

management discussion & analysis

管理層討論及分析

HONG KONG AND CHINA ECONOMIC OVERVIEW AND ECONOMIC FORECAST

Hong Kong's Economy

Hong Kong's economy stayed vibrant in 2007, with real GDP growing by 6.3%. This represented an acceleration from the 6.1% growth in the first half of the year and was distinctly above-trend growth.

Merchandise exports grew notably during the year. Merchandise exports to Mainland China and many other emerging markets performed well, while those to the EU grew further, but exports to the US and Japan were lackluster. Meanwhile, the growth of exports of services accelerated further, reflecting strong inbound tourism, active financial market activities and a continued surge in offshore trade.

Domestic demand played a key role in driving the economy during the year. Private consumption spending grew strongly, supported by an improving job market and rising household income. Overall investment spending expanded further, albeit at a slower pace. Yet business sentiment in almost all sectors remained buoyant.

With the economy sustaining strong growth momentum, the unemployment rate edged down to 3.4% at the end of the year. As labour market conditions tightened, wages and earnings picked up somewhat. Job vacancies continued to surge.

With the full-fledged economic upturn over the year, inflation has been climbing up gradually. The headline CPI inflation averaged 2.0% in 2007, and the underlying inflation at 2.8% after netting out the effects of the rates concession and the waiver of public rentals in February. Higher food prices, the weakness of the US dollar and, along with it, Renminbi appreciation, as well as the recent resurgence in oil prices should also lead to a slight pick-up in inflation in the near term. The fact that the rise in imported inflation is more readily passed through to consumers actually reflects the current strength of local consumption. Yet sustained rapid increase in labour productivity and continued expansion in productive capacity on the supply side would continue to provide an alleviating effect.

香港與中國經濟概覽及預測

香港經濟

二零零七年，香港經濟保持活躍，實質本地生產總值增長 6.3%，顯示下半年較上半年 6.1% 的增長速度更快，並明顯地高於趨勢增長。

年內，本港商品出口顯著上升，其中對中國內地及多個其他新興市場的商品出口表現理想，對歐盟的出口亦進一步增長，但對美國及日本的出口則較為呆滯。同時，服務出口的增長進一步加快，反映入境旅遊業強勁、金融市場活躍及境外貿易持續暢旺。

年內，內部需求成為帶動經濟增長的主力。在就業市場改善、家庭收入上升的支持下，私人消費開支增長強勁。整體投資開支則以較低的幅度進一步擴大。然而，大多數行業的氣氛持續暢旺。

在經濟增長勢頭持續強勁下，失業率於年底下降至 3.4%。勞工市場緊張，令工資與收入有所增長。職位空缺不斷大增。

由於年內經濟全面向好，通脹率逐步上升。二零零七年的消費物價指數平均為 2.0%，扣除二月份寬減差餉及豁免公屋租金的影響後，基本通脹率為 2.8%。食品價格上升、美元疲弱和人民幣升值，以及近期油價再度攀升，亦帶動近期通脹輕微上升。進口通脹升幅較容易轉嫁至消費者，正好反映現時本地消費強勁。然而，勞動生產力持續急升及供應面的產能不斷擴大，將繼續帶來紓緩作用。

除非外圍環境急劇逆轉，二零零八年的經濟料會有進一步的良好增長。內部需求可能繼續成為整

Barring any abrupt adverse changes in the external environment, the economy looks set for further good growth in 2008. Domestic demand is likely to remain as a key driving force in overall economic activity. Consumer spending will continue to hold up well in tandem with upbeat consumption sentiment, rising incomes and strong household financial positions. With activity expansion continuing apace, business investment is poised for further expansion in the months ahead.

The global credit market turbulence, which began in August last year, while causing greater volatility, has begun to affect local financial markets. While the Hong Kong economy was relatively unscathed, the external trading environment has turned more uncertain, and the repercussions of the credit market turbulence have yet to play out fully.

