

# CHIEF EXECUTIVE'S REPORT

## 行政總裁報告



Benefiting from the positive global economic sentiment, better trade performance, low interest rate environment and strong equity and property market performance, the Hong Kong economy expanded remarkably in 2017. Hong Kong GDP grew 3.8% in 2017. Both stock and property markets posted solid gains. The Hang Seng Index rose 36% to 29,919 by year-end. While the property price is at an all time high and recorded a 15% increase in 2017, there are concerns among government officials and society in general about the sustainability of such a property market.

In spite of the improved economic conditions, Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$583 million for the year ended 31 December 2017, representing a year-on-year decrease of 8%. The decline in profit was mainly due to a decrease in non-interest income and a dilution loss arising from the reduction of the Bank’s percentage interest in Xiamen Bank Co., Ltd (“Xiamen Bank”) in 2017, following third party placements by Xiamen Bank during the year. Return on average equity and return on average assets were 4.81% and 0.60% respectively, compared with 5.72% and 0.68% in 2016. However, the Group’s operating profit after impairment losses rose 20% to HK\$516 million.

受惠全球正面的市場氣氛、更佳的貿易增長、低息環境以及股票及物業市場的強勁表現，香港經濟於2017年迅速發展。香港本地生產總值於2017年增長3.8%。股票及物業市場均顯著上揚。恒生指數於2017年全年上升36%至29,919點。物業價格於2017年高企，並錄得15%的升幅，政府官員及社會普遍上對物業市場之可持續性仍有所顧慮。

儘管經濟環境有所改善，富邦銀行(香港)有限公司(「本行」)及其附屬公司(「本集團」)截至2017年12月31日止的全年淨溢利為5.83億港元，較去年下跌8%。溢利減少主要由於非利息收入減少，以及廈門銀行股份有限公司(「廈門銀行」)於2017年向第三方私人配售額外股本後，本行持有廈門銀行股權的比例下降而產生的攤薄虧損所致。平均股本回報率及平均資產回報率分別為4.81%及0.60%，而2016年則為5.72%及0.68%。然而，本集團扣除減值虧損之經營溢利上升20%至5.16億港元。

Net interest income rose 4% to HK\$1,216 million, mainly through the expansion of loan portfolio and debt securities investment portfolio. Nevertheless, net interest margin for the year narrowed by 2 basis points to 1.43%, largely because of increased deposit costs. However, net interest margin began improving towards year end and reached 1.51% in December 2017 after HIBOR rose to a nine-year high in the fourth quarter of 2017 and, as a result, the Bank's loan yield picked up at a faster pace.

Net fee and commission income declined by 13% to HK\$318 million. The decline was mainly attributable to a 32% decrease in insurance services income and a 7% decrease in credit card related fee income. On the other hand, securities brokerage and investment services income recorded an encouraging growth of 35%, underpinned by the more actively traded stock market. Unit trust services income also increased by 16% year-on-year.

The decrease in other operating income was mainly attributed to higher mark-to-market losses on foreign exchange swaps, which are required by accounting standards to be shown separately from related foreign currency deposits. Total non-interest income fell 24% to HK\$322 million and the percentage of non-interest income to total operating income also declined to 20.9%.

Operating expenses decreased by 1% to HK\$950 million. Cost-to-income ratio, however, slightly increased to 61.8% because of the lower operating income. During the year, the Bank extended its iBranch network to Kowloon and the New Territories by opening iBranches in Mongkok and Shatin. Furthermore, the Bank launched its first Commercial Banking Centre at the Kowloon Main Branch to expand its SME banking activities. Locating the Commercial Banking Centre in one of our flagship branches will enhance our ability to provide comprehensive financial services to our SME customers. To strengthen our brand image and market position, the Bank launched a new branding campaign featuring the world snooker champion Miss Ng On Yee in December of last year.

Total impairment losses amounted to HK\$72 million, which included HK\$68 million on loans and advances and HK\$4 million on other assets. The amount decreased significantly by 65% when compared with 2016, reflecting the Bank's improvement in asset quality. The impaired loan ratio was reduced from 0.77% at 2016 year-end to 0.39% at 2017 year-end, with a coverage ratio of nearly 100%.

