

CHIEF EXECUTIVE'S REPORT

行政總裁報告



Hong Kong's economy and market conditions were showing signs of stabilization in early 2015 after the very disruptive events of a year earlier. However, this situation was replaced by uncertainties and a real prospect of economic downturn both globally and in Mainland China. The unexpected downward adjustments in the Renminbi exchange rates in August 2015 added more pressure to local business, creating a difficult operating environment for the banking industry in Hong Kong, particularly in the fourth quarter of 2015. Meanwhile, the structural reform in Mainland China from an investment-driven growth model towards a consumption-driven model was hindered by lower export growth and a weaker currency. Spillover effects of the slowdown in Mainland China on Hong Kong were evident in both reduced southbound investments and tourism from the Mainland. In this increasingly unfavourable environment, banks in Hong Kong began experiencing limitations in growth opportunities with pressure felt in interest margins and non-interest income.

Despite the unfavorable operating environment in the second half of 2015, Fubon Bank (Hong Kong) Limited ("the Bank") and its subsidiaries ("the Group") reported a net profit of HK\$522 million for the year ended 31 December 2015, representing an increase of 8% as compared with 2014, return on average equity and return on average assets were 4.92% and 0.60% respectively. More importantly, it should be noted that this growth was recorded after a provision of HK\$100 million made against a 2002 lawsuit involving a transaction that originated in 1998. Excluding

經歷2014年的動盪局面後，香港經濟及市況於2015年初呈現回穩跡象。然而，取而代之的是不明朗因素以及環球及中國經濟下行的前景。人民幣匯率於2015年8月突然下調，令本地市場更添壓力，也為香港的銀行業製造了艱難的營運環境，尤其是在2015年第四季。同時，中國內地經濟增長模式逐漸由投資主導轉向消費主導，卻面臨來自出口增長放緩和貨幣走弱的阻力。中國內地經濟放緩對香港的外溢效應，在南下資金和來港遊客雙雙減少的情況下愈加明顯。面對日益嚴峻的環境、來自息差及非利息收入的壓力，香港銀行增長的機遇有限。

儘管2015年下半年的經營環境困難，富邦銀行(香港)有限公司(「本行」)及其附屬公司(「本集團」)截至2015年12月31日止的全年淨溢利為5.22億港元，較2014年的淨溢利增長8%，平均股本回報率及平均資產回報率分別為4.92%及0.60%。此增幅已包括為一宗於2002年對本行提出的訴訟而作出之1億港元撥備，該訴訟涉及一宗於1998年

this extraordinary item, the Group's net profit was HK\$622 million, representing a year-on-year increase of 29%, and the return on average equity increased from 5.18% to 5.86% when compared with 2014. Similarly return on average assets increased from 0.62% to 0.71%

The Group's core operating profit before impairment losses and provision for the one-off lawsuit posted an exceptionally strong performance with a year-on-year increase of 41%. Net interest income increased by 27% to HK\$1,073 million, mostly driven by the widening of net interest margin and further aided by the growth in average interest-earning assets. Net interest margin widened by 20 basis points to 1.40%. The increase was attributable to a decrease in the Group's cost of funds as well as an encouraging improvement in the loan portfolio yield. Average interest-earning assets grew by 9% as a result of the expanding loan portfolio and debt securities investment.

Net fee and commission income increased by 11% to HK\$353 million. Insurance services income recorded an encouraging growth of 19%, underpinned by our enriched product offerings and the success of our new premium financing product. Securities brokerage and investment services income also benefited from a more active stock market, especially from April to July, and posted a 23% increase. Credit card business continued its steady growth with increases in both card spending and merchant acquiring volume. However, after accounting for the revaluation loss on derivative financial instruments, total non-interest income declined by 7% to HK\$431 million. The percentage of non-interest income to total operating income was 28.6% in 2015.

Operating expenses increased by 14% to HK\$1,027 million, including the provision made for the above-mentioned lawsuit against the Bank. Excluding this item, operating expenses increased only by 3% resulting in a cost-to-income ratio of 61.6%, compared to 68.7% in 2014. While we exercised effective cost control measures, the Group continued to invest in information technology ("IT") to support our retail banking strategy to improve customer experience and cope with our long term business volume growth objectives.

In 2015, we launched a number of critically important IT initiatives and completed several major projects. These major initiatives included the replacement of the Bank's core banking system due for completion in early 2018 as well as the conversion of our branch banking model from the traditional teller-dominant branch into industry leading iBranches. This latter project involved the introduction of i-Teller machines which can perform essentially all the functions ordinarily handled by a counter teller. We anticipate that the majority of our branches will incorporate the i-Teller machines as a standard service within the next 3 to 5 years.

