



Management Discussion & Analysis

管理層討論及分析

HONG KONG AND CHINA ECONOMIC OVERVIEW AND FORECAST

香港與中國經濟概覽及預測

Review of Hong Kong's Economy in 2009

Following a sharp contraction in GDP of 7.5% year-on-year in the first quarter of 2009, Hong Kong's economy resumed growth in the second quarter on a quarter-on-quarter basis, which technically marked an end to the year-long recession. As of the latest figures announced by the Hong Kong Government, the Gross Domestic Product ("GDP") increased by 2.6% in real terms in the fourth quarter of 2009 over a year earlier, in contrast to the 2.2% decrease in the third quarter. For 2009 as a whole, GDP contracted by 2.7% in real terms compared with 2008.

With retail sales growing for the first time in eight months in September and unemployment falling from a four-year high, fourth quarter GDP has seen a greater improvement than expected. As a result, for the whole of 2009, Hong Kong's GDP contraction has turned out to be less severe than the Government previously forecast. Domestic demand and pricing power for retailers have been both showing signs of return. These improvements could be related to the Hong Kong Government's stimulus spending of HK\$87.6 billion that included tax concessions, job creation and rent subsidies. The strategy of the Hong Kong Government to stabilize the financial system, support enterprises and preserve employment has yielded positive results. The Hong Kong jobless rate fell to an 11-month low to a seasonally adjusted rate of 4.9% in the three months ending 31 December 2009.

Exports remain the weakest link and will continue to drag on growth. Exports fell 12.6% in 2009 although declines moderated after the first quarter when shipments plunged by the most in half a century. While the exporting sector may still be suffering from a slow recovery, China's demand will help to put a floor under Hong Kong's exports. Shipments to China jumped 16.8% in December from a year earlier in contrast to US's sliding figure.

On the pricing front, the Composite Consumer Price Index ("CPI") rose 0.5% in 2009 from a year earlier. However, there has been an increasing trend since the end of last year. Consumer prices gained 1.3% in December compared to the previous year, which was an improvement over the 0.5% gain in November.

2009年香港經濟回顧

繼香港本地生產總值於2009年第一季按年急跌7.5%後，香港經濟於第二季回復按季增長，技術上標誌著歷時一年的衰退終告結束。按香港政府公布的最新數字，香港本地生產總值於2009年第四季與2008年同期比較實質增長了2.6%，反之，第三季則下跌2.2%。2009年整體而言，香港本地生產總值與2008年比較實質收縮2.7%。

零售業銷貨量於9月開始呈現增長，為八個月來的首次，而失業率亦自四年的高位回落，而第四季的本地生產總值已較預期得到更大改善。因此，綜觀2009年全年，香港本地生產總值下跌的情況未有較政府原先預期嚴重。本地需求及零售商的定價能力已呈現回升跡象，這可能與香港政府推出876億港元的刺激消費措施有關，其中包括寬減稅款、創造就業機會、及租金補貼等。香港政府穩定金融體系、支持企業及保障就業的策略，取得了良好成效。香港的失業率跌至11個月以來的低位，截至2009年12月31日止三個月的經季節性調整的失業率為4.9%。

出口仍然是本港經濟最弱的一環，並將會繼續拖累增長。付運數字於第一季錄得半世紀以來的最大跌幅後，跌勢轉趨溫和，但商品整體出口貨值於2009年仍然下跌12.6%。出口業的復甦相信仍會緩慢，但中國內地的需求將為處於低位的香港出口帶來支持。12月輸往中國內地的整體出口貨值較2008年同期急增16.8%，與輸往美國的整體出口貨值持續下跌形成對比。

物價方面，2009年的綜合消費物價指數較2008年上升0.5%。然而，自2009年年底開始消費價格呈上升趨勢，於12月份整體消費物價較2008年上升1.3%，高於11月份的0.5%升幅。

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Outlook for Hong Kong's Economy in 2010

Benefiting from faster growth in the China economy and the waning of recessionary forces in advanced economies, Hong Kong's economy is expected to expand between 4% and 5% in 2010, recovering from the contraction in 2009.