The Group's share of profits from Xiamen Bank rose 5% to HK\$237 million in 2017. The Bank's shareholding in Xiamen Bank was reduced from 19.99% to 15.78% after two private placements of additional share capital to new strategic investors by Xiamen Bank in June and September 2017 respectively. As a result of the shareholding dilution, the Bank recognized a deemed disposal loss of HK\$61 million with an after tax impact of HK\$55 million.

透過擴展貸款組合及債務證券的投資組合，淨利息收入上升4%至12.16億港元。儘管如此，存款成本上升，令淨息差收窄2個基點至1.43%。香港銀行同業拆息於2017年第四季升至九年高位，因此，本行的貸款收益率以較快速度回升，淨息差亦開始改善並於2017年12月達1.51%。

淨費用及佣金收入減少13%至3.18億港元。減幅乃主要由於保險業務收入減少32%及信用卡相關費用收入減少7%。另一方面，由於股市買賣活躍，證券經紀及投資服務收入錄得令人鼓舞的35%增幅。信託基金業務收入亦按年增加16%。

其他營運收入減少，主要由於外匯掉期按市值計算的虧損較高，而按會計準則外匯掉期須與相關外幣存款分開列示。總非利息收入下跌24%至3.22億港元，而非利息收入對總營運收入比率亦下降至20.9%。

營運支出減少1%至9.50億港元。然而，營運收入減少，成本對收入比率輕微增加至61.8%。去年，本行分別於旺角及沙田開設iBranch，將iBranch網絡擴展至九龍及新界。此外，本行於九龍總行開設第一間商業銀行中心，以擴展中小企銀行業務。於其中一間旗艦分行開設商業銀行中心，亦可提升我們為中小企客戶提供全面金融服務的能力。為提升我們的品牌形象及市場地位，本行於去年12月推出全新品牌推廣計劃，並由世界桌球冠軍吳安儀小姐擔任代言人。

總減值虧損為7,200萬港元，當中包括6,800萬港元客戶貸款減值虧損及400萬港元其他資產減值虧損，金額較2016年大幅減少65%，反映本行的資產質素得到改善。減值貸款比率由2016年年末的0.77%降至2017年年末的0.39%，減值貸款覆蓋率接近100%。

於2017年，本集團應佔廈門銀行的溢利上升5%至2.37億港元。廈門銀行於2017年6月及9月分別向新策略投資者私人配售額外股本後，本行於廈門銀行的股權由19.99%減至15.78%。由於有關股權攤薄，本行錄得6,100萬港元的視作出售虧損，除稅後影響為5,500萬港元。

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In November 2017, our parent company, Fubon Financial Holding Co. Ltd., (“Fubon Financial Holdings”), agreed to purchase from the Bank its entire shareholding in Xiamen Bank as part of the Fubon Group’s investment realignment initiative. The transaction is now pending the necessary regulatory approvals.

The Group’s total assets increased by 3% to HK\$98 billion as at 31 December 2017. Gross advances to customers attained a double-digit growth of 10% to HK\$48 billion, attributable mainly to the growth in loans to corporate customers. As liquidity remained ample in Hong Kong, the Bank raised its loan-to-deposit ratio to 73.2% at 31 December 2017 and reduced customer deposits by 2% to HK\$62 billion.

On 29 December 2017, the Bank issued US\$193 million undated non-cumulative subordinated Additional Tier 1 Capital Securities, which were fully subscribed by our parent company, Fubon Financial Holdings. This issuance strengthened the Group’s capital position and allowed for further business growth. As at 31 December 2017, the Group’s common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio were 13.08%, 15.42% and 19.42% respectively, which were well above the statutory requirements. The average liquidity maintenance ratio also stood at a comfortable level of 50.52%.

Although the Hong Kong economic growth is expected to maintain its momentum in 2018, there are a number of uncertainties affecting the worldwide economy. The Brexit negotiation, North Korea crisis, and the anticipated Federal Reserve’s interest rate hikes and the global trade protectionist sentiments will continue to add complications to the volatile global and domestic economies. In the face of a rapidly evolving market environment, we will continue to enhance customer engagement and pursue a prudent growth strategy to strengthen the Bank’s local franchise. We remain committed to upgrading our digital platforms and service delivery channels through investments in information technology and infrastructure. Our efforts to move toward a FinTech based business model started with the introduction of the full service iBranch in 2015. Our goal is to provide our customers with the “Fubon Experience” that meets the needs of today’s Hong Kong consumers and business communities. Together with a diverse range of products and services, we wish to establish ourselves as a quality, reliable and trusted banking partner.

