

International Bank of Asia Limited

(港基國際銀行有限公司)

(Incorporated in Hong Kong under the Companies Ordinance)

PRELIMINARY ANNOUNCEMENT OF 2003 FINAL RESULTS

Advances to customers - by industry sectors

2.

Options writter

Hedging Exchange rate contracts - Swaps Interest rate contracts - Interest rate swaps

<u>Trading</u> Exchange rate contracts – Forward exchange contracts

Swaps Options purchased

Options written

Hedging Exchange rate contracts - Swaps Interest rate contracts - Interest rate swaps

Options purchased

3. 4.

SUMMARY OF RESULTS

The Directors of International Bank of Asia Limited ("the Bank") are pleased to announce the audited consolidated results¹ of the Bank and its subsidiaries ("the Group") for the year ended 31 December 2003. The financial information presented on this report is prepared on a basis consistent with the accounting policies and methods adopted in the 2002 annual financial statements except for the accounting policy change made thereafter in adopting a revised Statement of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA")². **Consolidated Income Statement**

Consolidated Income Statement				
	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)	%
Interest income Interest expense		947,786 (343,872)	1,107,708 (401,986)	
Net interest income Other operating income	3	603,914 201,927	705,722 173,894	-14.43 16.12
Operating income Operating expenses		805,841 (488,844)	879,616 (456,865)	-8.39 7.00
Operating profit before provisions and gains Charge for bad and doubtful debts Provision for investments and assets acquired under lending agreements		316,997 (186,713) (71,463)	422,751 (338,975) (32,263)	-25.02 -44.92
Total provisions		(258,176)	(371,238)	
Operating profit after provisions Gains less losses from disposal of non-trading securi	ties	58,821 90,896	51,513 170,355	-46.64
Profit before taxation Income tax	4	149,717 (11,579)	221,868 (1,424)	-32.52
Profit attributable to shareholders		138,138	220,444	-37.34
Dividends declared and proposed Earnings per share (Hong Kong Cents)	5 6	351,648 11.78	140,659 18.81	-37.37
Extracts from Consolidated Balance Sheet	0			
		As a 31 Decembe	er 31	As at December
		200 HK\$'00	0	2002 HK\$'000
ASSETS			((Restated)
Cash on hand Short term funds		82,36 7,101,06		91,511 2,116,538
Placements with banks maturing between one and two Trade bills less reserves and certificates of deposit	elve months	1,525,92 392,03		735,030 291,220
Advances to customers less reserves		15,566,43	2 1	4,961,429
Accrued interest and other accounts Investments in securities		1,266,36 10,721,33		1,063,557 1,788,328
Investment in associated company Fixed assets		8,94 1,224,33		9,874 1,256,447
		37,888,80		2,313,934
LIABILITIES		155 12		220.260
Deposits and balances of banks and other financial ir Deposits from customers	istitutions	475,43 28,796,41	9 2	330,369 2,070,807
Certificates of deposit issued Short position in Exchange Fund Bills		2,651,64 1,577,56		1,810,494 4,094,931
Other accounts and liabilities		603,56		239,949
CADITAL DESOURCES		34,104,63	7 2	8,546,550
CAPITAL RESOURCES Share capital		1,172,16		1,172,160
Share premium Reserves		749,77 1,862,23		749,778 1,845,446
		3,784,17		3,767,384
Concellidated Statement of Changes in Fasity		37,888,80	8 3	2,313,934
Consolidated Statement of Changes in Equity		200	3	2002
		HK\$'00		HK\$'000 Restated)
Shareholders' equity at 1 January As previously reported		3,765,93	5	3,671,832
Prior period adjustment arising from change in acc policy for deferred taxation	counting	1,44	9	5,975
As restated		3,767,38	4	3,677,807
Realisation of revaluation (surplus)/deficit of non-tra Net change in fair value of non-trading securities	ading securities	s (2,21 26,05		3,854 (6,152)
Net losses not recognised in the income statement as	previously rep			(2,298)
Deferred taxation (2002 as restated)		(4,53		368
Net gains/(losses) not recognised in the income stateme Net profit for the year	ent (2002 as resi	tated) 19,30	ð 	(1,930)
As previously reported Prior period adjustment arising from change in accounting policy for deferred taxation				225,338 (4,894)
Profit attributable to shareholders (2002 as restated) Dividends declared and paid during the year		138,13 (140,65		220,444 (128,937)
Shareholders' equity as at 31 December		3,784,17	1	3,767,384
Consolidated Cashflow Statement	200)3	2002	
	HK\$'000	HK\$'000	(Restated) HK\$'000) HK\$`000
Operating activities Profit before taxation	149,717		221,868	
Adjustments for non-cash items: Depreciation	54,919		53,606	
Charge for bad and doubtful debts Advances written off net of recoveries	186,713 (185,152)		338,975 (484,712)	
Provisions for investments and assets acquired under lending agreement	71.463		32.263	