Money spilling into Hong Kong from unprecedented lending under China's stimulus programme has flowed into property and stocks, which has boosted consumer sentiment and spending. This has helped Hong Kong's economy to recover at a faster pace than the Government previously forecast. However, asset-price bubbles pose one of the greatest risks for Hong Kong, as these gains have been mainly driven by extra liquidity in the financial system. Nevertheless, inflationary pressures should remain rather modest in 2010 with an expected rise of 1.5% this year.

While there is light at the end of the tunnel for Hong Kong, a sustained and solid recovery still hinges on a visible improvement in the external environment. The Hong Kong Government may have to continue the stimulus into 2010 to achieve the above forecast growth rate.

Review of China's Economy in 2009

Throughout the global crisis, China defied recessionary pressures and continued to grow, although the pace cooled from double-digit rates. In the past year, China adopted what it called a "moderately loose" monetary policy and embarked on an unprecedented four-trillion-yuan spending spree to keep the economy growing amid the global downturn. It also urged banks to pump up lending, resulting in new loans in China nearly doubling in 2009 over the previous year to reach 9.59 trillion yuan.

2010年香港經濟的展望

受惠於中國經濟的快速增長，加上促使先進國家經濟衰退的壓力逐漸減弱，香港經濟預期將會扭轉2009年的跌勢，本地生產總值料於2010年錄得介乎4%至5%增幅。

在中國的經濟刺激計劃帶動下，借貸空前大增，令大量資金湧入香港樓市及股市，因而刺激消費意欲及支出。這有助香港經濟以較政府預期為快的速度復甦。然而，由於這些增長主要是由金融體系中過剩的流動資金帶動，故資產價格泡沫成為香港最大的風險之一。儘管如此，2010年的通脹壓力應會相當溫和，預期2010年全年會上升1.5%。

儘管香港經濟已漸露曙光，但升勢能否持續和保持穩步復甦，須取決於外圍環境之明顯改善。香港政府於2010年或須繼續採取刺激措施，以達致上述預測之增長率。

2009年中國經濟回顧

在全球金融危機期間，中國力拒衰退壓力，雖然經濟增長由雙位數字回落，但仍保持升勢。去年，中國採取「適度寬鬆」的貨幣政策，並推出史無前例的4萬億元人民幣經濟刺激計劃，使中國經濟在全球衰退中保持增長，同時亦鼓勵銀行放款，令中國2009年全年累計新增貸款額較2008年增加近一倍，達9.59萬億元人民幣。



The stimulus measures have borne fruit. For 2009, China's GDP gained 8.7%, beating Premier Wen's 8% target. In fact, it exhibited a growing trend throughout the year, with GDP growing 6.2%, 7.9%, 9.1% and 10.7% in the respective four quarters from the previous year. One of the main contributors to growth was urban fixed asset investment, which jumped 30.5% in 2009.

While the rest of the world took even harder hits from the global slowdown, exports from China resumed growth in December after 13 months of declines, rising 18% over the previous year. Imports grew even more, surging 56% to reflect China's stimulus-fueled appetite for raw materials.

The effects of the global economic crisis have caused Chinese leaders to think about shifting the economy's drivers away from exports and towards domestic consumption. After the central government's effort to subsidize consumer purchases last year, retail sales rose 16.9% in 2009, which was the biggest gain since 1986.

Outlook for China's Economy in 2010

Following strong GDP growth in the fourth quarter of 2009 and the cumulative effects of fiscal and monetary easing in 2009, China's economy is expected to continue its strong growth into 2010 at a rate of about 9%.

In the annual "Central Economic Working Conference", in which the key policy tone and main goals were set for 2010, officials pledged to target balanced growth with a greater emphasis on consumption. The concluding statement highlighted that China would continue its "proactive fiscal policy and moderately easing monetary policy".

After almost a year-long bout of deflation, the CPI, a key gauge of inflation, rose in November. It also accelerated to a more-than-forecast 1.9% in December, after a 0.6% gain in the prior month, mainly driven by food and housing prices. The CPI is expected to be around 4% for the whole year, while the figure declined 0.7% in 2009.