We believe in a strong risk management and compliance culture, and we will continue to introduce the best practices in corporate governance and service delivery. With the Board’s support, management is pushing ahead with programmes to establish a corporate culture that focuses on integrity, thrift and humility, aimed at protecting our customers’ interests as well as the interest of our employees and shareholders. To take advantage of the Fubon Group’s vast business network, we closely collaborate with our parent company and other affiliates to create a trustworthy financial partner for our customers.

於2017年11月，本行母公司富邦金融控股股份有限公司(「富邦金控」)同意向本行收購廈門銀行的所有股權作為富邦集團投資整合計劃的一部分。有關交易須待相關主管機關核可後執行。

截至2017年12月31日止，本集團的總資產增加3%至980億港元。由於企業客戶貸款增長，客戶貸款總額錄得10%的雙位數增幅並增至480億港元。香港的流動資金仍然充裕，本行於2017年12月31日將其貸存比率提升至73.2%，並將客戶存款減少2%至620億港元。

於2017年12月29日，本行發行1.93億美元無到期日非累積後償額外一級資本證券，並由母公司富邦金控全數認購，以增強本集團的資本狀況及為進一步的業務增長作好準備。截至2017年12月31日，本集團的普通股權一級資本比率、一級資本比率及總資本比率分別為13.08%、15.42%及19.42%，遠高於相關之法定要求。平均流動性維持比率處於50.52%的穩健水平。

儘管市場預期香港經濟於2018年能維持增長，惟仍有多項不確定因素影響世界經濟。脫歐談判、北韓危機及預期聯邦儲備局的加息以及全球貿易保護主義情緒，將繼續為波動的全球及本地經濟增添複雜性。面對迅速變遷的業務環境，我們將繼續提升與客戶的聯繫及採取穩中求進的策略，以鞏固本行的業務。我們將在資訊科技及基建方面繼續投資，並持續優化電子平台及服務渠道。本行自2015年引進iBranch全方位服務開始，致力發展以金融科技為基礎的業務模式。我們以為客戶帶來符合現今香港消費者及商業社群需要的「富邦體驗」為目標，再配合不同種類的產品和服務，期望能成為優質、可靠及值得客戶信任的銀行夥伴。

我們堅信強而有力的風險管理及合規文化，並繼續在企業管治及服務提供方面採納最佳常規。在董事會的支持下，管理層將繼續推行各項計劃，以建立誠信、勤儉及謙遜的企業文化，致力保障客戶、員工及股東的權益。我們與母公司及其他聯屬公司緊密合作，以利用富邦集團廣闊的商業網絡，為我們的客戶打造值得信賴的金融夥伴。

As a socially responsible institution, we continue to support a wide range of corporate social responsibility programmes and remain supportive to our staff by providing them with career enhancement opportunities to improve their well-being as well as a pleasant workplace environment. We believe that our people are the most valuable asset of the Bank and a stronger sense of belonging will boost staff morale and enhance staff performance.

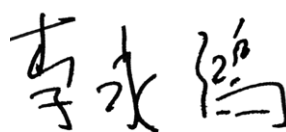
Finally, I would like to thank my management team and staff for their contributions in achieving a solid operating performance in 2017. I also wish to express my gratitude to our Chairman, the Chairman of Fubon Financial Holdings and to the entire Board of Directors for their support and guidance in achieving our strategic goals. Together, we will achieve a sustainable growth model for our business and provide value for all of our stakeholders.



**Raymond Lee**  
Chief Executive Officer and Managing Director  
April 2018

作為對社會負責任的機構，我們將繼續支持多項企業社會責任計劃，並透過向員工提供發展機會、提升福利及工作環境，以示對員工的支持。我們相信，員工為本行最寶貴的資產，而增強歸屬感更將提升員工士氣及工作表現。

最後，我謹此感謝管理層及全體員工對本集團2017年穩健的營運表現所付出的貢獻。同時，我衷心感謝本行主席、富邦金控主席及全體董事會成員的支持及指導，使我們能成功達成我們的策略目標。我們將同心協力，不單在業務上達至可持續增長模式，並為我們所有的持份者提供價值。



**李永鴻**  
行政總裁兼董事總經理  
二零一八年四月