>2,208,964</u>	<u>1,859,145</u>
	<u>\$33,383,218</u>	<u>\$24,694,876</u>

**4. DUE FROM BANKS**

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Call loans	\$27,725,646	\$20,918,106
Deposits	<u>454,543</u>	<u>547,203</u>
	<u>\$28,180,189</u>	<u>\$21,465,309</u>

**5. DUE FROM CENTRAL BANK**

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Deposit reserve—checking account	\$ 1,561,108	\$ 2,860,170
Required deposit reserve	5,433,636	5,083,455
Reserves for deposits—foreign-currency denominated deposit	30,090	38,717
Deposits in Central Bank	9,890,000	2,190,000
Other	<u>305,906</u>	<u>300,115</u>
	<u>\$17,220,740</u>	<u>\$10,472,457</u>

The required deposit reserves are determined monthly at rates prescribed for average balances of customers' New Taiwan dollar—denominated deposits and are subject to withdrawal restrictions. The reserve—checking account and foreign-currency denominated deposit reserves may be withdrawn anytime and are noninterest earning.

**6. SECURITIES PURCHASED**

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Government bonds	\$25,200,362	\$15,320,556
Commercial paper	7,503,164	11,204,623
Corporate bonds	3,871,193	5,618,859
Bank debentures	4,612,448	700,657
Mutual fund beneficiary certificates	2,144,973	2,448,176
Stocks	667,221	962,500
Treasury bills	<u>-</u>	<u>1,419,604</u>
	<u>\$43,999,361</u>	<u>\$37,674,975</u>

**7. RECEIVABLES—NET**

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Accounts receivable	\$ 8,568,709	\$ 6,995,815
Accrued interest	1,169,036	1,303,069
Credit card receivable	645,029	334,405
Accrued income	442,222	197,717
Receivables from sale of nonperforming loans	273,692	302,499
Acceptances	214,840	255,567
Refundable income tax	203,398	313,639
Forward exchange receivable—net	24,912	3,734,902
Other	<u>233,571</u>	<u>200,408</u>
	11,775,409	13,638,021
Less: Allowance for possible losses	<u>437,269</u>	<u>467,900</u>
	<u>\$ 11,338,140</u>	<u>\$ 13,170,121</u>

**8. LOANS, BILLS AND DISCOUNTS—NET**

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Overdraft	\$ 117,545	\$ 253,457
Short-term loans	9,658,360	11,270,883
Short-term secured loans	7,286,672	10,076,893
Medium-term loans	48,561,168	42,436,171
Medium-term secured loans	12,733,458	18,573,222
Long-term loans	6,228,268	5,178,639
Long-term secured loans	51,594,937	55,980,909
Import and export negotiations	51,653	134,076
Nonperforming loans	<u>2,515,486</u>	<u>1,656,423</u>
Subtotal	138,747,547	145,560,673
Less: Allowance for loan losses	<u>2,050,840</u>	<u>2,095,571</u>
	<u>\$ 136,696,707</u>	<u>\$ 143,465,102</u>

As of December 31, 2003 and 2002, credit card receivable generated from revolving credit is recognized as medium-term loans. The unrecognized interest revenue on the above loans amounted to \$142,297 and \$136,609 for the years ended December 31, 2003 and 2002, respectively.

For the years ended December 31, 2003 and 2002, the Bank wrote off certain credits because required legal procedures done by the Bank for collecting on the loans had negative results.

The losses from selling nonperforming loans to an asset management company amounted to \$4,367,562 as of December 31, 2002, which were recognized as current losses in 2002 (included in nonoperating expenses and losses).

The details and changes in allowance for credit losses on loans, bills and discounts purchased (including receivables shown in Note 7) are summarized below:

	<b>For the Year Ended December 31, 2003</b>		
	<b>Specific Risk</b>	<b>General Risk</b>	<b>Total</b>
Balance, January 1, 2003	\$ 1,301,566	\$ 1,261,905	\$ 2,563,471
Provision	5,336,176	( 89,462)	5,246,714
Write-off	( 5,654,543)	-	( 5,654,543)
Recovery of written-off credits	334,222	-	334,222
Effects of exchange rate changes	( 1,755)	-	( 1,755)
Balance, December 31, 2003	<u>\$ 1,315,666</u>	<u>\$ 1,172,443</u>	<u>\$ 2,488,109</u>

	<b>For the Year Ended December 31, 2002</b>		
	<b>Specific Risk</b>	<b>General Risk</b>	<b>Total</b>
Balance, January 1, 2002	\$ 1,252,339	\$ 376,823	\$ 1,629,162
Provision	1,518,093	885,082	2,403,175
Write-off	( 1,709,433)	-	( 1,709,433)
Recovery of written-off credits	<u>240,567</u>	<u>-</u>	<u>240,567</u>
Balance, December 31, 2002	<u>\$ 1,301,566</u>	<u>\$ 1,261,905</u>	<u>\$ 2,563,471</u>

## 9. LONG-TERM INVESTMENTS—NET

	<b>December 31</b>			
	<b>2003</b>		<b>2002</b>	
	<b>Carrying Value</b>	<b>Percentage of Ownership (%)</b>	<b>Carrying Value</b>	<b>Percentage of Ownership (%)</b>
<u>Long-term equity investments</u>				
Equity method—unlisted				
Fubon Bills Finance Co., Ltd.	\$ 6,085,481	100.00	\$ 5,893,401	100.00
Fubon Leasing Co., Ltd.	765,528	99.99	731,188	99.99
Fubon Construction Management Co., Ltd.	45,842	30.00	46,204	30.00
Fubonbank Insurance Agent Co., Ltd.	64,819	95.00	33,478	95.00
Fubon Insurance Agent Co., Ltd.	2,303	99.00	2,153	99.00
Fubon Future Co., Ltd.	-	-	217,877	30.00
	<u>6,963,973</u>		<u>6,924,301</u>	
Cost method				
Listed				
Fubon Financial Holding Co., Ltd.	1,164,336	0.50	1,164,336	0.50
Kuo-Yang Construction Co., Ltd.	2,571	0.14	21,717	0.14
Unlisted				
Taiwan High Speed Rail Co., Ltd.	500,000	1.01	500,000	1.01
Fubon Securities Finance Co., Ltd.	337,011	5.67	337,011	5.67
Taiwan Fixed Network Co., Ltd.	200,000	0.22	200,000	0.22
Taiwan Assets Management Co., Ltd.	200,000	1.14	200,000	1.14
Taiwan Aerospace Corp.	65,528	1.25	65,528	1.25
Apex Venture Capital Co., Ltd.	50,000	4.67	50,000	4.67

(Continued)

	<b>December 31</b>			
	<b>2003</b>		<b>2002</b>	
	<b>Carrying Value</b>	<b>Percentage of Ownership</b>	<b>Carrying Value</b>	<b>Percentage of Ownership</b>
Taiwan Financial Asset Service Co., Ltd.	\$ 50,000	2.94	\$ 50,000	2.94
Tai Mall Development Co., Ltd.	49,920	1.57	49,920	1.24
Financial Information Services Co., Ltd.	45,500	1.14	45,500	1.14
Pacific Venture Capital Co., Ltd.	41,500	3.33	41,500	3.33
Fubon Venture Capital Co., Ltd.	25,000	5.00	25,000	5.00
Others	<u>63,805</u>		<u>88,291</u>	
	2,795,171		2,838,803	
Less: Allowance for possible losses	<u>-</u>		<u>27,819</u>	
	<u>2,795,171</u>		<u>2,810,984</u>	
	<u>9,759,144</u>		<u>9,735,285</u>	
<b><u>Long-term bond investments</u></b>				
Long-term bond investments	642,651		969,921	
Less: Allowance for possible losses	<u>186,150</u>		<u>138,393</u>	
	<u>456,501</u>		<u>831,528</u>	
	<u>\$10,215,645</u>		<u>\$10,566,813</u>	

For the years ended December 31, 2003 and 2002, income from long-term equity investments under the equity method were \$887,123 and \$970,602, respectively.

The total asset and operating revenue of each subsidiaries are less than 10% of those of the Bank, and the total asset and operating revenue of all subsidiaries are less than 30% of those of the Bank, no consolidated financial statement is required.