Many external factors will continue to weigh on Hong Kong's future economic performance which will likely result in real GDP growth of 4 - 5% in 2008, with good local demand offsetting in part the negative impact of a weaker US economy.

China's Economy

China's economy was remarkably robust in 2007, with real GDP expanding by 11.4% compared with 11.1% in 2006. Although growth moderated during the year, due to monetary tightening and the introduction of administrative measures, the economy performed well in the face of many challenges both internally and externally.

Growth contributed by domestic demand trended up steadily throughout 2007, with real retail sales peaking at 13.8% in December while nominal urban incomes rose sharply – partially aided by strong investment income. The surge in domestic demand helped offset the diminishing contribution from net exports from the middle of the year. A moderation in industrial production appeared to have reflected a significant deceleration in export demand, while import growth held up well as domestic demand remained strong. Reflecting this trend, the growth rate of industrial sales for exports continued to trend down during the year, widening the gap with

體經濟的主要動力。消費開支將受消費情緒良好、收入上升及家庭經濟狀況強勁帶動而持續向上。在經濟活動不斷擴張下，未來數月的商業投資將進一步擴大。

全球信貸市場自去年八月開始動盪，當引致市況波動加劇時，本地金融市場亦被波及。香港經濟相對所受影響不大，然而對外貿易環境變得更欠明朗，信貸市場動盪的影響尚未完全浮現。

多項外在因素將繼續為香港未來的經濟表現帶來隱憂，預期二零零八年的實質本地生產總值將增長 4 - 5%，本地的穩定需求將抵銷部份美國經濟疲弱所帶來的影響。

中國經濟

中國經濟於二零零七年的表現非常強勁，實質本地生產總值增長 11.4%，二零零六年則為 11.1%。儘管年內當局收緊貨幣政策及推出宏調措施，導致增長放緩，惟中國經濟在面對內外挑戰下仍然表現理想。

二零零七年，中國經濟在內部需求帶動下穩步增長，十二月份的實質零售銷售額增長達 13.8% 的高位，而市區居民的名義收入大幅增加，部分來自強勁的投資收入。內部需求急升有助彌補出口淨額自年中起下降的影響。工業生產放緩，反映出口需求大幅減慢，但內需保持強勁，使進口增長表現堅穩。由於這種趨勢，工業出口銷售的增長率於年內繼續下跌，與工業內部銷售的差距擴大。儘管出口放緩，年內的整體貿易盈餘仍達 2,600 億美元。由於美國經濟不景或會波及全球，影響需求，故二零零八年的出口增長或會明顯放緩，使二零零八年的貿易盈餘可能收窄。

that of industrial sales for domestic use. Despite the deceleration in exports, the trade surplus still reached US\$260 billion for the year as a whole. As export growth will likely slow significantly in 2008, as a US-led global downturn affects demand, the trade surplus could narrow during 2008.

Fixed asset investment slowed markedly throughout 2007 as the authorities prioritised projects and heightened administrative controls. These controls were extended to loan accumulation, which slowed to a 16% pace in December from the peak growth in October of 17.7%. Interest rates were raised six times during the year in an effort to rein in bank lending.

China's inflation rate peaked at an alarming 6.9% in November with food prices accounting for most of the spike. Although inflation may moderate in 2008, due to slower export demand and administrative measures, China's core underlying price inflation will likely remain elevated as the country continues to forge ahead with its economic development.

China will be looking to extend its administrative efforts to engineer a soft landing of the economy in 2008. At the same time, there is a need for caution as the expected slowdown in global economic activity, led by the US, could act as an imported, natural brake on China's vibrant economy in this the year of the Beijing Olympics.

The US economy, overshadowed by the housing market slump, sub-prime mortgage problem and also tightening credit, is likely to slow in the coming months. The economic outlook for EU and Japan is likewise clouded by the uncertainties stemming from the US economy and the evolving global financial market situation, although their economies have continued to expand at a rather solid pace recently. The continuing surge in commodity prices has also added uncertainty to the global trading environment. China's exports are likely to be affected by the external environment. However, good domestic demand should help offset any trade-related weakness and allow real GDP to grow at a 10% pace in 2008.

