

¹ Unallocated items mainly comprise interest income derived from shareholders' funds not used by the business segments, staff housing loans and the related interest income and funding costs, staff deposits and the related interest expenses and the head office premises, furniture, fixtures and equipment and the related depreciation.

² The losses for the year ended 31 December 2003 and 2002 incurred by Real Estate were mainly caused by the decline in value of the properties acquired under lending agreements during the year.

Geographical segments

The geographical segment analysis is based on the locations of the principal operations of the subsidiaries or on the location of the branches of the Bank responsible for reporting the results or booking the assets, the location of customers and the location of the assets. For the year ended 31 December 2003 and 2002, all of the Group's operating income and profit before taxation were generated by assets booked by the principal operations of the branches and subsidiaries of the Bank located in Hong Kong. More than 90% of assets were either located in Hong Kong or were extended to companies and individuals domiciled in Hong Kong. The balance of the assets were extended to companies and individuals domiciled outside Hong Kong, mainly in China.

REVIEW OF 2003 PERFORMANCE

ECONOMIC REVIEW

SARS brought the Hong Kong economy to a halt for almost three months in the second quarter of 2003. Aircraft arrivals fell by 75%, passenger loads plummeted to below 30%, hotel occupancy dropped to 10%, and retail sales fell 14% in April at the height of the outbreak. Unemployment jumped, reaching 8.6% for the April-June period. Personal bankruptcies continued at high levels, after having surged from 9,151 in 2001 to 25,328 in 2002; in the first half of 2003 they jumped to 15,665. Both consumer and corporate loan demand evaporated. Between January and September lending fell by 3%. SARS effectively halted property sales, and the sharply reduced transactions reflected distress sales, forcing property prices down. Residential prices, which had already declined 65% from their peak in October 1997, suffered a 7-8% decline in the second quarter alone.

In the midst of all of these difficulties, the people of Hong Kong responded with the spirit that has been the hallmark of Hong Kong's success over the years. Facing the mystery of SARS, citizens quickly addressed environmental issues, and the medical profession was magnificent in caring for the victims of this frightening disease. Growing confidence and capital inflows helped initiate a revival in the second half of the year. Unemployment fell to 7.3% by the end of December. The Hang Seng Index rose to 12,594 in mid-December from its low point of 8,409 in April. 29 IPOs were launched between June and December. GDP expanded by 4.0% in the third quarter, with estimates of 10% in the fourth quarter. Although the Consumer Price Index continued to decline year on year for the full 12 months of 2003, prices in December were higher than those in November, holding out the prospect of an end of deflation which had run 62 consecutive months since late 1998.

The first half of 2003 provided an extremely unfavourable environment for the financial industry. Banks suffered from a loss of loan demand, continuing bankruptcies, and a sharp fall in the value of repossessed assets. Although signs of recovery emerged in the second half of the year, revenues still suffered in a year on year comparison. IBA focused on banking fundamentals to mitigate the effect these economic forces and to position itself for economic recovery.

IBA PERFORMANCE

Net interest income of HK\$604 million declined 14% year on year because average loan outstandings declined while deposits continued to increase, alone with narrowed margins experienced by the banking industry as a whole. Although loans declined during the first six months of the year, growth was achieved in the second half. Through promotion of the pacesetter Magic Money Manager account, an interest-bearing demand deposit, IBA's deposit base expanded dramatically, with the proportion of low cost deposits jumping from 18% in December 2002 to 34% in December 2003. The introduction of attractive new investment products helped increase other operating income by 16%, and the implementation of more advanced risk management systems cut bad debt provisions by half. Operating profit after provisions but before gains on the investment portfolio increased 14% year-on-year to HK\$59 million, showing the combined effect of gain in non-interest income and the sharp reduction of loan loss provisions. Another strong year in realising gain on investment securities helped offset the impact of SARS and provisions for decline in repossessed properties.

IBA has accelerated the transition from a traditional retail bank organised along business lines to an integrated, customer-centric institution. Product design, delivery channels, relationship banking responsibility and risk management are incorporated in a continuously linked process, with key committees acting as the nodes in this chain. Semi-annual planning conferences bring together representatives from every area of the bank to analyse key issues and develop a comprehensive approach. Expanding the customer base, developing new products and services, adding delivery channels and integrating product expertise with customer relationship reinforced IBA's franchise.

SUBSEQUENT EVENTS

On 8 September 2003 Fubon Financial and IBA jointly announced that, subject to the satisfaction of certain pre-conditions (such as relevant regulatory approvals being obtained), Fubon Financial would make a voluntary conditional cash offer to acquire the whole of the issued share capital of IBA. ABC on the same day irrevocably undertook to accept such offer if made by Fubon Financial in respect of all of its 55% shareholding in IBA. After the pre-conditions were met, Fubon Financial made the voluntary conditional cash offer on 16 February 2004 and ABC tendered their acceptance in respect of all of their 55% shareholding in IBA on the same day. The offer closed on 8 March 2004, with Fubon Financial acquiring in aggregate 75.08% of the issued share capital of IBA.