Income (loss) from long-term equity investments under the equity method for the years ended December 31, 2003 and 2002, respectively, are summarized as follows:

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Fubon Bills Finance Co., Ltd.	\$ 840,402	\$ 924,719
Fubon Leasing Co., Ltd.	( 11,375 )	1,203
Fubon Construction Management Co., Ltd.	( 362 )	1,187
Fubonbank Insurance Agent Co., Ltd.	58,241	29,888
Fubon Insurance Agent Co., Ltd.	217	76
Fubon Future Co., Ltd.	<u>-</u>	<u>13,529</u>
	<u>\$ 887,123</u>	<u>\$ 970,602</u>

As of December 31, 2003 and 2002, the unrealized losses due to the market value decline of long-term equity investments accounted for by equity method amounted to \$61,191 and \$106,906, respectively.

As of December 31, 2003, the market value of the Bank's equity in Kuo-Yang Construction Co., Ltd. fell below carrying value, and this decline was considered other than temporary; thus, the Bank recognized \$19,146 as loss on long-term equity investment.



Based on the average closing prices for the last month in 2003 and 2002, the market values of the listed stocks were \$1,350,336 and \$1,158,122, respectively, and the market values of Fubon Financial Holdings were \$1,347,907 and \$1,156,718, respectively.

#### 10. OTHER ASSETS—NET

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Guarantee deposits	\$ 437,715	\$ 395,996
Collaterals assumed—net	320,800	467,479
Derivative financial instrument revaluation	246,046	-
Deferred income tax assets	243,175	279,172
Leasehold assets—net	141,860	232,492
Deferred charges	110,429	69,605
Other	<u>167,379</u>	<u>7,435</u>
	<u>\$1,667,404</u>	<u>\$1,452,179</u>

#### 11. DUE TO BANKS

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Call loans	\$3,722,036	\$1,149,940
Overdraft	418,183	41,210
Deposits	203,179	308,089
Due to Central Bank	<u>63,561</u>	<u>66,749</u>
	<u>\$4,406,959</u>	<u>\$1,565,988</u>

#### 12. PAYABLES

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Notes and checks in clearing	\$2,903,737	\$2,309,611
Accrued expenses	1,019,716	811,127
Accrued interest	895,349	1,143,368
Collections for others	297,404	198,373
Acceptances	228,019	260,017
Taxes payable	120,659	110,435
Dividends and bonus payable	8,550	23,556
Forward exchange contract payable	-	2,234,559
Payables on forward exchange purchased	-	1,466,540
Other	<u>579,871</u>	<u>600,001</u>
	<u>\$6,053,305</u>	<u>\$9,157,587</u>

### 13. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Deposits		
Savings	\$ 142,585,484	\$ 126,254,077
Time	52,806,191	66,920,534
Checking	2,337,707	2,413,074
Demand	22,327,349	21,655,913
Negotiable certificates of deposit	1,259,000	1,430,200
Remittances	<u>117,416</u>	<u>167,390</u>
	<u>\$ 221,433,147</u>	<u>\$ 218,841,188</u>

### 14. BANK DEBENTURES

To maintain the capital adequacy ratio, the Bank needs to collect long-term operating capital. Thus, the Bank applied to the Bureau of Monetary Affairs of the MOF for approval to issue bank debentures amounting to NT\$30,000,000, and the MOF authorized the issuances on September 4, 2002 and March 10, 2003.

	<u>December 31</u>		<u>Maturity Date</u>	<u>Term</u>
	<u>2003</u>	<u>2002</u>		
First subordinated bank debentures issued in 2002	\$ 5,000,000	\$ 5,000,000	October 2007	Floating interest rate
Second dominant bank debentures issued in 2002	5,000,000	5,000,000	December 2007	Floating interest rate
First dominant bank debentures issued in 2003	5,800,000	-	May 2010	Floating interest rate
Second dominant bank debentures issued in 2003	2,400,000	-	June 2010	Floating interest rate
Third dominant bank debentures issued in 2003	500,000	-	July 2010	Floating interest rate
Third dominant bank debentures issued in 2003	1,300,000	-	August 2010	Floating interest rate
Fourth dominant bank debentures issued in 2003	2,000,000	-	December 2008	Floating interest rate
Fifth dominant bank debentures issued in 2003	500,000	-	December 2013	Floating interest rate
Total	<u>\$ 22,500,000</u>	<u>\$ 10,000,000</u>		

**15. OTHER LIABILITIES**

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Guarantee and marginal deposits	\$ 315,036	\$ 293,505
Suspense accounts	313,346	16,830
Derivative financial instrument revaluation	248,943	-
Value of options sold	148,938	-
Reserve for losses on guarantees	101,645	141,645
Reserve for securities trading losses	61,047	200,000
Funds received for subloans	35,954	53,732
Other	<u>-</u>	<u>14,433</u>
	<u>\$ 1,224,909</u>	<u>\$ 720,145</u>

**16. PENSION**

The Bank has a defined benefit contributory pension plan covering all regular employees. The Bank makes monthly contributions, equal to 8% of employee salaries, to the pension fund. The employees will receive benefits based on length of service years and average salary of the six months before retirement.

- a. The reconciliation of the funded status of the plan and accrued pension cost as of December 31, 2003 and 2002 are as follows:

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Benefit obligation		
Vested benefit obligation	\$ 21,553	\$ 27,868
Non-vested benefit obligation	420,014	331,926
Accumulated benefit obligation	441,567	359,794
Additional benefits based on future salaries	<u>250,434</u>	<u>234,994</u>
Projected benefit obligation	692,001	594,788
Fair value of plan assets	( <u>581,866</u> )	( <u>511,319</u> )
Funded status	110,135	83,469
Unrecognized net transition asset	852	974
Unrecognized pension loss	( <u>114,469</u> )	( <u>87,185</u> )
Prepaid pension cost	( <u>\$ 3,482</u> )	( <u>\$ 2,742</u> )

- b. Actuarial assumptions

1) Discount rate used in determining present values		
2) Future salary increase rate	3.25%	3.75%
3) Expected rate of return on plan assets	3.00%	3.25%
	3.25%	3.75%

c. The changes in the pension fund and the pension reserve are summarized below:

	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<u>2003</u>	<u>2002</u>
Balance, January 1	\$ 512,697	\$ 430,297
Contributions	74,079	76,273
Benefits paid	( 15,612 )	( 5,031 )
Interest revenue	<u>6,855</u>	<u>11,158</u>
Balance, December 31	<u>\$ 578,019</u>	<u>\$ 512,697</u>

## 17. SHAREHOLDERS' EQUITY

### a. Capital surplus

Under the Company Law and related regulations, capital surplus arising from sales of properties can only be used to reduce or offset deficit, and paid-in capital in excess of par value can be declared as stock dividend within specified limits a year. These restrictions are in accordance with regulations issued by the Securities and Futures Commission (the "SFC").

### b. Earnings appropriations and dividend policy

The board of directors amended the Bank's Articles of Incorporation on March 22, 2002. This amendment provides that the following should be appropriated from the annual net income, less any deficit:

- 1) 30% as legal reserve;
- 2) 1% to 5% of the remaining earnings as employee bonus;
- 3) Dividends to shareholders of all or part of the remainder and unappropriated earnings generated in prior years as determined by the board of directors.

Under the Company Law, legal reserve should be appropriated until the reserve equals the paid-in capital. This reserve should only be used to reduce or offset a deficit. When the reserve reaches 50% of the Bank's paid-in capital up to 50% thereof can be declared as stock dividend. The Banking Law limits the appropriation for cash dividend, and any additional dividends to shareholders are limited to 15% of the Bank's paid-in capital.

Appropriations of earnings should be resolved by the shareholders in the following year and given effect to in the financial statements of that year. Under the Financial Holdings Company Law, the Bank's board of directors will replace the function of the shareholders' meeting regulated by the Company Law.

In March 2003 and April 2002, the board of directors resolved the appropriation of 2002 and 2001 earnings, respectively, as follows:

	<u>Earnings Appropriation</u>		<u>Dividend Per Share</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Legal reserve	\$ 224,892	\$ 885,151		
Reversal of special reserve	-	( 346,380 )		
Cash dividends	518,747	2,300,000	NT\$0.2376	NT\$1.0628
Bonus to employees—cash	<u>6,000</u>	<u>21,000</u>		
	<u>\$ 749,639</u>	<u>\$ 2,859,771</u>		

The related information regarding the proposed and resolved earnings appropriation can be referred from the SEC Market Observation Post System (M.O.P.S.) website.

In addition, had aforementioned remuneration to directors and supervisors and bonus to employees (included in the appropriation of 2002 and 2001 earnings) been recognized as expenses, the basic EPS (after tax) for 2002 would have been decreased from NT\$0.35 to NT\$0.34 per share, and the basic EPS (after tax) for 2001 would have been decreased from NT\$1.37 to NT\$1.36 per share.