The main challenges this year will be for Chinese policy-makers to ensure an economic rebound and at the same time prevent excessive liquidity in the financial system from creating bubbles in stocks and property. The Chinese Government may have to introduce stricter measures to rein in credit growth and to contain inflation expectations, as well as to step up guidance on property lending.

政府的經濟刺激措施亦取得成果。2009年，中國本地生產總值增長8.7%，較溫家寶總理訂下的8%目標為高。事實上，中國本地生產總值於去年全年呈現升勢，四個季度與2008年同期比較分別錄得6.2%、7.9%、9.1%及10.7%的增幅。增長的主要動力之一，是城鎮固定資產投資於2009年躍升30.5%。

正當世界其他地方面對更大的全球經濟放緩的衝擊，中國出口經歷13個月下跌後，於12月回復增長，較2008年上升18%。入口的增幅更大，達56%，反映中國的經濟刺激措施帶動原材料需求上升。

全球經濟危機帶來的影響，使中國領導人思量將經濟動力由倚靠出口轉為由內部消費帶動。自去年中央政府提供補貼以刺激消費後，零售業銷貨值於2009年上升16.9%，為自1986年以來的最大升幅。

2010年中國經濟的展望

中國本地生產總值於2009年第四季強勁增長，加上2009年的財政刺激方案及貨幣寬鬆政策漸見成效，預期中國經濟會於2010年繼續強勁增長，增幅約9%。

在一年一度的「中央經濟工作會議」上，中國官員訂立2010年的主要政策基調及首要目標，著眼於經濟發展的均衡性，特別是擴大內需消費。會議重申，中國將繼續實施「積極的財政政策及適度寬鬆的貨幣政策」。

經歷接近一年的通縮期後，作為通脹主要指標的消費物價指數於11月回升，達到0.6%，而12月更達1.9%，增幅較預期為高，這主要由於食品及住房價格上升。預期消費物價指數繼2009年下跌0.7%後，於2010年全年增長將約4%。

中國決策者今年面對的主要挑戰，是在確保經濟復甦之餘，同時避免金融體系中過剩的流動資金令股市及樓市出現泡沫。因此，中國政府可能需要推出更嚴謹的措施來控制信貸增長及通脹預期，與及加強規管房地產借貸。

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The People's Bank of China has already started to raise banks' reserve requirements to soak up excess liquidity. But they will tighten policy in a phased manner and do not want to threaten the sustainability of the recovery. They are more likely to wait until the second half of 2010 to hike lending rates. The Chinese yuan might appreciate by about 3% by the end of this year against the dollar, as the rate has been kept unchanged since July 2008 to aid exporters and now export conditions have been improving.

OPERATING PERFORMANCE

The Bank and its subsidiaries ("the Group") reported full-year 2009 net profits of HK\$23 million which was 77% or HK\$77 million lower than the HK\$100 million reported in 2008. The global financial crisis and the ensuing recession that emerged from the fourth quarter of 2008 continued to weigh heavily on Hong Kong's economy and have negatively impacted on the Group's 2009 earnings. Despite net interest income recording strong growth in 2009 and fee-based revenues showing improvement in the fourth quarter, these were offset by provisions incurred from the sales of structured investment products including those charges for the impairment of Lehman Minibonds repurchased from eligible customers under the Repurchase Scheme, lower net fee and commission income and heightened credit costs due to dampened investor sentiments and weak credit conditions.

Gross interest income decreased 31% to HK\$1,559 million for 2009 whereas gross interest expense decreased 67% to HK\$416 million over the corresponding period. As a result, net interest income grew by HK\$154 million or 16% to HK\$1,143 million. The increase in net interest income was mainly attributed to widening of Hong Kong dollar Prime-HIBOR spread and increase in average interest-earnings assets. Benefiting from lower funding costs in the near-zero interest rate environment and improved credit spreads, effective net interest margin ("NIM") improved by 18 bps to 1.94% from 1.76% for 2008.