Fubon Financial provides a comprehensive range of financial products and services, including commercial banking, non-life and life insurance, securities brokerage, asset management and investment banking services, with more than 7 million customers served through a network of more than 330 bank branches and 9,000 sales and marketing representatives. As of December 31, 2003 Fubon Financial had shareholders' funds of approximately US\$4.4 billion and total assets of US\$37.5 billion. Fubon Financial currently is one of the leading financial services groups in Taiwan. Its wide range of financial services companies were reorganized under the Fubon Financial holding company in 2001; Fubon Financial was one of the first financial services holding companies to be listed on the Taiwan Stock Exchange and its shares trade under the symbol "2881".

FINAL DIVIDEND

In view of the special interim dividend paid on 16 February 2004 as mentioned in Note 5, the Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2003 at the forthcoming Annual General Meeting to be held on 22 April 2004.

PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SHARES

The Bank has not redeemed any of its listed shares during the year ended 31 December 2003. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's listed shares during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

No director of the Bank is aware of information which would reasonably indicate that the Bank is not or was not in compliance with the Code of Best Practice, as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 of the Listing Rules at any time during the year ended 31 December 2003.

Remark: A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Ivan Young
Company Secretary

Hong Kong, 19 March 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Bank will be held in the Auditorium, 7th Floor, International Bank of Asia Building, 38 Des Voeux Road Central, Hong Kong on Thursday, 22 April 2004 at 10:00 am for the following purposes:

ORDINARY BUSINESS

- (1) To receive and consider the Audited Accounts and the Reports of the Directors and Auditors for the year ended 31 December 2003;
- (2) To elect Directors of the Bank and to authorise the Board of Directors to fix their remuneration;
- (3) To appoint Auditors of the Bank; and

SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions:

- (4) **THAT**
 - (a) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Bank to allot, issue and deal with any unissued shares in the capital of the Bank and to make or grant offers, agreements and options which would or might require any unissued shares of the Bank to be allotted and issued be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph 4(a) shall authorise the Directors during the Relevant Period to make and grant offers, agreement and options which would or might require shares to be allotted, issued or disposed of after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted and issued, or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise), by the Directors pursuant to the approval in paragraph 4(a), shall not exceed (i) a Rights Issue (as defined in paragraph (d) below); (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Bank and/or any of its subsidiaries of shares or rights to acquire shares of the Bank; (iii) any scrip dividend or similar arrangement providing for the allotment of shares of the Bank in lieu of the whole or part of a dividend payable in respect of shares of the Bank in accordance with the Articles of Association of the Bank; or (iv) any specific authority, shall not exceed the sum of (aa) 20 (twenty) per cent of the aggregate nominal amount of the share capital of the Bank in issue as at the date hereof and (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Bank) the aggregate nominal amount of the share capital of the Bank repurchased by the Bank since the granting of the general mandate (up to a maximum number of shares as will represent 10 (ten) per cent of the issued share capital of the Bank) as at the date hereof, and the said approval shall be limited accordingly; and
 - (d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

 - (i) the conclusion of the next annual general meeting of the Bank; or
 - (ii) the expiration of the period within which the next annual general meeting of the Bank is required by the Companies Ordinance to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Bank in general meeting; and

"Rights Issue" means an offer of shares or other securities open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holding of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory including without limitation, arrangements relating to the disposal of shares or other securities which, by reason of such exclusions or arrangements, are not allotted to the shareholders which would otherwise have been entitled thereto).
- (5) **THAT**
 - (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Bank to repurchase issued shares in the capital of the Bank on The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Bank may be listed and recognised by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited for this purpose be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of share capital repurchased by the Bank pursuant to the approval in paragraph 5(a) shall not exceed 10 (ten) per cent of the issued share capital of the Bank as at the date hereof and the said approval shall be limited accordingly.
 - (c) for the purposes of the Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

 - (i) the conclusion of the next annual general meeting of the Bank; or
 - (ii) the expiration of the period within which the next annual general meeting of the Bank is required by the Companies Ordinance to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Bank in general meeting.
- (6) **THAT** the Directors of the Bank be and they are hereby authorised to exercise the powers of the Bank referred to in paragraph (a) of the Resolution set out as Resolution (4) in the notice of the meeting of which this Resolution forms a part in respect of the share capital of the Bank referred to in sub-paragraph (bb) of paragraph (c) of such Resolution.

By Order of the Board
Ivan Young
Company Secretary

Hong Kong, 19 March 2004

Note: A member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote in his or her place. A proxy need not be a member. All proxies must be deposited with the Company Secretary at the Registered Office of the Bank not less than 48 hours before the time of the Meeting.



IBA Credit Limited

NOTICE UNDER SECTION 161BA(5) OF THE COMPANIES ORDINANCE (CAP. 32)

IBA Credit Limited hereby gives notice that its Annual General Meeting will be held on Thursday, 22 April 2004 at 9:00 am at the International Bank of Asia Building, 38 Des Voeux Road Central, Hong Kong.

By Order of the Board
Admiralty Finance Company Limited
Secretaries

Dated this 19th day of March, 2004.