Under the Integrated Income Tax System, which took effect on January 1, 1998, noncorporate resident shareholders are allowed a tax credit for the income tax paid by the Bank on earnings generated since December 30, 1998.

## 18. TREASURY STOCK

(Shares in Thousands)

<u>Reason for Purchase</u>	<u>Beginning of the Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>End of the Year</u>
Reissuance to employees				
<u>For the Years ended December 31</u>				
2003	21,574	-	21,574	-
2002	27,934	-	6,360	21,574

Under the Securities and Exchange Law, the Bank is prohibited from acquiring more than 10% of the total shares issued and from incurring a purchase cost exceeding the total of the retained earnings and capital surplus (additional paid-in capital in excess of par value, capital surplus arising from gains on disposal of properties and donated capital). In addition, the Bank is prohibited from using the treasury stock to secure any of its obligations and to exercise the rights of a shareholder on those treasury stock.

Issued stock repurchased by the Bank before the recorded date of the share swap had been transferred to Fubon Financial Holdings Co., Ltd. as shares, which were reissued to the employees in March and September 2003 and March 2002.

## 19. FUNCTIONAL AND ADMINISTRATIVE EXPENSES

	For the Years Ended December 31					
	2003			2002		
	Functional Expenses	Administrative Expenses	Total	Functional Expenses	Administrative Expenses	Total
Personnel expense						
Salary expense	\$1,420,875	\$ 85,185	\$1,506,060	\$1,416,739	\$ 79,024	\$1,495,763
Pension expense	86,049	-	86,049	77,279	-	77,279
Others	37,808	62	37,870	34,958	67	35,025
	<u>1,544,732</u>	<u>85,247</u>	<u>1,629,979</u>	<u>1,528,976</u>	<u>79,091</u>	<u>1,608,067</u>
Depreciation	-	260,487	260,487	-	238,502	238,502
Amortization	-	24,628	24,628	-	15,971	15,971
Others	<u>2,184,242</u>	<u>456,278</u>	<u>2,640,520</u>	<u>1,818,470</u>	<u>464,309</u>	<u>2,282,779</u>
	<u>\$3,728,974</u>	<u>\$ 826,640</u>	<u>\$4,555,614</u>	<u>\$3,347,446</u>	<u>\$ 797,873</u>	<u>\$4,145,319</u>

## 20. INCOME TAX

Fubon Financial Holdings Co., Ltd. intended to adopt the linked tax system for income tax filings with its qualified subsidiaries, including the Bank in 2003.

### a. Income tax expense:

	For the Years Ended December 31	
	2003	2002
Current income tax payable	\$ 57,721	\$ 121
Tax (10%) on unappropriated retained earnings	68,734	-
Separate taxes on short-term bills interest revenue	43,095	48,335
Deferred income tax	35,997	( 53,029)
Prior year's adjustment	<u>20,913</u>	<u>259</u>
Income tax	<u>\$226,460</u>	<u>(\$ 4,314)</u>

### b. Reconciliation of tax on pretax income at statutory rate and current income tax payable:

	For the Years Ended December 31	
	2003	2002
Tax on pretax income at 25% statutory rate	\$1,179,293	\$ 186,321
Add (deduct) tax effects of:		
Tax-exempt income	( 438,093)	( 210,798)
Permanent difference	( 482,178)	( 529,833)
Temporary difference	( 22,576)	493,829
Investment tax credit	( 113,040)	( 22,633)
Other	<u>( 65,685)</u>	<u>83,235</u>
Subtotal	<u>57,721</u>	<u>121</u>
Current income tax payable	<u>\$ 57,721</u>	<u>\$ 121</u>

- c. Deferred income tax assets (included in “other assets”) as of December 31, 2003 and 2002 consisted of the following:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Deferred income tax assets		
Exceed for credit loss in tax limitation	\$ 234,530	\$ -
Loss carryforward	-	290,447
Investment credit	-	73,574
Unrealized losses on decline in market value of long-term bond investments	-	30,059
Other	<u>8,645</u>	<u>-</u>
	243,175	394,080
Allowance for deferred tax assets	<u>-</u>	<u>114,908</u>
Net	<u>\$ 243,175</u>	<u>\$ 279,172</u>

- d. Imputed tax credit:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Balance of shareholders’ imputed tax credit	<u>\$ 135,177</u>	<u>\$ 154,905</u>
	<b>2003</b>	<b>2002</b>
	<b>(Projected)</b>	<b>(Actual)</b>
The ratio of imputed tax credit to earnings	2.92%	26.70%

The tax credits allocable to shareholders are based on the balance of Imputation Credit Account (ICA) on the dividend distribution date. Thus, the 2003 projected tax credit ratio may vary from the actual tax credit ratio.

The unappropriated retained earnings January 1, 1998 that were included in the balances as of December 31, 2003 and 2002 were both \$1,382.

- e. Income tax returns through 2001 had been examined by the tax authorities. As a result of the tax reviews, the foregoing withholding tax totaling \$42,334 assessed by tax authorities had been recognized in 2002.

The lawsuits on foregoing withholding tax had come to compromises in January 2004 and the tax authorities will refund 65% of foregoing withholding tax for the previous years. Accordingly, the Bank accrued 35% of foregoing withholding tax amounting to \$9,345 in 2003.

## 21. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) are summarized as follows:

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After tax</u>		<u>Pretax</u>	<u>After tax</u>
<u>For the Years Ended December 31</u>					
2003	<u>\$ 4,717,211</u>	<u>\$ 4,490,751</u>	<u>2,180,019</u>	<u>\$ 2.16</u>	<u>\$ 2.06</u>
2002	<u>\$ 745,325</u>	<u>\$ 749,639</u>	<u>2,162,682</u>	<u>\$ 0.34</u>	<u>\$ 0.35</u>

## 22. RELATED-PARTY TRANSACTIONS

The Bank's related parties are as follows:

a. Related parties

<u>Name</u>	<u>Relationship to the Bank</u>
Fubon Financial Holdings Co., Ltd. (FFH) Taipei Bank	The Bank's parent company Fubon Financial Holdings' investee under the equity method
Fubon Insurance Co., Ltd.	Fubon Financial Holdings' investee under the equity method
Fubon Life Insurance Co., Ltd. (FLI)	Fubon Financial Holdings' investee under the equity method
Fubon Securities Co., Ltd.	Fubon Financial Holdings' investee under the equity method
Fubon Securities Investment Trust Co., Ltd. and affiliate funds (FSIT)	Fubon Financial Holdings' investee under the equity method
Fubon Direct Marketing Consulting Co., Ltd. (FDM)	Fubon Financial Holdings' investee under the equity method
Fubon Bills Finance Co., Ltd. (FBFC)	Equity-accounted investee
Fubon Leasing Co., Ltd.	Equity-accounted investee
Fubon Construction Management Co., Ltd. (FCM)	Equity-accounted investee
Fubonbank Insurance Agent Co., Ltd.	Equity-accounted investee
Fubon Insurance Agent Co., Ltd.	Equity-accounted investee
Citibank Co., Ltd., Taipei Branch	Affiliate
Citi Securities Co., Ltd.	Affiliate
Fubon Technology Consulting Co., Ltd. (FTC)	Affiliate
Taiwan Cellular Co., Ltd. (TCC)	Affiliate
Chung Hsing Land Development Co., Ltd. (CHLDC)	Affiliate
Ming Tong Co., Ltd. (MTC)	Affiliate
Tao Yin Co., Ltd.	Affiliate
Fubon Art Foundation (FAF)	Affiliate
Fubon Charity Foundation (FCF)	Affiliate
Fubon Securities (BVI) Co., Ltd.	Affiliate
Fubon Futures Co., Ltd.	Affiliate
Fubon Venture Capital Co., Ltd.	Affiliate
Sinostar Venture Capital Co., Ltd.	Affiliate
Fuh-Hwa Construction Management Co., Ltd.	Affiliate
Fubon Culture and Education Foundation (FCEF)	Affiliate
Taipeibank Charitable Foundation	Affiliate
Taipeibank Life Assurance Agent Co., Ltd.	Affiliate
Citi Fubon Life Insurance Company Hong Kong Limited	Affiliate
Fubon Building Management Maintain Co., Ltd. (Fubon Building Management)	Affiliate
Fubon Securities Finance Co., Ltd.	Affiliate
Fubon Land Co., Ltd.	Affiliate
Sinostar Capital Co., Ltd.	Affiliate
Fu-An Leasing Co., Ltd.	Affiliate
Fubon Entertainment Co., Ltd.	Affiliate