進行的交易。撇除此巨額項目，本集團的全年淨溢利為6.22億港元，按年上升29%。平均股本回報率由2014年的5.18%上升至5.86%，而平均資產回報率從2014年的0.62%上升至0.71%。

本集團在未計減值虧損及一次性之訴訟作出撥備前的核心營運溢利錄得非常強勁的增長，按年上升41%。2015年的淨利息收入較2014年上升27%至10.73億港元，有關增幅主要是因淨息差擴闊及生息資產均額增長所致。由於本集團的資金成本下降，以及提高貸款組合收益率取得良好進展，淨息差擴闊20個基點至1.40%。貸款組合及債務證券的投資額增加令生息資產均額上升9%。

淨費用及佣金收入增加11%至3.53億港元。本集團多樣化的保險產品及新推出之保費融資產品的成功，令保險業務收入錄得19%的增長，成績令人鼓舞。活躍的股票市場亦令證券經紀及投資服務收入增長23%，尤其是在4月至7月期間。信用卡業務繼續維持穩定增長，信用卡客戶的簽賬及商戶收單量均錄得增幅。然而，計及衍生金融工具之重估損失，非利息收入減少7%至4.31億港元。2015年的非利息收入對總營運收入比率為28.6%。

營運支出增加14%至10.27億港元，這包括上述對本行的訴訟而作出之撥備。撇除此項目，營運支出僅上升3%，成本對收入比率為61.6%，2014年則為68.7%。當我們嚴謹控制成本的同時，本集團仍然對資訊科技作出投資，以支持我們的零售銀行業務策略，提升客戶體驗及配合長遠的業務增長目的。

於2015年，我們啟動了多個重要的資訊科技項目，並完成數項主要計劃。這些重要的計劃包括將於2018年初完成的本行核心銀行系統更新，以及把我們分行營運模式由傳統以櫃員主導的分行變成領先業界的iBranch。後者包括推出i-Teller櫃員機，此櫃員機基本上能夠執行以往一般由櫃台員工處理的工作。我們預期將於未來3至5年為大部分的分行裝置i-Teller櫃員機，作為本行的標準服務。

On asset quality, we noted that the credit environment has been worsening since the second half of 2015. There was a net provision charge of HK\$71 million for impairment losses on advances to customers and the decline in the fair value of certain available-for-sale equity securities. We will intensify our monitoring and review of our customers' exposure by broadening our scope and deepening our analysis, and will enforce a more rigorous risk management approach in anticipation of further worsening of credit quality. As of 31 December 2015, the impaired loans ratio was 0.52%, with a coverage ratio of over 60%.

Xiamen Bank Co., Ltd ("Xiamen Bank") posted solid performance and delivered satisfactory results in 2015. The Group's share of profits from Xiamen Bank recorded a year-on-year increase of 30% to HK\$206 million.

We made good progress in sustaining asset growth momentum in the first half of 2015. However, loan demand in Hong Kong was weakened by the pressures of the economic slowdown and interest rate cuts in Mainland China in the second half of 2015. The Group's total assets rose by HK\$7 billion, or 9%, to HK\$91 billion as of 31 December 2015. Gross advances to customers attained a 5% increase to HK\$43 billion. The increase in lending was more than matched by an 11% growth in customer deposits, which amounted to HK\$58 billion as of 31 December 2015. Taking into account trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio decreased from 75.1% at 31 December 2014 to 69.4% at 31 December 2015.

The Group's capital and liquidity position remained strong. The total capital ratio and Tier 1 capital ratio stood at 16.62% and 11.81% respectively as at 31 December 2015, compared to 17.96% and 12.65% at end-December 2014 as a result of our effort in expanding the Group's assets. The average liquidity maintenance ratio also stood at a comfortable level of 45.82% in 2015.

During the year, we took further steps to enhance our retail banking service channels with the launch of our new retail banking strategy. As part of the Bank's service channels enhancement project, we launched our first iBranch in November 2015 by refurbishing the Queen's Road East Branch in Wanchai. Subsequently, we opened our second iBranch, also the 23rd branch of the Bank, in Western District in December 2015. Conveniently located in the city with contemporary branch design and configuration, the iBranches feature a wide range of digital banking facilities, including the Bank's first full-service i-Teller, and also promote a paperless concept. We believe this upgrade and the expansion of our retail outlets enable us to optimize the use of space at branches and improve operational efficiency. Both iBranch and i-Teller have been well received by customers since their launch in November 2015. Advances in our e-banking platform, including the launch of mobile banking, e-Statement and e-Cheque services, were also made during the year to offer customers a comprehensive range of digital banking services and enhance our customer experience. We also make good strides in our corporate banking activities with the corporate loan portfolio posting a moderate gain despite the rapid declining market. Our corporate e-banking platform Fubon Business Online was also upgraded with more user friendly features.