	As at	As a
	31 December 2003	31 December 2002
	HK\$'000	HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
 Property development 	69,691	237,151
 Property investment 	2,860,186	2,836,200
- Financial concerns	205,792	234,694
 Stockbrokers 	28,746	28,983
 Wholesale and retail trade 	116,675	183,904
- Manufacturing	1,485,924	1,340,140
- Transport and transport equipment	496,537	516,784
- Others	2,283,172	2,231,622
ndividuals		
- Loans for the purchase of flats in the Home Ownership Scheme		
and Private Sector Participation Scheme	20,626	24,056
- Loans for the purchase of other residential properties	6,857,637	6,134,708
 Credit card advances 	449,121	541,078
- Others	694,619	640,401
	15,568,726	14,949,721
Trade finance	123,223	166,957
Loans for use outside Hong Kong	76,195	44,905
in the second from group		
	15,768,144	15,161,583

Repossessed assets and assets acquired under lending agreements The total repossessed assets and assets acquired under lending agreements of the Group as at 31 December 2003 amounted to HKS591,033,000 (2002; HKS722,459,000). Advances to customers on which interest is being placed in suspense or on which interest accrual has ceased ("Non-performing advances") The non-performing advances, together with the aggregated amount of specific reserves held and amount of collateral held in respect of

	As at 31 December	2003	As at 31 December 1	2002
	HK\$'000	¹ %	HK\$'000	1%
Non-performing advances"				
- Rescheduled	85,631	0.54	8,694	0.06
- Others	314,252	1.99	253,698	1.67
	399,883	2.53	262,392	1.73
mount of specific reserves held against				
non-performing advances	73,138		55,735	
nount of collateral held in respect of				
non-performing advances ⁱⁱⁱ	301,247		168,516	
	374,385		224,251	
mount of interest suspended	33,885		34,257	
As a percentage of gross advances to customers.				
Net of suspended interest.				
Including expected recoveries of HK\$10.42 million (20	002: HK\$11.73 million)	from companies in	liquidation.	
mandara adamaras ta anatamana				

. Overdue advances to cust	omers				
		As 31 Decem			s at nber 2002
			% of		% of
		HK\$'000	gross advances	HK\$'000	gross advances
Overdue advances to cust 6 months or less but ove		50,923	0.32	73,838	0.49
1 year or less but over 6		134,126	0.85	28,170	0.19
Over 1 year		100,944	0.64	139,455	0.92
		285,993	1.81	241,463	1.59
Amount of collateral held overdue advances ⁱⁱ	in respect of	225,913		161,595	
Secured overdue advances Unsecured overdue advanc	es	218,365 67,628		152,132 89,331	
onsecured orerade durane		285,993		241,463	
Amount of specific reserve	a mada against	200,000		241,405	
overdue advances	s made against	54,163		53,288	
Net of suspended in	erest				
	ecoveries of HK\$10.42 million (.	2002: HK\$11.73 milli	on) from companies i	n liquidation.	
			31 December	As at	As a 1 December 2002
				\$'000	HK\$'000
Advances overdue for mor	e than 3 months and on which int	erest is still			
	accrual overdue advances") onths or less and on which interes	st is being placed		221	6,399
in suspense or on which	interest accrual has ceased	it is senig placed			
	it not overdue advances") verdue advances and non-perfo	under a decomora	11	4,111	27,328
Reconciliation between o	verdue advances and non-perio	rming advances		As at	As a
			31 December		1 December 2002
Overdue advances to custo	mers			\$ <i>'000</i> 5,993	HK\$'000 241,463
Less: Interest accrual over			20	(221)	(6,399
Add: Interest non-accrual	out not overdue advances		11	4,111	27,328
Non-performing advances			39	9,883	262,392
Rescheduled advances to	customers				
		As 31 Decem			s at nber 2002
			% of		% 0)
		HK\$'000	gross advances	HK\$'000	gross advances
Rescheduled advances to					
Interest accrual reschedule Interest non-accrual resche		198,272 85,631	1.26 0.54	191,428 8,694	1.20
		283,903	1.80	200,122	1.32
Amount of collateral held	in respect of	200,700	1.05	200,122	1.52
rescheduled advances	in respect of	246,574		176,247	
Secured rescheduled advan	ces	234,620		169,260	
Unsecured rescheduled adv		49,283		30,862	
		283,903		200,122	
Amount of specific reserve	es made against				
rescheduled advances		16,208		14,535	
	advances which have been over	lue for over three mo	nths and were report	ed in Note (5) Ove	erdue advances te
customers. Analysis of overdue asset					
	,				Tota
			Loans	Accrued interest	overdue assets
As at 31 December 2003			Loans 53'000	HK\$'000	assets HK\$'000
Overdue for					
6 months or less but ove 1 year or less but over 6			50,923 34,126	6 0	50,929 134,126
Over 1 year			00,944	0	100,944
		25	15.993	6	285.999