(Continued)



Name	Relationship to the Bank
Taiwan High Speed Rail Co., Ltd.	Affiliate
Citi Insurance Agent Co., Ltd.	Affiliate
Fubon Securities Investment Consulting Co., Ltd.	Affiliate
Fu-Sheng Properties Insurance Agent Co., Ltd.	Affiliate
Fu-Sheng Life Assurance Agent Co., Ltd.	Affiliate
Taipei City Government (TCG)	Major shareholder of parent company
Other	Directors, supervisors, managers and their relatives; equity-accounted investee

b. Significant related-party transactions are summarized as follows:

	2003				2002			
	<u>Balance as of December 31</u>	<u>% of Account Balance</u>	<u>Interest Expense</u>	<u>Rate (%)</u>	<u>Balance as of December 31</u>	<u>% of Account Balance</u>	<u>Interest Expense</u>	<u>Rate (%)</u>
1) Deposits	<u>\$ 7,451,977</u>	3.37	<u>\$ 183,833</u>	0-5.4	<u>\$ 5,602,676</u>	2.56	0-7.5	
2) Loans	<u>\$ 526,455</u>	0.38		0.4-7.25	<u>\$ 825,609</u>	0.58	2.15-8.25	
3) Due from banks								

	For the Year Ended December 31, 2003			
	<u>Ending Balance</u>	<u>% of Account Balance</u>	<u>Interest Revenue</u>	<u>Rate (%)</u>
FBFC	\$ 2,050,000	7.27	\$ 14,118	0.875-1.4
Taipei Bank	-	-	6,089	0.8-1.55
Citibank Co., Ltd., Taipei Branch	-	-	<u>985</u>	1-1.165
	<u>\$ 2,050,000</u>	<u>7.27</u>	<u>\$ 21,192</u>	

	For the Year Ended December 31, 2002			
	<u>Ending Balance</u>	<u>% of Account Balance</u>	<u>Interest Revenue</u>	<u>Rate (%)</u>
Citibank Co., Ltd., Taipei Branch	\$ 50,000	0.23	\$ 29	1.43
	-	-	US\$ 2,144	2-2.19
FBFC	\$ 1,200,000	5.59	\$ 14,804	1.4-2.43
Taipei Bank	\$ 1,000,000	4.66	\$ 1,506	1.55-1.93
	EUR\$ 2,000	0.34	EUR\$ 1	3.11
	-	-	US\$ 130	1.45-1.99

4) Due to banks

<b>For the Year Ended December 31, 2003</b>				
	<b>Ending Balance</b>	<b>% of Account Balance</b>	<b>Interest Expense</b>	<b>Rate (%)</b>
Citibank Co., Ltd., Taipei Branch	\$ 339,980	7.71	\$ 210	1.1-1.15
Taipei Bank	-	-	386	0.9-1.31
	<u>\$ 339,980</u>	<u>7.71</u>	<u>\$ 596</u>	

<b>For the Year Ended December 31, 2002</b>				
	<b>Ending Balance</b>	<b>% of Account Balance</b>	<b>Interest Expense</b>	<b>Rate (%)</b>
Citibank Co., Ltd., Taipei Branch	US\$ 5,000	11.10	US\$ 38	1.39-1.86
Taipei Bank	-	-	US\$ 43	1.71-1.83

5) Derivatives (nominal amount)

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Citibank Co., Ltd., Taipei Branch		
Interest rate swap	\$ 5,300,000	\$ 3,500,000
Foreign-currency swap	-	US\$ 20,000
Asset swap	US\$ 37,000	US\$ 55,000
Spot-rate forward	-	HK\$ 2,340
		JPY 35,538
		US\$ 20,426
FBFC		
Interest rate swap	1,000,000	-
Fubon Securities Co., Ltd.		
Asset swap	US\$ 3,000	US\$ 5,000
Interest rate swap	US\$ 7,500	-
Taipei Bank		
Spot-rate forward	-	US\$ 3,000

The gains and losses on derivative transactions with related parties for the year ended December 31, 2003 were as follows:

	<b>Account</b>	<b>Amount</b>
Interest rate swap contract	Interest revenue	\$33,221
	Interest expense	6,449
Asset swap contract	Interest revenue	88,374
Foreign-currency swap contract	Interest revenue	1,857
	Interest expense	4,082

6) Outright sales/purchases of bills and bonds

<u>Related Party</u>	<u>Types</u>	<u>For the Year Ended December 31, 2003</u>	
		<u>Buying Price</u>	<u>Selling Price</u>
FBFC	Bonds	\$ 81,288,496	\$ 82,093,804
	Bills	12,208,431	-
Fubon Insurance Co., Ltd.	Bonds	22,656	1,984,190
Fubon Securities Co., Ltd.	Bonds	9,384,299	12,884,075
FLI	Bonds	642,305	2,247,248
Citi Securities Co., Ltd.	Bonds	4,558,719	3,158,865
FFH	Bonds	46,698	1,200,887

<u>Related Party</u>	<u>Types</u>	<u>For the Year Ended December 31, 2002</u>	
		<u>Buying Price</u>	<u>Selling Price</u>
Others	Bills	\$ 3,927,397	\$ -
Others	Bonds	38,684,875	46,014,309

7) Repurchase and resale agreements

<u>Related Party</u>	<u>Types</u>	<u>For the Year Ended December 31, 2003</u>	
		<u>Dealing Price</u>	<u>Contract Price</u>
FBFC	Bills purchased under agreements to resell	\$ 578,551	\$ 578,915
FFH	Bonds sold under agreements to repurchase	1,580,313	1,600,032
FSIT	Bonds sold under agreements to repurchase	217,239,325	219,634,392

<u>Related Party</u>	<u>Types</u>	<u>For the Year Ended December 31, 2002</u>	
		<u>Dealing Price</u>	<u>Contract Price</u>
Others	Bonds sold under agreements to repurchase	\$ 1,985,000	\$ 1,985,643
Others	Bills purchased under agreements to resell	858,891	859,345

8) Lease

a) Operating lease

The Bank leases from related parties office space for its head and branch offices. Related details are as follows:

<u>Related Party</u>	<u>Lease Period</u>	<u>Rent for the Years Ended</u>	
		<u>2003</u>	<u>2002</u>
CHLDC	1-5 years	\$ 57,411	\$ 56,874
MTC	5-10 years	21,711	21,644
Fubon Insurance Co., Ltd.	1-5 years	73,158	66,072
Tao Yin Co., Ltd.	5 years	8,499	8,264
Fubon Securities Co., Ltd.	5 years	1,330	1,500
FLI	5 years	5,391	5,394
TCC	5 years	2,922	-
Taipei Bank	3 years	628	-

Rentals are paid monthly or quarterly. The Bank paid rental deposits of \$3,235 and \$5,321 for the years ended December 31, 2003 and 2002, respectively.

The Bank also rented operating space from Fubon Securities Co., Ltd. and paid rents of \$103,041 and \$117,941 for the years ended December 31, 2003 and 2002, respectively.

b) Capital lease

The Bank leases transportation equipment from Fubon Leasing Co., Ltd. under three-year capital lease agreements.

Upon expiry of the lease, the Bank became the owner of the leased equipment. The assets and liabilities on the assets leased were accounted for at a 13.65% implicit rate. The depreciation of the leased asset was computed using the straight-line method, except for the amortization of leasing liabilities and recording of interest expense for periodic rental payments. In 2003, the leased assets were sold off to the affiliate.

As of December 31, 2003 and 2002, the total amount of leased assets was as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Total leased assets	\$ -	\$ 2,050

c) Rental revenue

The Bank leased some assets to Fubon Securities Co., Ltd. and received rentals of \$1,783 and \$1,690 for the years ended December 31, 2003 and 2002, respectively. For the years ended December 31, 2003 and 2002, the Bank also received rental revenue of \$3,519 and \$1,466 from FDM, \$302 from Taipei Bank for the year ended December 31, 2003.