由於當局定出項目的發展優次並加強宏調，固定資產投資於二零零七年明顯放緩。該等措施已擴展至積存貸款，令貸款額從十月的增長高位 17.7% 放緩至十二月的 16%。年內中國內地共加息六次，以控制銀行貸款增長。

主要受食品價格急升帶動，中國的通脹率於十一月升至 6.9% 的警戒水平。雖然二零零八年的通脹可能因出口需求減弱及宏調措施而放緩，但隨著國家繼續發展經濟，中國的核心基本價格通脹可能保持升勢。

中國擬將加大宏調力度，務使二零零八年的經濟達致軟著陸。同時，二零零八年為舉辦北京奧運的一年，中國必須提防美國觸發的全球經濟放緩，或會衝擊中國的暢旺經濟。

在樓市下滑、次按問題及信貸緊縮的陰霾下，美國經濟於未來數月很可能放緩。雖然歐盟國家及日本的經濟最近持續以較穩定的步伐擴張，但其前景同樣受到美國經濟及全球金融市場變化的不明朗因素困擾。商品價格持續急升，亦令全球貿易環境更趨不明朗。中國的出口可能受外圍環境影響，但穩健的內部需求應有助抵銷外貿相關的影響，令二零零八年的實質本地生產總值可望增長 10%。

經營表現

本行截至 2007 年 12 月底止的全年淨溢利較 2006 年增長 41%，達 4.61 億港元，刷新盈利紀錄。財務表現強勁主要受惠於業務全方位增長及資產組合改善，帶動淨利息收入及費用收入同創新高。業績理想反映本行有效執行業務策略，以及

OPERATING PERFORMANCE

The Bank recorded 41% growth in its full-year 2007 net profit to a record of HK\$461 million. The strong financial performance in 2007 was underpinned by broad-based business growth and improved asset mix which brought net interest income and fee income to new highs. The encouraging results also reflected effective execution of the Bank's business strategies and the tighter integration with its parent company, Fubon Financial. Earnings per share rose to 39.33 Hong Kong cents, compared to 27.91 Hong Kong cents per share in 2006.

Gross interest income rose 12% to HK\$2,826 million for 2007, whereas gross interest expense increased 8% to HK\$1,972 million over the corresponding period. As a result, net interest income grew by HK\$157 million or 23% to HK\$854 million. The increase in net interest income was bolstered by strong demand for advances with better interest margins, such as trade finance and SME loans, improvement in investment yield and enhanced balance sheet mix, which outweighed the unfavourable impact of narrowing Prime-HIBOR spreads. Effective net interest margin ("NIM") improved by 21 bps to 1.65% from 1.44% for 2006, which aptly reflected the Bank's relentless efforts in enhancing its assets and deposits mix, controlling funding costs and improving assets yield.

Other operating income including net fees and commission income reached HK\$658 million, which soared by 53% or HK\$227 million compared to 2006. After taking into account the mark-to-market losses of HK\$90 million for CDOs held on the investment books, other operating income was recorded at HK\$568 million, representing a 32% or HK\$137 million increase compared to 2006. In the past two years, the Bank invested in building out its wealth management platform, enhancing its product capabilities and strengthening its customer franchise. The above initiatives have proven to be successful. A robust growth of 78% or HK\$177 million in wealth management-related fee income to HK\$405 million was recorded from the sales of wealth management products, encompassing financial markets investment and structured products, unit trusts