285,993

Derivatives arise from forward, swap and option transactions undertaken by the Group in the foreign exchange, interest rate and equity markets. The contractual amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

date; they do not represent amounts at risk. The trading transactions include positions arising from the execution of trade orders from customers and transactions taken to hedge these positions. No significant proprietary positions are maintained by the Group. The hedging contracts are used to hedge the Group's own exposure to market risks as part of its asset and liability management.

Group's own exposure to market risks as part of its asset and liability management. The replacement costs and credit risk-weighted amounts of the off-balance sheet exposures disclosed in parts (a) and (b) of this note do not take into account the effects of bilateral netting arrangements. They are assessed in accordance with the HKMA's guidelines which implement the Basle agreement on capital adequacy. Replacement cost represents the cost of replacing all contracts which have a positive value when marked to market. The credit risk-weighted amount refers to the amount as computed in accordance with the Third Schedule to the Hong Kong Banking Ordinance capital adequacy and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments, and from 0% to 50% for exchange rate and interest rate contracts.

11. Foreign exchange exp

			As at 31 Dec	cember 2003		
	US		New Zealand	Australian		
Equivalent in HK\$'Million	Dollars	Euros	Dollars	Dollars	Others	Total
Spot assets	5,467	914	547	1,290	947	9,165
Spot liabilities	(7,008)	(606)	(447)	(1,199)	(809)	(10,069)
Forward purchases	6,050	1,640	42	677	1,011	9,420
Forward sales Net option position	(4,579)	(1,951)	(132)	(737)	(1,149)	(8,548)
Net long/(short) position	(70)	(3)	10	31	0	(32)
	US		New Zealand	Australian		
	Dollars	Euros	Dollars	Dollars	Others	Total
Net structural position	0	0	0	0	0	0
			As at 31 De	cember 2002		
	US		New Zealand	Australian		
Equivalent in HK\$'Million	Dollars	Euros	Dollars	Dollars	Others	Total
Spot assets	4,204	287	450	920	230	6,091
Spot liabilities	(4,945)	(195)	(379)	(865)	(441)	(6,825)
Forward purchases	1,547	185	4	165	543	2,444
Forward sales	(803)	(279)	(75)	(214)	(338)	(1,709)
Net option position	0	0	0	0	0	0
Net long/(short) position	3	(2)	0	6	(6)	1
	US		New Zealand	Australian		
	Dollars	Euros	Dollars	Dollars	Others	Total
Net structural position	0	0	0	0	0	0