9) Insurance

a) Property insurance

The Bank entered into several contracts with Fubon Insurance Co., Ltd. for the years ended December 31, 2003 and 2002. The details are as follows:

<u>Insured Items</u>	<u>Insurance Period</u>	<u>Insurance Amount</u>	<u>Insurance Expense</u>
<u>2003</u>			
Office facilities	2002.8.5-2004.4.20	\$ 2,506,373	\$ 1,815
Electronic facilities	2003.11.1-2004.11.1	763,002	2,671
Combined insurance for bank and insurance items placed with the bank for safekeeping case	2003.8.2-2004.8.2	472,500	4,115
Public accident	2003.4.20-2004.4.20	90,000	329
Other	-	-	35,967
<u>2002</u>			
Electronic, office, facilities, combination insurance for bank and insurance for items placed with the bank for safekeeping case	-	3,008,618	4,861
Other	-	-	22,971

b) Life insurance

The Bank paid \$22,149 and \$15,000 to FLI for the employees' group safety insurance for the years ended December 31, 2003 and 2002, respectively.

10) Donation

	<u>For the Years Ended December 31</u>	
	<u>2003</u>	<u>2002</u>
FCF	\$ 13,367	\$ 36,363
FAF	2,400	3,050
FCEF	1,400	400

11) Bank debentures

FLI obtained first subordinated bank debentures amounting to \$500,000, which were issued by the Bank in October 2002. The Bank paid FLI the related interest of \$196,960 for the year ended December 31, 2003.

12) Securities purchased

The Bank bought 72,943,000 units of mutual funds amounting to \$794,973, which were issued by FSIT.

13) Income tax refund receivable

The parent company (FFH) of the Bank adopted the linked tax system to file the income tax returns. As a result, the Bank receives 152,255 of tax refunds from FFH and pays 4,839 of tax payables to FFH in 2003 and 2002, respectively.

14) Property transactions

The Bank sold its entire equity in Fubon Futures Co., Ltd. to Fubon Securities Co., Ltd. for considerations of \$216,967 and had been received before December 31, 2003.

15) Others

	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Service fee—FSIT	\$ 238,409	\$ 162,159
Service fee—FDM	85,370	-
Building administrative expense—Fubon Building Management	18,671	-
Investigating fee—FCM	6,975	4,240
Agency fee for stock—Fubon Securities Co., Ltd.	650	600
Consulting fee—FTC	350	-

The amount of receivable and payable is not significant.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates offered to employees for savings and loans of up to prescribed limits.

Under the Banking Law, except for consumer loans and government loans, credits extended by the Bank to any related party should be secured 100%, and the terms of credits extended to related parties should be similar to those for third parties.

### 23. PLEDGED ASSETS

As of December 31, 2003 and 2002, the following assets had been provided as refundable deposits:

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Cash—negotiable certificates of deposits	\$ 8,800,000	\$ 3,200,000
Due from Central Bank	1,200,000	3,200,000
Securities purchased	<u>1,040,400</u>	<u>1,370,360</u>
	<u>\$11,040,400</u>	<u>\$ 7,770,360</u>

The above negotiable certificates of deposits and due from Central Bank—deposit were provided as collateral for the day-term overdraft in joining the Central Bank's clearing system of Real-time Gross Settlement (RTGS). The pledged amount may be adjusted on the basis of the overdraft amount.

Securities purchased were placed with the (a) courts of justice for various collection cases on overdue loans, (b) National Credit Card Center to secure the Bank's potential obligations on its credit card activities, and (c) Central Bank of China to secure its potential obligations on its trust activities.

As of December 31, 2003, the Bank had no secured obligation.

## 24. CONTINGENCIES AND COMMITMENTS

Commitments, excluding those shown separately in Note 28, are summarized as follows:

- |    |  |              |
|----|--|--------------|
| a. | Bonds and short-term bills amounting to \$25,935,709, sold under agreements to repurchase by November 16, 2004 | \$25,972,893 |
|    | Bonds and short-term bills amounting to \$6,069,117, purchased under agreements to resell by February 24, 2004 | 6,073,084    |
- b. The Bank has several operating lease agreements covering office spaces. As of December 31, 2003, the related refundable lease deposits aggregated \$73,892 (part of "other assets"). Under agreements with the lessors, interest on \$41 of these refundable deposits serves as the Bank's rental payments. Future minimum rentals under these leases are as follows:

<u>Year</u>	<u>Amount</u>
2004	\$ 234,143
2005	207,298
2006	144,332
2007	98,486
2008	65,043

Rentals for the years beyond 2008 amount to \$108,684, with present value of about \$105,281 as discounted at the Bank's one-year time deposit rate on January 1, 2004.

- c. Litigation

Four clients of the Bank sued it for negligence and claimed damages of \$118,738. On September 5, 2003, the Taipei Court passed a decision directing the Bank to pay the damages claimed plus interest and the related litigation fee, which totaled \$156,321. The total damages were paid in the last quarter of 2003.

- d. Balance sheets and trust property of trust accounts

### Balance Sheet of Trust Accounts December 31, 2003

<u>Trust Assets</u>		<u>Trust Liabilities and Equities</u>	
Bank deposits	\$ <u>1,030</u>	Trust capital	
Short-term investments		Money trust	\$45,347,444
Mutual funds	27,279,402	Securities trust	180,290
Stocks	180,000	Real-estate trust	218,594
Bonds	16,711,712	Money credit trust	<u>1,096,829</u>
Overseas stocks	<u>1,355,086</u>		<u>46,843,157</u>
	<u>45,526,200</u>	Reserve and accumulated earnings	
Real estate		Net income	( <u>808</u> )
Land	216,633		
Building	<u>1,657</u>		
	<u>218,290</u>		
Other			
Money credit	<u>1,096,829</u>		
Total trust assets	<u>\$46,842,349</u>	Total trust liabilities and equities	<u>\$46,842,349</u>

**Property of Trust Accounts  
December 31, 2003**

<u>Investment Portfolio</u>	<u>Amount</u>
Bank deposits	\$ 1,030
Short-term investments	
Mutual funds	27,279,402
Stocks	180,000
Bonds	16,711,712
Overseas stocks	<u>1,355,086</u>
	<u>45,526,200</u>
Real estate	
Land	216,633
Buildings	<u>1,657</u>
	<u>218,290</u>
Other	
Money credit	<u>1,096,829</u>
Total	<u>\$46,842,349</u>

**25. CAPITAL ADEQUACY RATIO**

The Banking Law and related regulations require that the Bank maintain a stand-alone and consolidated capital adequacy ratios of at least 8%. If the Bank's capital adequacy ratio falls below 8%, the Ministry of Finance may impose certain restrictions on the level of cash dividends that the Bank may declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

As of December 31, 2003, the stand-alone capital and consolidated adequacy ratios of the Bank were 13.76% and 15.27%. As of December 31, 2002, the stand-alone capital adequacy ratio of the Bank was 13.89%.

**26. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES**

Average balances are calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

	<u>December 31</u>			
	<u>2003</u>		<u>2002</u>	
	<u>Average Balance</u>	<u>Average Rate (%)</u>	<u>Average Balance</u>	<u>Average Rate (%)</u>
<u>Interest-earning assets</u>				
Due from banks	\$ 566,542	0.32	\$ 622,515	1.02
Call loans	23,624,238	1.20	20,324,004	2.10
Due from Central Bank	21,296,393	1.39	17,975,771	2.47
Securities purchased	60,558,852	5.57	41,248,379	8.34
Loans, discounts and bills purchased	117,052,638	4.84	121,859,356	5.13

(Continued)



	<b>December 31</b>			
	<b>2003</b>		<b>2002</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-bearing liabilities</u>				
Due to banks	\$ 268,881	1.83	\$ 313,646	3.03
Call loans from banks	5,175,373	1.17	2,300,393	1.82
Demand deposits	89,382,072	0.48	79,312,586	1.25
Staff's demand saving deposits	955,154	4.56	881,541	6.43
Time deposits	47,772,194	1.61	59,826,345	2.60
Foreign-currency time deposits	13,101,172	1.20	15,011,009	1.89
Time savings deposits	68,862,774	2.04	61,709,412	3.15

## 27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of the Bank's assets and liabilities is based on the period from the balance sheet dates up to the maturity dates specified under related agreements, or, if there are no specified maturity dates, on expected dates of collection.