Other operating income (net of revaluation results on the CDO portfolio) decreased by 53% year-on-year to HK\$279 million in 2009, a decrease of HK\$315 million from 2008, attributable to a reduction in commission income derived from the sale of financial markets investment and structured products due to impaired customers' confidence in purchasing such products. Coupled with the decline in unit trust sales and wealth management fee income, net fees and commission income reduced by HK\$193 million to HK\$158 million in 2009. Credit spread tightening affected the fair value of financial instruments designated at fair value through

中國人民銀行已開始上調銀行的存款準備金率，以收緊市場過剩之流動資金。但料政策將會分階段收緊，以免令經濟復甦的持續性受威脅，因此中國可能要到2010年下半年才會調升借貸利率。自2008年7月以來，中國為支持出口而使人民幣兌美元匯率維持不變，但在出口情況已經改善的情況下，人民幣兌美元於2010年年底或約升值3%。

經營表現

本行及其附屬公司（「本集團」）截至2009年12月底止的全年淨溢利為2,300萬港元，較2008年的淨溢利1億港元下跌77%或減少7,700萬港元。2008年第四季爆發的全球金融危機以及隨之而來的經濟衰退持續拖累香港的經濟，亦對本集團2009年的收益構成負面影響。雖然本行於2009年的淨利息收入錄得強勁增長，以及費用相關收入於第四季有所改善，但卻因為銷售結構性投資產品，包括根據回購協議而需要向合資格客戶提出回購他們所持有的經本行購買的雷曼迷你債券，而所涉及的減值虧損，加上投資者信心大減及信貸環境疲弱令淨費用及佣金收入下降及借貸成本高企而被抵銷。

2009年的利息收入總額較去年減少31%，至15.59億港元，利息支出總額則下跌67%，至4.16億港元，因此，年內淨利息收入增加1.54億港元或16%，至11.43億港元。淨利息收入上升主要是由於港元最優惠利率與銀行同業拆息息差擴闊及生息資產均額增加。受惠於近乎零息的利率環境令資金成本低企，加上信貸息差持續擴闊，實際淨息差由2008年的1.76%擴闊18個基點至2009年的1.94%。

2009年的其他營運收入（未計及債務抵押證券錄得的重估價值）按年下跌53%至2.79億港元，較2008年下跌3.15億港元，主要由於投資者對購買金融市場投資及結構性產品的信心大減，導致銷售該類產品所得的佣金收入減少。加上單位信託基金的銷售及財富管理費用收入下跌，2009年的淨費用及佣金收入減少1.93億港元至1.58億港元。由於2009年的信用價差收窄，影響了指定為通過損益以反映公平價值之金融工具及其對沖衍生工具之公平價值，亦導致其他營運收入減少。計及債務抵押

profit and loss and its hedging derivatives, also resulted in a decrease in other operating income. Including the revaluation loss of HK\$0.7 million on CDO portfolio in 2009 (HK\$128.5 million in 2008), other operating income in 2009 recorded a 40% decrease to HK\$278 million.

In view of the tightened regulatory requirements on the sale of investment products, the Bank has enhanced its systems and control processes during the year to ensure that it continues adhering to the highest standard of conduct in its business. In order to enhance competitiveness and accelerate market expansion in the realm of insurance business, the Bank formed a strategic partnership with China Life Insurance (Overseas) Company Limited in November 2009 with a view to offering integrated wealth management services to its customers.

Operating expenses, including costs from the Lehman Minibonds Repurchase Scheme, decreased 1% or HK\$11 million to HK\$954 million in 2009. The cost-to-income ratio increased to 67.2% for 2009 from 66.4% for 2008 due to the decrease in other operating income and charges for the impairment of Lehman Minibonds repurchased from eligible customers under the Repurchase Agreement. The Bank has taken measures to rationalize its operating expenses level and enhance its operating leverage in order to alleviate the negative impact of slowing revenues on the cost-to-income ratio in 2009. Operating profits before gains and impairment losses decreased 5% or HK\$23 million to HK\$466 million compared with HK\$489 million in 2008.