12. Cross-border claims

285,999

1,612 N/A

89,118

25,862

44,947

70.809

159,927

Replacement

costs HK\$'000

188

0 500 N/A

688

25,977

28.860

54.837

0 N/A

11,822

20,419

12,630

33,049

44,871

2002 Credit risk

weighted

amounts HK\$'000

306 4,525

N/A

4,834

7,108

6,643

13,751

18,585

265,473 265,473

4,642,310

7,623,301

2,536,810 10,160,111

14,802,421

Contractual

amounts HK\$'000

694,953

905,091 171,652 176,657

1,948,353

956,296

1,034,648

1.990.944

3,939,297

15. Segmental reporting

The information of cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

As at 31 December 2003 Figures in HK\$'Million	Banks and other financial institutions	Public sector entities	Others	Tot
Asia Pacific excluding Hong Kong				
– Australia	562	0	211	77
 Singapore Japan 	1,478 15	0 0	45 0	1,52
– Japan – Others	15	0	71	
North America	5	0	/1	
– Canada	107	0	1	1
- United States	200	1,632	34	1,8
Caribbean				
- Bermuda	0	0	12	
- Cayman Islands	0	0	81	
– Others Middle East – Bahrain	0 233	0 0	80 0	2
Western Europe	233	0	0	2.
- Belgium	15	0	0	
- Germany	11	Ő	ŏ	
- Italy	2	156	0	1
- Luxembourg	41	0	19	
 Netherlands 	458	0	0	4
- Switzerland	227	0	0	2
- United Kingdom	1,237	0 0	7	1,2
- Others	5	0	0	
	4,594	1,788	561	6,9
s at 31 December 2002 g <i>ures in HKS' Million</i> sia Pacific excluding Hong Kong				
	Banks and			
	other financial	Public sector	0.1	
0	institutions	entities	Others	To
Asia Pacific excluding Hong Kong				
– Australia	356	0	0	3
- Singapore	1,989	0	0	1,9
 China Others 	15	5	$0 \\ 40$	
North America	15	0	40	
- Canada	102	0	1	1
- United States	13	1	127	i
Caribbean				
 Cayman Islands 	0	0	79	
- Others	0	0	197	1
Middle East – Bahrain	157	0	0	1
Western Europe				
– Belgium	3	0	0	
– Germany – France	164	0	0 2	1
– Prance – Netherlands	275	0	0	2
– United Kingdom	689	0	4	6
- Others	14	0	39	
	3,781	6	489	4,2
Capital adequacy and liquidity ratios			2003	20
			%	20
Unadjusted capital adequacy ratio at year end			19.79	20.
Adjusted capital adequacy ratio at year end			19.72	21.
Average liquidity ratio for December			57.89	52.
Average liquidity ratio for the year ended 31 D	ecember		59.37	49.
The unadjusted capital adequacy ratio is comput purposes, and is in accordance with the Third Sc market risk is computed on the same consolida <i>Market Risks</i> ^{**} issued by the HKMA.	hedule of the Hong Kong Banking	Ordinance. The adjuste	d capital adequacy rat	io incorporati
The average liquidity ratio for the year is com of the " <i>Return of Liquidity Position of an Aut</i> Hong Kong Banking Ordinance.				
The components of the total capital base after (MA(BS)3) calculated in accordance with the				quacy Retur
		31 December	As at 2003 31	As December 20

	31 December 2003 HK\$'000	31 December 2002 HK\$'000 (Restated)
Core capital Paid up ordinary share capital Reserves (including retained earnings) Share premium	1,172,160 1,774,178 749,778	1,172,160 1,665,529 749,778
Eligible supplementary capital Reserves on revaluation of land and interests in land Reserves on revaluation of holdings of securities	36,868	36,868
not held for trading purposes General reserves for doubtful debts	1,917 126,239	(20,522) 129,545
Total capital base before deductions Deductions from total capital base	3,861,140 (69,821)	3,733,358 (73,463)
Total capital base after deductions	3,791,319	3,659,895

(Increase)/decrease in operating assets: Short-term funds with original maturity

under lending agreement

of over three months	772,406		(523,804)	
Placements maturing between one and twelve months			(1.50,0.50)	
with original maturity of over three months	176,672		(158,852)	
Trade bills and certificates of deposit Advances to customers	(100,547) (606,561)		62,263 1,568,498	
Accrued interest and other accounts	(280,773)		(319,014)	
Trading securities	(91,302)		(8,970)	
Non-trading securities	(8,818,136)		1,587,721	
		(8,948,241)		2,207,842
Increase/(decrease) in operating liabilities:				
Deposits and balances of banks			(10,100)	
and other financial institutions	145,066		(48,198)	
Deposits from customers Certificates of deposit issued	6,725,612 841,153		(175,110) 195,494	
Short position in Exchange Fund Bills	(2,517,363)		4,094,931	
Other accounts and liabilities	360,090		(4,802)	
		5,554,558		4,062,315
Net cash (used in)/generated from operations		(3,116,023)		6,432,157
Hong Kong Profits Tax paid		(8,050)		(21,809)
Hong Kong Profits Tax refunded		1,972		2,934
Net cash (used in)/generated from operating activitie	s	(3,122,101)		6,413,282
Investing activities				
Payments for purchase of fixed assets	(22,811)		(39,944)	
Net proceeds from disposal of fixed assets	0		9,728	
Repayment from investment in associated company	927		1,875	
Net cash used in investing activities		(21,884)		(28,341)
Financing activities Dividends paid	(140,659)		(128,937)	
Net cash used in financing activities		(140,659)	(120,707)	(128,937)
0				
Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at 1 January		(3,284,644) 11,994,001		6,256,004 5,737,997
Cash and cash equivalents at 31 December		8,709,357		11,994,001
Cashflows from operating activities include:				
		2003 HK\$'000		2002 HK\$`000
Texternation of the d				
Interest received		916,916		1,128,846
Interest paid Dividends received		(338,093) 4,630		(427, 421) 3,790
Dividends received		4,030		5,790