	<b>December 31, 2003</b>				
	<b>Due in Three Months</b>	<b>Due from After Three Months to Six Months</b>	<b>Due from After Six Months to One Year</b>	<b>Due After One Year</b>	<b>Total</b>
<u>Assets</u>					
Due from Central Bank	\$ 1,100,000	\$ 14,220,740	\$ -	\$ 1,900,000	\$ 17,220,740
Due from banks	28,143,829	26,360	10,000	-	28,180,189
Securities purchased	10,541,463	199,984	1,908,167	31,349,747	43,999,361
Loans, discounts and bills purchased (excluding nonperforming loans)	15,219,534	5,912,475	4,819,205	110,280,847	136,232,061
Long-term investments—bonds	175,044	-	33,998	433,609	642,651
	<u>\$ 55,179,870</u>	<u>\$ 20,359,559</u>	<u>\$ 6,771,370</u>	<u>\$ 143,964,203</u>	<u>\$ 226,275,002</u>
<u>Liabilities</u>					
Due to banks	\$ 4,140,219	\$ 266,740	\$ -	\$ -	\$ 4,406,959
Deposits and remittances	77,157,811	72,369,427	61,034,989	10,870,920	221,433,147
Bank debentures	-	-	-	22,500,000	22,500,000
	<u>\$ 81,298,030</u>	<u>\$ 72,636,167</u>	<u>\$ 61,034,989</u>	<u>\$ 33,370,920</u>	<u>\$ 248,340,106</u>
	<b>December 31, 2002</b>				
	<b>Due in Three Months</b>	<b>Due from After Three Months to Six Months</b>	<b>Due from After Six Months to One Year</b>	<b>Due After One Year</b>	<b>Total</b>
<u>Assets</u>					
Due from the Central Bank	\$ -	\$ 8,282,457	\$ 2,190,000	\$ -	\$ 10,472,457
Due from banks	20,918,106	547,203	-	-	21,465,309
Securities purchased	15,547,380	604,219	435,041	21,088,335	37,674,975
Loans, discounts and bills purchased (excluding nonperforming loans)	18,236,625	6,144,051	5,573,905	113,949,669	143,904,250
Long-term investments—bonds	320,305	69,560	-	580,056	969,921
	<u>\$ 55,022,416</u>	<u>\$ 15,647,490</u>	<u>\$ 8,198,946</u>	<u>\$ 135,618,060</u>	<u>\$ 214,486,912</u>

(Continued)

	December 31, 2002				
	Due in Three Months	Due from After Three Months to Six Months	Due from After Six Months to One Year	Due After One Year	Total
<u>Liabilities</u>					
Due to banks	\$ 1,149,940	\$ 316,048	\$ 100,000	\$ -	\$ 1,565,988
Deposits and remittances	67,567,436	73,304,846	67,695,622	10,273,284	218,841,188
Bank debentures	-	-	-	10,000,000	10,000,000
	<u>\$ 68,717,376</u>	<u>\$ 73,620,894</u>	<u>\$ 67,795,622</u>	<u>\$ 20,273,284</u>	<u>\$ 230,407,176</u>

## 28. FINANCIAL INSTRUMENTS

### a. Derivative financial instruments

The Bank enters into forward exchange, foreign-currency swap, interest rate swap and option contracts for trading purposes, i.e., to accommodate customers' needs and to manage its exposures. The Bank enters into interest rate swap, asset swap, foreign-currency swap and cross-currency swap for nontrading purposes, i.e., to hedge the effects of foreign exchange or interest rate exposure on foreign-currency assets or liabilities. The Bank's hedge strategy is to use instruments with fluctuations in their fair values that offset changes in the fair values of the underlying exposures. The Bank also periodically evaluates the effectiveness of the instruments.

The Bank is exposed to credit risk on counter-parties' default on contracts. Thus, the Bank reviews each customer's credit history and credit rating before approving the financial instrument arrangement and the credit limit. An appropriate guarantee would be required from the customer. If the customer is another bank, it will be evaluated on the basis of its world ranking and credit rating.

The contract (nominal) amounts, credit risks, and fair values of derivative transactions are as follows:

	December 31					
	2003			2002		
	Contract (Nominal) Amount	Credit Risk	Fair Value	Contract (Nominal) Amount	Credit Risk	Fair Value
<u>Non-trading purposes</u>						
Interest rate swap contracts	\$ 32,500,000	\$ 71,636	(\$ 207,549)	\$ 14,500,000	\$ 57,273	(\$ 44,627)
Asset swap contracts	1,996,884	22,890	( 83,382)	3,885,580	39,853	( 27,080)
Foreign-currency swap contracts	-	-	-	5,392,513	35,083	34,522
Cross-currency swap contracts	2,481,854	-	( 56,186)	-	-	-
<u>Trading purposes</u>						
Forward exchange contracts	4,036,087	24,719	17,930	935,124	4,182	2,037
Foreign-currency swap contracts	89,594,182	229,698	54,857	-	-	-
Interest rate swap contracts	17,074,820	24,328	( 228,812)	-	-	-
Option contracts—short option	6,699,004	-	151,590	104,340	-	-
Option contracts—long option	6,529,014	150,425	150,425	104,340	-	-

The Bank calculates the fair value of each contract at the forward rate for the remaining term quoted from Reuters or the Telerate Information System. The fair value of an individual asset swap contract is calculated on the basis of quotations from the Bloomberg Information System.

The contract or notional amounts are used solely as a basis for calculating the amounts to settle with counter-parties. That is, the contract or notional amounts do not represent the actual cash inflows or outflows; thus, no significant cash demand is expected.

The gains and losses on derivative transactions for the year ended December 31, 2003 were as follows:

	<u>Account</u>	<u>Amount</u>
Interest rate swap contracts	Interest revenue	\$ 590,979
	Interest expense	408,025
Asset swap contracts	Interest revenue	129,122
	Interest expense	82
Cross-currency swap contracts	Interest revenue	23,729
	Interest expense	20,106
Forward exchange contracts	Foreign exchange gain	15,893
Foreign-currency swap contracts	Interest revenue	134,328
	Interest expense	140,927
Foreign-currency option contracts	Loss from derivative financial transactions	9,449

b. Fair value of nonderivative financial instruments

	<u>December 31</u>			
	<u>2003</u>		<u>2002</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Assets</u>				
Assets with fair value approximate carrying value	\$ 227,256,709	\$ 227,256,709	\$ 213,663,861	\$ 213,663,861
Securities purchased	43,999,361	44,046,871	37,674,975	38,962,715
Long-term equity investments	9,759,144	9,942,603	9,735,285	9,842,079
Long-term bonds investments	456,501	456,501	831,528	831,528
<u>Liabilities</u>				
Liabilities with fair value approximate carrying value	254,744,401	254,744,401	239,912,000	239,912,000

Methods and assumptions applied in estimating the fair value of nonderivative financial instruments are as follows:

- 1) The carrying values of cash, due from banks, due from Central Bank, receivables, due to Central Bank, due to banks, remittances, payables and accrued pension cost approximate their fair values because of the short maturity of these instruments.
- 2) Loans, bills purchased, discounts, deposits, funds received for sub-loans and bank debentures are interest-earnings assets and interest-bearing liabilities. Thus, their carrying value represent current fair value.
- 3) If market prices for securities purchased, long-term equity investments and long-term bond investments are available, the fair values of these financial instruments are based on these market prices. If market prices are unavailable, then their carrying values represent fair values.
- 4) The fair value of refundable guarantee deposits and guarantee deposits are based on their carrying values since such deposits do not have specific dates.

Not all of the fair values of all financial and nonfinancial instruments are presented above. Therefore, the total fair values disclosed do not represent the Bank's aggregate values.

c. Financial instruments with off-balance-sheet credit risks

The Bank has significant credit commitments principally relating to customer financing activities. For the years ended December 31, 2003 and 2002, the interest rates for loans ranged from 1.49% to 14.20% and from 3.15% to 13.91%, respectively, and the highest interest rate for credit cards was 19.69% for both periods. The Bank also issues financial guarantees and standby letters of credit to guarantee customers' obligations to third parties. There was no concentration of maturity dates in one period that would potentially result in liquidity problems to the Bank.

The contract amounts of financial instruments with off-balance-sheet credit risks were as follows:

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Credit line of credit cards	\$ 202,871,370	\$ 251,580,554
Financial guarantees and standby letters of credit	10,009,255	6,578,724

The total commitment amounts do not necessarily represent future cash requirements since most of the commitments are expected to expire without being drawn upon. The Bank is exposed to losses of up to the total amount of the commitments (without taking into account the value of any collateral) if counter-parties default.

The Bank evaluates the creditworthiness of each credit application case by case, taking into account the applicant's credit history, credit rating and financial condition. Collateral, mostly in the form of real estate, cash, inventories and marketable securities, may be required depending on the result of the creditworthiness evaluation. As of December 31, 2003 and 2002, about 52.59% and 58.87%, respectively, of total loans granted were secured.

No collateral is required for credit card facilities but the credit status of each credit cardholder is closely monitored. Depending on the results of the credit status monitoring, appropriate measures are adopted, which include amending the credit limit and, if necessary, canceling the facility.