與母公司富邦金控更緊密的業務結合。2007 年度每股盈利為 39.33 港仙，2006 年為 27.91 港仙。

2007 年度的利息收入總額較 2006 年上升 12% 至 28.26 億港元，利息支出總額增加 8% 至 19.72 億港元。淨利息收入增加 1.57 億港元或 23%，至 8.54 億港元。淨利息收入增加主要由於貸款需求殷切，尤其是息差較佳的貿易融資和中小企貸款，同時投資收益改善及優化資產負債組合亦為淨利息收入帶來增長動力，抵銷了港元最優惠利率與銀行同業拆息息差收窄的不利影響。實際淨息差由 2006 年的 1.44% 擴闊 21 點子至 2007 年的 1.65%，反映本行致力強化資產和存款組合、控制資金成本，以及提高資產收益所帶來的成果。

其他營運收入（包括淨費用及佣金收入）較 2006 年增加 2.27 億港元，至 6.58 億港元，升幅達 53%。計及本行持有的債務抵押債券按市值計算所錄得 9,000 萬港元的虧損後，其他營運收入則為 5.68 億港元，較 2006 年增加 1.37 億港元或 32%。於過去兩年，本行在建立財富管理平台方面積極投資，以提升產品的能力和強化客戶基礎的優勢。事實證明這些策略是有效、成功的。透過銷售財富管理產品，包括金融市場投資及結構性產品、單位信託基金及保險產品，令財富管理相關費用收入大幅上升 78% 或 1.77 億港元，至 4.05 億港元。年內，受惠於本港股市暢旺及頻密的首次公開招股活動，經紀佣金收入飆升 90% 或 5,100 萬港元。

營運支出由 2006 年的 7.17 億港元上升 17% 至 8.35 億港元。支出增加除了因為配合業務發展而增聘員工，引致僱員成本及其他僱員支出增加

and insurance. Benefiting from the buoyant Hong Kong equity market and strong initial public offering (“IPO”) activities, brokerage-related commission income surged 90% or HK\$51 million.

Operating expenses rose 17% from HK\$717 million to HK\$835 million. This increase was primarily due to higher compensation and other staff expenses related to hiring of new staff for supporting business growth and surging wage pressure, higher IT expenses and increased premises costs for renting new office space at Central Tower to support business expansion. Nevertheless, the strong growth in net interest income and other operating income outpaced the increase in operating expenses. The Bank managed to lower its cost to income ratio by 5% to 59% for 2007. Operating profits before gains and impairment losses rose 43% or HK\$176 million to HK\$587 million compared with HK\$411 million in 2006.

In line with continued growth of the domestic economy which supported corporate profitability and household income, the Bank recorded a net charge of impairment losses on advances to customers of HK\$38 million, a decrease of HK\$28 million when compared to HK\$66 million in 2006. Asset quality remained benign as evidenced by the impaired loans ratio declining to 0.55% as of 31 December 2007 from 0.93% as of 31 December 2006. Impairment losses on available-for-sale securities of HK\$162 million were provided for income notes issued by SIVs. The HK\$162 million impairment losses on SIVs represented approximately 60% of our US\$35 million SIVs holdings as at 31 December 2007. Net gains from the disposal of available-for-sale securities rose to HK\$132 million from HK\$47 million in 2006 as conditions were conducive for profit-taking on some equity investments. After accounting for impairment charges, other gains and tax charges, profit attributable to shareholders amounted to HK\$461 million, representing a 41% increase from HK\$327 million for 2006. Return on average assets and return on average equity improved significantly from 0.63% to 0.81% and from 8.47% to 11.43% respectively when compared with 2006.

外，亦由於工資出現上漲壓力，資訊科技支出增加，以及租用中滙大廈作為新辦公室令租金成本上升。儘管如此，淨利息收入和其他營運收入的強勁增幅超過營運支出的升幅，令本行的成本對收入比率下降 5% 至 59%。未計收益及減值虧損前經營溢利增長 43%，或 1.76 億港元，至 5.87 億港元，2006 年為 4.11 億港元。