71,463

277,660

32,263

162,000

Notes:

1. The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements. Certain financial information in this prelimary announcement is extracted from the statutory financial statements for the year ended 31 December 2003, which will be available from the website of The Stock Exchange of Hong Kong Limited. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2004.

upminu on uose financial statements in their report dated 19 March 2004. In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystalise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with the revised SSAP 12 issued by the HKSA, the Group adopted a new policy for deferred tax. As a result of the adoption of this accounting policy, the Group's profit for the year has been increased by HKS4,033,000 (2002 (as restated): reduced by HKS4,894,000) and the net assets as at the year-end have been increased by HKS48,8948,000 (2002 (as restated): HKS1,449,000). 2.

Other operating income included gains less losses from dealing in trading securities amounting to HK\$2,899,000 (2002: HK\$1,922,000). In March 2003, the Hong Kong Government announced an increase in the Profit Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase is taken into account in the preparation of the Group's 2003 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2003 is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the year. 4. 5, Dividends declared and proposed

	2003	2002
	HK\$'000	HK\$'000
Interim dividend declared and paid of 4.00 cents (2002: 4.00 cents) per share	46,886	46,886
Special dvidiend declared during the year of 26.00 cents (2002: Nil cent) per share* Final dividend of Nil cent (2002: proposed on 25 February 2003,	304,762	0
of 8.00 cents) per share	0	93,773
of 8.00 cents) per share	0	93,773
	351,648	140,659

A Board resolution was passed on 19 December 2003 to declare a special interim divided for 2003 of HKS0.26 per share subject to the satisfaction (or, if applicable, waiver) of the Relevant Pre-Conditions (as referred to in the joint announcement dated 6 December 2003 made by the Bank and Fubon Financial Holdings Co., Ltd ("Fubon Financial")). This special interim divided dis not recognised as a dividend payable in these financial statements as, at the balance sheet date, it was subject to the satisfaction or waiver of the Relevant Pre-Conditions (or, 10 February 2004, these Pre-Conditions were satisfied and the special interim divided to talling HKS304,761,600 was paid on 16 February 2004.

totalling HKS304,761,600 was paid on 16 February 2004. Earnings per share are calculated based on the profit attributable to shareholders of HKS138,138,000 (2002: HKS220,444,000) on 1,172,160,000 (2002: 1,172,160,000) ordinary shares in issue during the year. There were no convertible loan capital, options, or warrants outstanding which would cause a dilution effect on the earnings per share. On 16 February 2004, Fubon Financial made a general offer for the whole of the Bank's issued share capital. Arab Banking Corporation accepted the offer on the same day for all of its 55% shareholding in the Bank. As a result, Fubon Financial became the ultimate holding company of the Bank. 7.

Prior to the close of the general offer on 8 March 2004, Tendai Limited (wholly owned subsidiary of China Everbright Limited) has also accepted Fubon Financial's offer in respect of its 20% shareholding in the Bank.

Supplementary Financial Information 1.