## 29. CONCENTRATIONS OF RISK

The Bank has no credit risk concentration in any counter-party or groups of counter-parties engaged in similar business activities or activities in the same region that would cause the Bank's ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. However, as of December 31, 2003 and 2002, there were certain concentrations of risk, as follows:

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
Third-party individuals	\$93,973,353	\$90,021,975
Manufacturing	17,108,132	19,700,204
Finance, insurance and real-estate	9,615,092	14,279,297
Business and commerce	9,385,047	8,326,223
Construction	4,479,567	1,810,944

The net positions of the main foreign-currency transactions as of December 31, 2003 and 2002 were as follows:

	<b>December 31</b>					
	<b>2003</b>		<b>2002</b>			
	<b>Foreign-currency Amounts (in Thousands)</b>	<b>New Taiwan Dollar Amounts (in Thousands)</b>	<b>Foreign-currency Amounts (in Thousands)</b>	<b>New Taiwan Dollar Amounts (in Thousands)</b>		
Net positions of main foreign-currency with market risk	USD	35,458	1,205,492	USD	41,166	1,431,766
	EUR	959	40,981	HKD	7,891	35,187
	HKD	2,449	10,722	EUR	391	14,263
	JPY	26,858	8,535	JPY	45,991	13,498
	NZD	272	6,070	GBP	119	6,616

### 30. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Commission:

- a. Information on significant transactions and investees.
  - 1) Financing provided: None
  - 2) Endorsement/guarantee provided: None
  - 3) Marketable securities held: Table 1 (attached)
  - 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$100 million or 20% of the issued capital: Table 2 (attached)
  - 5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the issued capital: None
  - 6) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the issued capital: None
  - 7) Total purchase from or sales to related-parties amounting to at least NT\$100 million or 20% of the issued capital: Not applicable
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the issued capital: None
  - 9) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 3 (attached)
  - 10) Derivative financial transactions: The derivative financial instruments of the Bank are disclosed in Note 28, and the derivative transactions of Fubon Bills Finance Co., Ltd. (FBFC) were as follows:

## FBFC

FBFC enters into derivative financial instruments contracts with counter-parties to (1) hedge its interest rate fluctuation exposures on bills and bonds position, (2) obtain favorable fixed rate on IRS, and (3) gain higher interest yield on IRS, FRA, and short call option on interest rate option. The outstanding derivative financial instruments as of December 31, 2003 was as follows:

- 1) The contract amounts, credit risks:

	<u>December 31, 2003</u>	
	<u>Contract Amount</u>	<u>Credit Risk</u>
<u>Trading purposes</u>		
Interest rate swap contracts (IRS)	\$ 2,720,000	\$ -
Short call option on interest rate option	3,200,000	-
Forward rate agreements (FRA)	1,000,000	1,634
<u>Non-trading purposes</u>		
Interest rate swap contracts (IRS)	5,000,000	-
Short call option on convertible bonds	20,000	-

Credit risk is the exposure to loss if a counter-party defaults on related contracts. All counter-parties to the derivative transactions are worldwide ranking financial institutions with long-term credit rating of at least "A" by an international credit rating organizations. Thus, the associated credit risk is deemed very limited, and no significant losses resulting from counter-party defaults are anticipated.

- 2) Market risk

Market risk results from the fluctuations in interest rates. FBFC has entered into IRS and FRA contracts to hedge interest rate fluctuations in the bonds and bills market. Thus, the risks on fluctuating interest rates will be offset by the interest revenue from and expense for the assets and liabilities being hedged.

- 3) Liquidity risk and risk of cash flows

The contract amounts are used only to calculate the amounts to settle with counter-parties. Thus, the nominal amount do not represent the actual cash inflows or outflows.

- 4) The gains and losses on derivative financial instruments

	<u>For the Year Ended December 31, 2003</u>
<u>Trading purposes</u>	
Interest rate swap contracts	(\$ 13,257)
Short call option on interest rate option	3,115
Forward rate agreements	800

(Continued)

	<b>For the Year Ended December 31, 2003</b>
	<u>2003</u>
<u>Non-trading purposes</u>	
Interest rate swap contracts	\$ 2,049
Forward rate agreements	<u>20</u>
	( \$ <u>7,273</u> )

As of December 31, 2003, the outstanding balances of derivative financial instruments which will account for balance sheet were as follows:

	<b>December 31, 2003</b>
	<u>2003</u>
Trading purposes:	
Put premium (part of “other current liabilities”)	<u>\$4,595</u>
Interest receivable (payable) (part of “receivables—accrued interests”)	
Trading purposes	\$ 129
Non-trading purposes	<u>628</u>
	<u>\$ 757</u>

b. Investment in mainland China: None.

### 31. SEGMENT AND GEOGRAPHIC INFORMATION

The Bank engages only in banking activities as prescribed by the Banking Law and has no single customer that accounts for 10% or more of the Bank’s operating revenues, and has no overseas units. Thus, no segment and geographic information is required to be disclosed.

TABLE 1

## FUBON BANK CO., LTD.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2003

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003				Note
				Shares/Units/ Face Amount (in Thousands)	Carrying Value (Note 1)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Fubon Bank Co., Ltd.	<u>Stock</u>							
	Fubon Bills Finance Co., Ltd.	Equity-accounted investee	Long-term equity investments	453,373	\$ 6,085,481	100.00	\$ 6,091,413	Note 2
	Fubon Leasing Co., Ltd.	Equity-accounted investee	Long-term equity investments	99,990	765,528	99.99	765,528	Note 2
	Fubon Construction Management Co., Ltd.	Equity-accounted investee	Long-term equity investments	4,273	45,842	30.00	45,842	Note 2
	Fubonbank Insurance Agent Co., Ltd.	Equity-accounted investee	Long-term equity investments	190	64,819	95.00	64,819	Note 2
	Fubon Insurance Agent Co., Ltd.	Equity-accounted investee	Long-term equity investments	198	2,303	99.00	2,303	Note 2
	Fubon Financial Holdings Co., Ltd.	Parent company	Long-term equity investments	41,654	1,164,336	0.50	1,347,907	Note 3
	Kuo-Yang Construction Co., Ltd.	-	Long-term equity investments	422	2,571	0.14	2,459	Note 3
	Taiwan High Speed Rail Co., Ltd.	-	Long-term equity investments	50,694	500,000	1.01	768,133	Note 4
	Fubon Securities Finance Co., Ltd.	-	Long-term equity investments	35,715	337,011	5.67	427,049	Note 4
	Taiwan Fixed Network Co., Ltd.	-	Long-term equity investments	20,000	200,000	0.22	208,327	Note 4
	Taiwan Asset Management Co., Ltd.	-	Long-term equity investments	20,000	200,000	1.14	214,101	Note 4
	Taiwan Aerospace Corp.	-	Long-term equity investments	6,553	65,528	1.25	51,105	Note 4
	Apex Venture Capital Co., Ltd.	-	Long-term equity investments	5,000	50,000	4.67	47,512	Note 4
	Taiwan Financial Asset Service Co., Ltd.	-	Long-term equity investments	5,000	50,000	2.94	50,722	Note 4
	Tai Mall Development Co., Ltd.	-	Long-term equity investments	4,160	49,920	1.57	42,463	Note 4
	Financial Information Services Co., Ltd.	-	Long-term equity investments	4,550	45,500	1.14	67,229	Note 4
	Pacific Venture Capital Co., Ltd.	-	Long-term equity investments	4,000	41,500	3.33	38,398	Note 4
	Fubon Venture Capital Co., Ltd.	-	Long-term equity investments	2,500	25,000	5.00	20,049	Note 4
	Hon-Ja Venture Capital Co., Ltd.	-	Long-term equity investments	2,000	24,000	3.77	16,691	Note 4
	SinoStar Venture Capital Co., Ltd.	-	Long-term equity investments	2,000	20,000	4.17	18,012	Note 4
	Hsin Yu Cogeneration Co., Ltd.	-	Long-term equity investments	814	10,005	0.33	5,547	Note 4
	Taiwan Futures Co., Ltd.	-	Long-term equity investments	900	9,000	0.45	13,760	Note 2
	Taipei Forex Inc.	-	Long-term equity investments	80	800	0.40	1,215	Note 4
	<u>Bond</u>							
	Berjaya Group Capital Ltd.	-	Long-term bond investments	US\$ 3,000	22,053	-	22,053	Note 6
	Victor-Taichung Inve.t. Co.	-	Long-term bond investments	US\$ 2,500	84,995	-	-	Note 5
	Pacific Construction	-	Long-term bond investments	US\$ 3,000	101,994	-	20,399	Note 5
	Republic of Indonesia	-	Long-term bond investments	US\$ 5,145	161,625	-	161,625	Note 6
	CMC Magnetics Corp.	-	Long-term bond investments	US\$ 3,000	101,994	-	101,994	Note 6
	Maga Fin. Holding Co.	-	Long-term bond investments	US\$ 5,000	169,990	-	169,990	Note 6
Fubon Leasing Co., Ltd.	<u>Stock</u>							
	Fubon Financial Holdings Co., Ltd.	Parent company	Long-term equity investments	9,974	383,920	0.12	322,759	Note 3
	Tai-Shi Co., Ltd.	-	Long-term equity investments	4,314	35,891	4.93	52,640	Note 4
	Hon-Ja Venture Capital Co., Ltd.	-	Long-term equity investments	2,650	26,500	5.00	22,137	Note 4
	Yen-Tai Foreign Exchange Co., Ltd.	-	Long-term equity investments	240	2,400	2.00	8,855	Note 4
	Jan-Do International Technology Co., Ltd.	-	Long-term equity investments	4,000	-	5.00	-	Note 4