在本港經濟持續增長，對企業盈利和家庭收入帶來支持下，本行錄得的客戶貸款減值虧損由 2006 年的 6,600 萬港元減少 2,800 萬港元，至 3,800 萬港元。減值貸款比率由 2006 年 12 月底的 0.93% 降至 2007 年 12 月底的 0.55%，反映資產質素維持良好。可供出售證券的減值虧損為 1.62 億港元，此為持有結構投資工具公司所發行的收入票據作出的減值虧損。該筆減值虧損相當於本行截至 2007 年 12 月 31 日所持相關結構投資工具總值 3,500 萬美元的大約 60%。由於市況有利出售部分證券投資，2007 年來自出售可供出售證券的淨額收益由 2006 年的 4,700 萬港元上升至 1.32 億港元。計及減值虧損、其他收益及稅項後，股東應佔溢利由 2006 年的 3.27 億港元增長 41%，至 4.61 億港元。平均資產回報率及平均股本回報率顯著上升，分別由 0.63% 及 8.47% 升至 0.81% 及 11.43%。

分散資金來源及客戶存款增加，令本行截至 2007 年 12 月 31 日的總資產增長 14% 或 73 億港元，達 606 億港元。客戶存款增加 23% 至 415 億港元，貸款組合則增加 22% 或 57 億港元，至 315 億港元。在強勁的商品出口及本地需求下，貿易融資增長 130% 或 12 億港元。在香港以外使用

With diversified sources of funding and growth in customer deposits, the Bank was able to support asset growth of 14% or HK\$7.3 billion to HK\$60.6 billion as at 31 December 2007. Customer deposits grew 23%, reaching HK\$41.5 billion as at 31 December 2007. Net loans portfolio reached HK\$31.5 billion, an increase of 22% or HK\$5.7 billion over 2006 year-end balances. Trade finance increased 130% or HK\$1.2 billion on the back of robust merchandise exports and strong domestic demands. Loans for use outside Hong Kong grew by 63% or HK\$3.4 billion, mainly arising from the strong momentum of Taiwan-related corporate lending and hire purchase loans for use in Mainland China. The Group's capital and liquidity positions remained strong. Consolidated Capital Adequacy Ratio was 14.42% at the end of December 2007 and average liquidity ratio for 2007 was at 44.35%.

Taiwan-related business continued to demonstrate impressive growth during 2007. As at 31 December 2007, the loan and customer deposit balances of Taiwan-related business represented 18% (2006 year-end: 10%) and 21% (2006 year-end: 16%) of the total loan and deposit balances of the Bank respectively. For 2007, Taiwan-related business contributed 34% (2006: 12%) of the Bank's operating profits before gains and impairment losses.

The Bank will vigorously pursue its expansion into the Mainland. Backed by strong ties from Fubon Financial, the Bank is well positioned to capture growing trade and investment flows between Taiwan, Hong Kong and Mainland China. The Bank will continue to harness the collective strength within the Fubon Group, strengthen its customer franchise, and extend and deepen its product range and expertise. All these initiatives will enable the Bank to serve its clients more effectively and create the fundamentals for sustainable growth.

的貸款上升 63% 或 34 億港元，主要是由台灣相關業務的企業貸款及在內地使用的租賃融資強勁增長所帶動。本集團的資本及流動資金狀況穩健，截至 2007 年 12 月底的資本充足比率為 14.42%，2007 年全年平均流動資金比率為 44.35%。

台灣相關業務於 2007 年持續顯著增長。截至 2007 年 12 月底，台灣相關業務的貸款及客戶存款結餘分別佔本行總貸款及總存款結餘 18% (2006 年年底：10%) 及 21% (2006 年年底：16%)。2007 年，本行 34% (2006 年：12%) 的未計收益及減值虧損前經營溢利是來自台灣相關業務。

本行將致力尋求中國內地市場的拓展機會。在與富邦金控緊密聯繫下，本行已作好準備把握兩岸三地之間日益增加的貿易和投資流量所帶來的商機。本行將繼續充分發揮富邦集團的集結力量，強化客戶基礎的優勢，廣化及深化產品的範圍和能力，使本行能更有效地向客戶提供服務，藉此為永續增長奠定良好的基礎。