Advances to customers less reserves		
	2003 <i>HK\$'000</i>	2002 HK\$'000
Advances to customers Reserves for doubtful debts	15,768,144	15,161,583
- General	(126,145)	(129,455)
- Specific	(75,567)	(70,699)
	15,566,432	14,961,429

					Total
				Accrued	overdue
Ac	at 31 December 2002		Loans \$`000	interest HK\$'000	assets HK\$'000
	erdue for	11K	3 000	11K\$ 000	11K\$ 000
	months or less but over 3 months	7	3,838	96	73,934
	year or less but over 6 months		8,170	0	28,170
C	Over 1 year		9,455	0	139,455
		24	1,463	96	241,559
Inve	estments in securities				
				2003	2002
			1	HK\$'000	HK\$'000
	n-trading securities at fair value				
Det	ot securities Listed in Hong Kong			0	449,685
_	Listed outside Hong Kong		1	,622,266	449,005
-	Unlisted		8	,939,767	1,279,277
			10	,562,033	1,728,962
Eau	tity shares				
-	Listed in Hong Kong			40,559	31,094
-	Unlisted			20,110	20,941
				60,669	52,035
Sub	-total		10	,622,702	1,780,997
Tra	ding securities at fair value*				
-	Debt securities			98,633	7,331
Tota	al		10	,721,335	1,788,328
*	Trading securities are all unlisted and are issued	by public sector entities			
	non-trading securities are issued by:	by public sector entities.			
1 ne	non daamig seeannes are issued oy.			2003	2002
			1	HK\$'000	HK\$'000
Cen	tral governments and central banks		8	,536,000	449,685
	lic sector entities			936,496	455,779
	iks and other financial institutions porate entities			743,839 406,367	476,772 398,761
001	porate entities				
			10	,622,702	1,780,997
	-balance sheet items				
(a)	Contingent liabilities and commitments The following is a summary of the contractus	and risk-weighted amoun	te of each signifi	icant class of contings	nt liabilities and
	commitments:	ii and iisk-weighted amoun	ts of each signifi	cant class of continge	int matinties and
		200		20	
		Contractual	Credit risk weighted	Contractual	Credit risk weighted
		amounts	amounts	amounts	amounts
		HK\$'000	HK\$'000	HK\$ '000	HK\$'000
	Direct credit substitutes	439,445	439,445	454,437	454,437
	Transaction-related contingencies	10,194	5,097	8,912	4,450
	Trade-related contingencies Undrawn loan facilities	194,322	38,864	386,342	22,770
	 with an original maturity of 				
	under 1 year or which are				
	unconditionally cancellable	4,997,652	0	5,492,194	(
			314,740	656,002	
	 with an original maturity of 	629.478			328.002
	 with an original maturity of 1 year or over 	629,478 797,873	159,575	153,372	
	 with an original maturity of 	797,873	159,575		30,674
	 with an original maturity of l year or over Forward forward deposits placed 			153,372 7,151,259	328,002 30,674 840,339
(b)	 with an original maturity of l year or over Forward forward deposits placed Derivatives	797,873 7,068,964	159,575 957,721	7,151,259	30,674 840,339
(b)	 with an original maturity of l year or over Forward forward deposits placed 	797,873 7,068,964	159,575 957,721	7,151,259 derlying assets or indice	30,674
(b)	 with an original maturity of l year or over Forward forward deposits placed Derivatives	797,873 7,068,964	159,575 957,721	7,151,259	30,674 840,339