(Continued)



Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003				Note
				Shares/Units/ Face Amount (in Thousands)	Carrying Value (Note 1)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Fubon Construction Management Co., Ltd.	<u>Beneficiary certificate</u> Fubon Wish II Beneficiary	Beneficiary certificate issued by the affiliate	Short-term investments	9,532	\$ 133,000	-	\$ 133,007	Note 7

Note 1: Foreign-currency amounts were translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

Note 2: Net asset values (on December 31, 2003) were based on the investees' audited financial statements.

Note 3: Market prices of listed and over-the-counter stocks were based on the average daily closing prices in December 2003.

Note 4: Net asset values were based on the investees' unaudited financial statements for the latest period.

Note 5: The allowance were \$84,995 and \$81,595, respectively.

Note 6: Market prices were determined at the closing price on December 31, 2003.

Note 7: Market prices were determined at the net asset value on December 31, 2003.

## FUBON BANK CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
 (Amounts in Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount
Fubon Bank Co., Ltd.	Stock Fubon Futures Co., Ltd.	Long-term equity investments	Fubon Securities Co.	Fubon Bank Co., Ltd. and Fubon Securities Co. are both subsidiaries of Fubon Financial Holdings.	19,500	\$ 217,877	-	\$ -	19,500	\$ 216,967	\$ 217,877	(\$ 910)	-	\$ -

## FUBON BANK CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE  
 DECEMBER 31, 2003  
 (Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2003			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2003	December 31, 2002	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Fubon Bank Co., Ltd.	Fubon Bills Finance Co., Ltd.	Taipei	Bond and stock underwriting, guarantee, and endorsement	\$ 3,910,329	\$ 3,910,329	453,373	100.00	\$ 6,085,481	\$ 825,344	\$ 840,402	Note
	Fubon Leasing Co., Ltd.	Taipei	Sales, maintenance and lease of machinery and equipment	999,900	999,900	99,990	99.99	765,528	( 11,376)	( 11,375)	
	Fubon Construction Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	30,000	30,000	4,273	30.00	45,842	( 1,204)	( 362)	
	Fubonbank Insurance Agent Co., Ltd.	Taipei	Life insurance agent	1,900	1,900	190	95.00	64,819	61,306	58,241	
	Fubon Insurance Agent Co., Ltd.	Taipei	Property insurance agent	1,980	1,980	198	99.00	2,303	220	217	

Note: Net income from the investee included (1) the amortization of the difference between acquisition cost and the equity in the investee; and (2) reversal of unrealized transaction.



## Contact Information – Corporate Headquarter and Branches

Branch	Address	Telephone
Head Office	169, Jen Ai Road, Sec.4, Taipei, city	( 02 ) 27716699
Business Department	B1, 169 Jen Ai Rd., Sec. 4, Taipei City	( 02 ) 27787717
Trust Department	138 Min Sheng E. Rd., Sec. 3, Taipei City	( 02 ) 27186888
Chungshan Branch	13 Min Sheng E. Rd., Sec. 1, Taipei City	( 02 ) 225115511
Nanking E Rd Branch	1-2F, 139 Nanking E. Rd., Sec. 2, Taipei City	( 02 ) 25155518
Minsheng Branch	138 Min Sheng E. Rd., Sec. 3, Taipei City	( 02 ) 27185151
Jen Ai Branch	237 Chien Kuo S. Rd., Sec. 1, Taipei City	( 02 ) 23258878
Kaohsiung Branch	1 Liouhe 1st Rd., Hsinhsing District, Kaohsiung City	( 07 ) 2391515
Taoyuan Branch	476 Chung Cheng Rd., Taoyuan City	( 03 ) 3350335
Taichung Branch	196 Liu Chuan W. Rd., Sec. 2, Taichung City	( 04 ) 22221911
Sungshan Branch	421 Sung Shan Rd., Taipei City	( 02 ) 27281199
Tucheng Branch	100 Chung Yang Rd., Sec. 1, Tucheng City, Taipei County	( 02 ) 22709898
Tainan Branch	166-6 Chung Shan Rd., Tainan City	( 06 ) 2290266
Fengshan Branch	223 Tze Yu Rd., Feng Shan City, Kaohsiung City	( 07 ) 77482088
Chungli Branch	119 Chung Pei Rd., Sec. 2, Chungli City, Taoyuan County	( 03 ) 4595766
Sanchung Branch	279 Cheng Yi N. Rd., Sanchung City, Taipei County	( 02 ) 29806688
Pateh Branch	968 Chieh Shou Rd., Sec. 1, Pateh City, Taoyuan County	( 03 ) 3616565
Chiayi Branch	395 Jen Ai Rd., Chiayi City	( 05 ) 2231688
Lingya Branch	39 Chung Hua 4th Rd., Chienchen Dist., Kaohsiung City	( 07 ) 3318822
Panchiao Branch	266 Wen Hua Rd., Sec. 1, Panchiao City, Taipei County	( 02 ) 22549999
Pei Taichung Branch	333 Wen Hsin Rd., Sec. 4, Taichung City	( 04 ) 22426222
Sanmin Branch	48 Ta Shuen 2nd Rd., Sanmin Dist., Kaohsiung City	( 07 ) 3871299
Chienkuo Branch	196 Chien Kuo N. Rd., Sec. 2, Taipei City	( 02 ) 25151775
Hsinchu Branch	141 Chung Cheng Rd., Hsinchu City	( 03 ) 5278988
Hsintien Branch	266 Pei Hsin Rd., Sec. 2, Hsin Tien City, Taipei County	( 02 ) 29129977
Tienmu Branch	36 Tien Mu E. Rd., Taipei City	( 02 ) 28763232
Hsichih Branch	175 Da Tong Rd., Sec. 1, Hsi Chih City, Taipei County	( 02 ) 26411689
Huanbei Branch	392 Huan Bei Rd., Sec. 2, Chungli City, Taoyuan County	( 03 ) 4265199
Yungkang Branch	856 Da Wan Rd., Yungkang City, Tainan County	( 06 ) 2736099
Chengchung Branch	9 Shiang Yang Rd., Taipei City	( 02 ) 23885889
Mucha Branch	69 Hsinglung Rd., Sec. 3, Taipei City	( 02 ) 86639889
Hsinchuang Branch	445 Hua Cheng Rd., Hsinchuang City, Taipei County	( 02 ) 85213399
Hsinying Branch	301 Min Chi Rd., Hsinying City, Tainan County	( 06 ) 6569889
Pingtung Branch	459 Ho Ping Rd., Pingtung City	( 08 ) 7336899
Chienchen Branch	289 Pao Tai Rd., Chienchen Dist., Kaohsiung City	( 07 ) 7170055
Tunnan Branch	108 Tun Hua S. Rd., Sec. 1, Taipei City	( 02 ) 87719898
Shuangho Branch	3 Pao Sheng Rd., Yung Ho City, Taipei County	( 02 ) 89230888
Yuanlin Branch	596 Chukuang Rd., Yuanlin City, Changhua County	( 04 ) 8369189

Luotung Branch	286 Hsin Tung Rd., Luotung Town, Ilan County	( 03 ) 9566611
Neihu Branch	62 Ruey-hu St, Taipei City	( 02 ) 26591088
Keelung Road Mini-Branch	172-1, Keelung Rd., Sec. 2, Taipei City	( 02 ) 66388988