證券組合錄得的70萬港元重估虧損(2008年為1.285億港元)，2009年的其他營運收入下跌40%至2.78億港元。

鑑於銷售投資產品的規管要求提高，本行於年內加強了系統及監控程序，確保繼續恪守其業務操守的最高標準。為了提升市場競爭力及加速擴展保險業務市場，本行於2009年11月與中國人壽保險(海外)股份有限公司成為戰略合作夥伴，冀為客戶提供綜合性的財富管理服務。

2009年營運支出，包括雷曼迷你債券回購協議所涉及的開支，下跌1%或1,100萬港元至9.54億港元。由於其他營運收入減少及根據回購協議需要向合資格客戶提出回購他們所持有的經本行購買的雷曼迷你債券所涉及的減值虧損，成本對收入比率由2008年的66.4%上升至2009年的67.2%。本行將繼續採取措施，以有效降低營運支出，並同時加強營運效能以減低2009年收入放緩對成本對收入比率造成的負面影響。未計收益及減值虧損前經營溢利較2008年的4.89億港元下跌5%或2,300萬港元，至4.66億港元。



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Due to the economic downturn and deteriorating credit conditions, the net charge for impairment losses on advances to customers registered a year-on-year increase of HK\$176 million to HK\$485 million. Most of the increase was due to higher individual impairment losses on SME loans. Despite the level of impaired loans having stabilized since the second quarter of 2009, further individual impairment losses for impaired loans were required in the second half of 2009. Collective impairment allowances were increased reflecting the unsatisfactory credit experience in the last two years. The increase in impaired loan ratio in 2009 was also affected by the 13% drop in advances to customers balances, as a result, the impaired loan ratio increased to 1.78% as of 31 December 2009 from 1.22% as of 31 December 2008. The coverage ratio for impaired loans improved from 75% at 31 December 2008 and from 64% at 30 June 2009 to 87% at 31 December 2009, resulting from the increase in individual impairment losses on advances to customers.

Impairment losses on available-for-sale securities of HK\$67 million were provided in 2009. This represented a drop of HK\$130 million when compared to HK\$197 million recognized in 2008. The share of profits of Xiamen Bank (previously named Xiamen City Commercial Bank), in which the Bank owns a 19.99% stake, amounted to HK\$14 million. After accounting for impairment charges, other gains and tax charge, profit after taxation amounted to HK\$23 million, representing a 77% decrease from HK\$100 million for 2008. Return on average assets and return on average equity decreased from 0.16% to 0.04% and from 2.54% to 0.48%

鑑於經濟下滑及信貸環境惡化，本集團錄得的客戶貸款之淨減值虧損按年上升1.76億港元至4.85億港元，主要是由於中小企客戶的貸款個別減值虧損有所上升所致。儘管不良貸款情況自2009年第二季已經回穩，但於2009年下半年仍需要為不良貸款提撥額外個別減值虧損。因2008年及2009年本行壞賬情況欠佳，本行亦增加了綜合減值撥備。客戶貸款結餘下跌13%，亦影響到減值貸款比率於2009年上升，減值貸款比率因而由2008年12月31日的1.22%上升至2009年12月31日的1.78%。由於客戶貸款個別減值虧損增加，減值貸款壞賬覆蓋率由2008年12月31日的75%及2009年6月30日的64%，改善至2009年12月31日的87%。

2009年為可供出售證券提撥了6,700萬港元的減值虧損，較2008年提撥的1.97億港元下跌1.30億港元。本行持有19.99%股權的廈門銀行（前稱廈門市商業銀行）所貢獻的溢利為1,400萬港元。計及減值虧損、其他收益及稅項後，除稅後溢利為2,300萬港元，較2008年的1億港元下跌77%。平均資產回報率及平均股本回報率分別從2008年的0.16%及2.54%下降至0.04%及0.48%。計及派發優先股息，截至2009年12月31日止年度，每股虧



respectively when compared with 2008. After accounting for the dividend payment for preference shares, the loss per share for the year ended 31 December 2009 was 5.16 Hong Kong cents versus earnings per share of 8.43 Hong Kong cents in 2008.