資產質素方面，我們注意到信貸環境由2015年下半年開始轉差，本集團為客戶貸款及因某些可供出售之股票的公平價值下跌而導致的減值虧損所作出的淨撥備為7,100萬港元。我們將擴闊監控的範疇和作出更深入的分析，以加強監察及審視客戶的信貸風險。由於預期信貸質素進一步惡化，本集團將採取更嚴謹的信貸風險管理措施。截至2015年12月31日止，減值貸款比率為0.52%，減值貸款覆蓋率超過60%。

廈門銀行股份有限公司(「廈門銀行」)於2015年錄得強勁的增長，成績令人滿意。本集團應佔溢利按年增長30%至2.06億港元。

我們於2015年上半年維持了良好的資產增長勢頭，惟貸款需求被經濟下行壓力及內地於2015年下半年減息而被削弱。截至2015年12月31日止，本集團的總資產增加70億港元或9%至910億港元。客戶貸款總額上升5%至430億港元。客戶存款按年上升11%，截至2015年12月31日止，客戶存款為580億港元。計及商業票據及本行發行之存款證，貸存比率由2014年12月31日的75.1%下降至2015年12月31日的69.4%。

本集團的資本及流動資金保持充裕。我們積極擴大本集團的資產，截至2015年12月31日止，總資本比率及一級資本比率分別維持在16.62%及11.81%，2014年12月底則分別為17.96%及12.65%。2015年平均流動性維持比率維持在45.82%的穩健水平。

年內，我們推出全新零售銀行策略，進一步提升零售銀行服務渠道。作為本行優化服務網絡計劃的項目之一，我們把位於灣仔的皇后大道東分行翻新，並於2015年11月重開，成為本行的第一間iBranch。同年12月，我們在西環開設了第二間iBranch，這也是本行的第23間分行。本行的iBranch位置優越，設計富時代感且配備大量電子化銀行設施，包括本行首部提供全方位服務的i-Teller，並採用無紙化概念。我們相信，透過優化和擴展本行的零售據點能優化分行的空間使用及提升營運效率。自2015年11月啟用以來，iBranch和i-Teller均廣獲客戶好評。此外，我們亦於同年提升了本行的電子銀行平台，包括推出流動理財、電子結單和電子支票服務，務求為客戶帶來全面的電子銀行服務和更佳客戶體驗。雖然市場急速下滑，但我們的企業金融業務仍然進展良好，企業貸款組合有著平穩的增長。我們的企業電子銀行平台「富邦商務網」，亦提升了更方便客戶使用的功能。

Looking ahead, we believe the overall banking environment in Hong Kong will remain both challenging and volatile. We will stay focused on global market developments to minimize risks while maintaining and improving services to our customers. We understand the importance of pursuing a sustainable growth strategy and will continue to attract high quality customers in our target market segments with enhanced services and market-leading delivery channels. In corporate banking, we will expand our customer base and enhance our range of products and services to corporate customers. Marketing resources will be increased in line with our corporate business strategy. Fubon Bank (Hong Kong) will continue to play an anchor role in the Fubon Group's Greater China development strategy.

We are committed to providing our customers with safe and high-quality financial services as well as giving them a unique customer experience — the FUBON EXPERIENCE. Furthermore, we remain supportive of our staff by providing a well-established platform to assist staff career development through training and counselling. We will further strengthen our commitment to the local community by supporting a variety of charitable and corporate social responsibility programmes.

Finally, I would like to extend my thanks to our management team and staff members for their invaluable contributions. Together we have achieved a solid operating performance in 2015, as well as laying down the all-important foundation for sustainable business growth. I would also like to thank the Chairman of Fubon Group, our Chairman, and the entire Board of Directors for their on-going support and guidance without which our achievements would not have been possible.

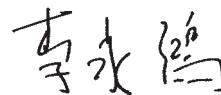


Raymond Lee
Chief Executive Officer and Managing Director
April 2016

展望未來，我們相信香港的整體銀行經營環境依然充滿挑戰及波動不定。我們將繼續關注全球的市場發展以降低風險，並同時維持和改進我們的客戶服務。我們明白追求可持續增長策略的重要性，並將以更優質的服務及領先市場的銷售渠道，繼續在目標客戶群中吸引高質素客戶。企業銀行方面，我們將擴大客戶基礎，以及擴展為企業客戶提供的產品及服務種類。為配合本行的企業銀行業務策略，我們亦將增加本行的市場推廣資源。富邦銀行(香港)將繼續在富邦集團的大中華區發展策略中發揮重要作用。

我們致力為客戶提供穩健可靠、質素超卓的金融服務，以及獨特的客戶體驗——「富邦體驗」。我們將繼續透過提供完善的培訓和輔導平台，協助員工的事業發展。我們亦將繼續支持多項慈善及企業社會責任計劃，致力推動本地的社區發展。

最後，我衷心感謝管理層和全體員工的寶貴貢獻。我們於2015年達致了穩健的營運表現，為可持續的業務增長奠定了重要的根基。此外，我要感謝富邦集團主席、本行主席以及全體董事會成員一直的支持和指導，讓我們能締造如此超卓的成績。



李永鴻
行政總裁兼董事總經理
二零一六年四月