(b)	 with an original maturity of l year or over Forward forward deposits placed Derivatives	797,873 7,068,964 value depends on the value o Contra	159,575 957,721 of one or more und	7,151,259 lerlying assets or indice 2003 Credit risk weighted	30,674 840,335 es. Replacemen
(b)	 with an original maturity of l year or over Forward forward deposits placed Derivatives	797,873 7,068,964 value depends on the value o Contra am	159,575 957,721 of one or more und	7,151,259 derlying assets or indice 2003 Credit risk weighted amounts	30,674 840,335 es. Replacement costs
(b)	 with an original maturity of 1 year or over Forward forward deposits placed Derivatives Derivatives refer to financial contracts whose v 	797,873 7,068,964 value depends on the value o Contra am	159,575 957,721 of one or more und	7,151,259 lerlying assets or indice 2003 Credit risk weighted	30,674 840,335 es. Replacement costs
(b)	 with an original maturity of l year or over Forward forward deposits placed Derivatives	797,873 7,068,964 value depends on the value o Contra am	159,575 957,721 of one or more und	7,151,259 derlying assets or indice 2003 Credit risk weighted amounts	30,674 840,335 es. Replacement costs
(b)	 with an original maturity of year or over Forward forward deposits placed Derivatives Derivatives refer to financial contracts whose values of the provided o	797,873 7,068,964 value depends on the value of Contra am <i>HK</i> 1,98	159,575 957,721 of one or more und netual ounts \$'000 9,459	7,151,259 lerlying assets or indice 2003 Credit risk weighted amounts <i>HKS'000</i> 7,181	30,674 840,335 es. Replacemen costs <i>HK\$'000</i> 86,682
(b)	with an original maturity of 1 year or over Forward forward deposits placed Derivatives Derivatives Derivatives refer to financial contracts whose v <u>Trading</u> Exchange rate contracts - Forward exchange contracts - Swaps	797,873 7,068,964 value depends on the value of Contra am <i>HK</i> 1,98 92	159,575 957,721 of one or more und actual ounts \$'000 9,459 8,247	7,151,259 2003 Credit risk weighted amounts <i>HKS'000</i> 7,181 4,641	30,674 840,335 es. Replacement costs <i>HKS'000</i> 86,682
(b)	 with an original maturity of year or over Forward forward deposits placed Derivatives Derivatives refer to financial contracts whose vertices <u>Trading</u> <u>Exchange rate contracts</u> – Forward exchange contracts – Options purchased 	797,873 7,068,964 value depends on the value of Contra am <i>HK</i> 1,98 92 59	159,575 957,721 of one or more und actual ounts \$'000 9,459 8,247 0,129	7,151,259 2003 Credit risk weighted amounts <i>HKS'000</i> 7,181 4,641 0	30,674 840,335 es. Replacement costs HKS'000 86,682 0 824
(b)	with an original maturity of 1 year or over Forward forward deposits placed Derivatives Derivatives Derivatives refer to financial contracts whose v <u>Trading</u> Exchange rate contracts - Forward exchange contracts - Swaps	797,873 7,068,964 value depends on the value of Contra am <i>HK</i> 1,98 92 59	159,575 957,721 of one or more und actual ounts \$'000 9,459 8,247	7,151,259 2003 Credit risk weighted amounts <i>HKS'000</i> 7,181 4,641	30,674 840,335 es. Replacement costs <i>HKS'000</i> 86,682