Total assets as at 31 December 2009 were at HK\$61.0 billion, a decrease of 7% or HK\$4.6 billion from HK\$65.6 billion as at 31 December 2008. Customer deposits registered a decrease of 3% to HK\$46.6 billion as at 31 December 2009. During the year, the Bank adopted a more conservative strategy in credit underwriting and acquiring new loans in light of the uncertain credit environment. Therefore, the net loans portfolio decreased 14% or HK\$4.4 billion to HK\$28.6 billion as at 31 December 2009 from the 2008 year-end balance of HK\$33.0 billion. The Group's capital and liquidity positions remained strong. The consolidated capital adequacy ratio was 17.18% (14.04% at 2008 year-end) at the end of December 2009 and average liquidity ratio for 2009 was at 48.65%.

Over the past year, the Bank devoted tremendous efforts in refining its business strategy, improving its risk-control systems, rationalizing its cost base and integrating the majority of its businesses and risk practices with those of its parent company. These series of initiatives have put the Bank in better shape to weather market uncertainty and volatility ahead. The Bank established its Dongguan representative office in December 2009 which marks an important step in its Mainland branch strategy and reinforces its position as the regional financial platform for Fubon Financial. On 22 December 2009, the Bank confirmed and undertook to Xiamen Bank to fully subscribe for its allocated 31,984,000 Rights Shares in Xiamen Bank, maintaining its 19.99% shareholding interest in Xiamen Bank. The consideration for the Rights Shares, which was RMB79,960,000 or RMB2.5 per share, was financed from the Bank's own internal surplus funds.

In 2010, the Bank will adopt a growth-yet-prudent strategy to capture market potential while minimizing risks and costs. The Bank will continue to broaden its client base and deepen customer relationships, and increase revenues by devoting more efforts to cross-selling activities, by strengthening the internet banking platform and by enhancing product capabilities. With support from its parent company, the Bank will also expand its operations through Fubon Financial's various business platforms to provide comprehensive financial services to Hong Kong and Taiwanese companies. Management believes that the strong foundations the Bank has systematically built over the past year will gear the Bank towards steady performance of its businesses in a sustainable manner.

損為5.16港仙，而2008年年度每股盈利為8.43港仙。

截至2009年12月31日止，總資產由截至2008年12月31日止的656億港元下跌7%或46億港元，至610億港元。截至2009年12月31日止，客戶存款下跌3%至466億港元。鑑於信貸環境不明朗，本行於2009年在核貸要求及吸納新貸款方面採取了更保守的策略。因此，截至2009年12月31日止，淨貸款組合由截至2008年12月31日止的330億港元下跌14%或44億港元，至286億港元。本集團繼續保持充裕的資本及流動資金。截至2009年12月底的資本充足比率為17.18%（2008年年底為14.04%），而2009年全年的平均流動資金比率為48.65%。

過去一年，本行致力優化業務策略，提升風險控管，有效地控制成本，並著眼於將大部分業務和風險實務與母公司之相關部門進行整合。這些措施將令本行得以強化本身的能力去面對未來不明朗及波動的市場所帶來的挑戰。本行於2009年12月設立東莞代表處，標誌著其實現於大陸開設分行策略的一個重要里程碑，同時亦加強其作為富邦金控的區域性金融平台的角色。本行於2009年12月22日向廈門銀行確認及承諾全數認購31,984,000股獲分配之供股股份，以維持本行於廈門銀行之19.99%的股份權益。供股之價款為79,960,000元人民幣或每股2.5元人民幣，從本行的內部盈餘資金撥付。

2010年，本行將採取穩中求進的策略，在將風險及成本減至最低的情況下，把握市場發展商機。本行將繼續擴闊客戶基礎，深化與客戶的關係，並積極透過交叉銷售活動、加強網上銀行平台及提高產品的開發及定價能力以增加收入。在母公司的支持下，本行將透過富邦金控各地平台之合作拓展業務，為香港及台灣企業提供全面性的金融服務。管理層相信，憑藉本行年來有系統地建立的堅實根基，本行業務將取得穩定表現，持續茁壯成長。