Segmental reporting								
Segment information is presented in resp as the primary reporting format because								
Kong.							-1	
The Bank and its subsidiaries are principal Consumer Banking mainly comprises the				-			cing mainly	comprises
deposit account services, residential mo- equipment, auto and other consumer leas of credit card advances.	rtgage and oth	er consumer	lending. H	ire purchase	lending inc	ludes both	personal and	corporate
Corporate Banking business covers trade					-			
Investment Banking activities mainly con		0		-				
Treasury activities are mainly the provisi management of trading securities, exect overall funding of the Group.								
Real Estate is responsible for the manage	ment and orde	rly realisatio	on of the Gro	oup is reposse	essed prope	rties and pr	operties acqu	ired under
lending agreements. Unallocated items mainly comprise the	e central man	agement uni	it. managem	ent of inves	tments in	securities.	premises an	1 property
management and other activities which ca	annot be reaso	nably allocat	ed to specif		egments.	,		
2003	Consumer Banking	Corporate Banking	Investment Banking	Treasury	"Real Estate	ⁱ Unallocated	Inter-segment Elimination	Consolidated
Interest income from external customers	HK\$'000 543,056	HK\$'000 95,460	HK\$'000 27,554	HK\$'000 273,122	HK\$'000 0	HK\$'000 8.594	HK\$'000 0	HK\$'000 947,786
Interest expense to external customers	(253,920)	(26,732)	(22,605)	(38,848)	0	(1,767)	0	(343,872)
Inter-segment income Inter-segment expense	279,548 (45,549)	0 (18,398)	20,918 0	0 (199,875)	0 (13,437)	0 (23,207)	(300,466) 300,466	0
Net interest income	523,135	50,330	25,867	34,399	(13,437)	(16,380)	0	603,914
Other operating revenue from external customers	84,382 0	14,111	56,961	35,552	12,293	7,507 35,153	(25 152)	210,806
Inter-segment revenue Fees and commission expenses	(596)	(72)	(1,354)	(6,327)	0	(530)	(35,153)	(8,879)
Other operating income	83,786	14,039	55,607	29,225	12,293	42,130		201,927
Operating income	606,921	64,369	81,474	63,624	(1,144)	25,750		805,841
Operating expenses Inter-segment expenses	(266,420) (31,186)	(37,934) (1,041)	(46,518) (2,263)	(34,262) (663)	0	(103,710)	35,153	(488,844)
Operating profit/(loss)	309,315	25,394	32,693	29 600	(1.14)	(77,960)		316.997
before provisions and gains Charge for bad and doubtful debts	309,315 (163,616)	25,394 (20,056)	32,693 (2,225)	28,699 0	(1,144) 0	(77,960) (816)		(186,713)
Provision for assets acquired under lending agreements	0	0	0	0	(71,463)	0		(71,463)
Gains less losses from disposal of non-trading securities			0	90,896	0	0		90,896
Profit/(loss) before taxation	145,699	5,338	30,468	119,595	(72,607)	(78,776)		149,717
Income tax				119,595		(11,579)		(11,579)
Profit/(Loss) attributable to shareholders	145,699	5,338	30,468		(72,607)	(90,355)		138,138
Operating expenses - depreciation	(14,670)	(162)	(3,455)	(1,682)	0	(34,950)		(54,919)
Segment assets Unallocated assets ¹	11,656,153	3,597,048	1,260,931	19,889,104	557,792			36,961,028 927,780
Total assets								37,888,808
Segment liabilities Unallocated liabilities ¹	24,699,838	2,737,924	2,653,525	3,893,297	0			33,984,584 120,053
Total liabilities								34,104,637
Capital expenditure incurred during the year	7,308	2,253	790	12,460	0			22,811
2002	Consumer	Corporate	Investment	,	Real		Inter-segment	
(Restated)	Banking HK\$'000	Banking HK\$'000	Banking HK\$'000	Treasury HK\$'000	Estate HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Interest income from external customers	638,870	153,529	27,840	275,650	0	11,819	0	1,107,708
Interest expense to external customers Inter-segment income	(286,407) 283,033	(37,044) 6.016	(18,737) 9,411	(56,360)	0	(3,438) 20,736	0 (319,196)	(401,986)
Inter-segment expense	(74,199)	(55,048)	0	(177,377)	(12,572)	0	319,196	0
Net interest income Other operating revenue from external customers	561,297 82,799	67,453 14,622	18,514 52,477	41,913 14,067	(12,572) 8,799	29,117 10,613	0	705,722 183,377
Inter-segment revenue	02,733	14,022	0	0	0,755	43,494	(43,494)	185,577
Fees and commission expenses	(2,092)	(96)	(942)	(52)	0	(6,301)		(9,483
Other operating income	80,707	14,526	51,535	14,015	8,799	747,806		173,894
Operating income Operating expenses	642,004 (274,789)	81,979 (47,451)	70,049 (32,703)	55,928 (12,353)	(3,773)	76,923 (89,569)		879,616 (456,865)
Inter-segment expenses	(34,269)	(1,345)	(7,104)	(776)	0	0	43,494	0
Operating profit/(loss) before provisions and gains Charge for bad and doubtful debts	332,946 (285,205)	33,183 (51,488)	30,242 88	42,799 45	(3,773)	(12,646) (2,415)		422,751 (338,975)
Provision for investments and assets acquired under lending agreement	0	0	0	0	(35,734)	3,471		(32,263)
Gains less losses from disposal of non-trading securities Profit/(loss) before taxation	47,741	(18,305)	30,330	213,199	(39,507)	(11,590)		221,868
Income Tax	0	(18,505)	0	0	0	(1,390)		(1,424)
Profit/(Loss) attributable to shareholders	47,741	(18,305)	30,330	213,199	(39,507)	(13,014)		220,444
Operating expenses - depreciation	(16,087)	(187)	(3,952)	(577)	0	(32,803)		(53,606
Segment assets Unallocated assets ¹	10,600,813	4,070,484	943,893	14,906,634	668,837	/		31,190,661 1,123,273
Total assets								32,313,934
Segment liabilities	18,855,759	1,767,603	1,318,640	6,379,727	0			28,321,729
	10,033,137	1,707,005	1,010,040	0,517,121	U			28,321,729 224,821
Unallocated liabilities ¹								
								28,546,550

- ¹ Unallocated items mainly comprise interest income derived form 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.
- ^a 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, 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 form 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 pacesetting 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 protection 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 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) above, otherwise than pursuant to (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 and 20 (twenty) per cent of the agregate 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 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