

CHIEF EXECUTIVE'S REPORT 行政總裁報告



We are pleased to report that 2018 was a milestone year for Fubon Bank (Hong Kong) Limited (“the Bank”). We surpassed HK\$100 billion in total assets and also achieved record earnings. These achievements came against a backdrop of volatility and uncertainty in the global economy. Market conditions were unpredictable and changed quite abruptly without much notice. Needless to say, 2018 was another challenging year for the banking industry in Hong Kong.

We generally saw slower growth in the Chinese market, rising geopolitical concerns, and an ongoing trade conflict between the U.S. and Mainland China. The pace of U.S. interest rate rises slowed but with the uncertainty surrounding the global economy, the local property market dampened in the second half of 2018. Business sentiment turned negative with the stock market exhibiting rapid swings. Hong Kong Dollar interest rates fluctuated amid a currency market that saw exchange rates hitting the upper limit of the pegged regime.

對富邦銀行(香港)有限公司(「本行」)而言，2018年是具有里程碑意義的一年。在全球經濟波動且不明朗的情況下，本行的總資產超過1,000億港元，盈利亦創歷史新高。由於市場情況急轉突變且難以預料，對香港銀行業而言，2018年也是充滿了挑戰。

一般而言，我們看到中國市場增長放緩、地緣政治擔憂加劇以及美國與中國內地之間的貿易衝突持續。美國加息步伐放緩，但受全球經濟不明朗因素的影響，本地物業市場在2018年下半年受到抑制，營商氣氛轉差，股市亦出現快速波動。貨幣匯率在聯繫匯率機制下觸及上限，港元利率仍然波動。

Despite the challenging operating environment, the Bank and its subsidiaries ("the Group") reported a record-high net profit of HK\$823 million for the year ended 31 December 2018, representing a year-on-year increase of 41% as compared with 2017. Return on average equity and return on average assets were 5.61% and 0.82%, respectively, compared with 4.81% and 0.60% in 2017. We also saw the completion of a number of important events such as the transfer of the Xiamen Bank Co., Ltd ("Xiamen Bank") investment to our parent company, Fubon Financial Holding Co., Ltd. ("Fubon Financial Holdings") and the redemption of all our outstanding undated non-cumulative subordinated Additional Tier 1 Capital Securities ("Additional Tier 1 Capital Securities") ahead of schedule.

Net interest income rose by 12% to HK\$1,356 million, driven by both the widening of the net interest margin and the growth in average interest-earning assets. The net interest margin widened by 10 basis points to 1.53%, benefiting from the continued yield improvement in the loan and debt securities investment portfolios which offset the increase in deposit costs. Average interest-earning assets grew by 4%, mainly underpinned by the expanding loan portfolio.

Net fee and commission income declined by 9% to HK\$289 million. The decline was primarily due to the decrease in insurance services and unit trust services income by 23% and 17%, respectively. On the other hand, trade finance services and credit card services income recorded growth of 42% and 6%, respectively.

The increase in other operating income was mainly the result of lower mark-to-market losses on foreign exchange swaps. In spite of an increase in total non-interest income of 3% to HK\$331 million, the percentage of non-interest income to total operating income declined to 19.6%.

Operating expenses slightly increased by 1% to HK\$965 million. However, with a higher operating income, the cost-to-income ratio dropped to 57.2% compared with 61.8% in 2017. During the year, the Group exercised effective cost control measures including optimizing its branch network and streamlining its workflow. In the face of the emerging Fintech era, the Group has remained committed to deploying resources and investing in the development of innovative information technology.

儘管經營環境充滿挑戰，本行及其附屬公司（「本集團」）截至2018年12月31日止的全年淨溢利創新高達8.23億港元，較2017年上升41%。平均股本回報率及平均資產回報率分別為5.61%及0.82%，而2017年則為4.81%及0.60%。同時，本行於年內完成一些重大事項，其中包括轉讓本行於廈門銀行股份有限公司（「廈門銀行」）的全部股份予母公司富邦金融控股股份有限公司（「富邦金控」），以及提前回購無到期日非累計後償額外一級資本證券（「額外一級資本證券」）。

淨息差擴闊及生息資產均額增長，帶動淨利息收入上升12%至13.56億港元。貸款及債務證券投資組合的收益率持續改善，抵銷了存款成本的上升，令淨息差增加10個基點至1.53%。受貸款組合增長帶動，生息資產均額上升4%。

淨費用及佣金收入減少9%至2.89億港元。減幅主要由於保險業務收入減少23%及信託基金業務收入減少17%。另一方面，貿易融資及信用卡業務收入分別錄得42%及6%的增幅。

其他營運收入上升，主要由於外匯掉期按市值計算的虧損減少。儘管總非利息收入增長3%至3.31億港元，非利息收入對總營運收入比率下降至19.6%。

營運支出輕微上升1%至9.65億港元。由於營運收入增幅較高，成本對收入比率由2017年61.8%下降至2018年的57.2%。年內，本集團執行有效的成本控制措施，包括優化分行網絡及簡化工作程序。面對金融科技的熱潮，本集團將繼續投入資源及在創新的資訊科技發展上作出投資。

Total impairment losses amounted to HK\$21 million, including a HK\$49 million charge on loans and advances and a HK\$28 million write-back on other assets. The amount decreased significantly by 71% when compared with 2017, reflecting the sound asset quality of the Bank. The impaired loan ratio was 0.49% at 2018 year-end, with a coverage ratio of 95%. Effective from 1 January 2018, the new expected credit loss model in Hong Kong Financial Reporting Standard 9 replaced the incurred loss model in Hong Kong Accounting Standard 39 for the measurement of impairment losses of the Group.

The Group's share of profits from Xiamen Bank increased by 14% to HK\$270 million in 2018. In June 2018, the Bank acquired approximately 99 million ordinary shares of Xiamen Bank at a price of RMB4.80 per share. The Bank's shareholding in Xiamen Bank increased to 19.95% upon completion of the transaction. The Bank recognized a gain on bargain purchase of HK\$70 million, which represented the excess of Xiamen Bank's fair value of RMB5.41 per share over the purchase consideration for the acquired shares.

On 30 November 2018, the Bank completed the disposal of its entire shareholding in Xiamen Bank to Fubon Financial Holdings as part of the Fubon Group's realignment initiative. The Bank recorded a loss on disposal of HK\$119 million which was partially offset by the reversal of deferred tax of HK\$57 million.

The Group's total assets rose by HK\$4 billion, or 4%, to HK\$103 billion as at 31 December 2018. Gross advances to customers were HK\$48 billion, almost the same level as at the 2017 year-end. Customer deposits, on the other hand, attained a double-digit growth of 10% to HK\$68 billion, maintaining the strong deposit portfolio considered necessary in times of market uncertainty. Taking into account the trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio decreased from 73.2% at 31 December 2017 to 66.7% at 31 December 2018.

On 27 December 2018, the Bank redeemed US\$193 million of Additional Tier 1 Capital Securities from Fubon Financial Holdings. Despite this capital reduction, the Group's capital and liquidity position remain strong and healthy. As at 31 December 2018, the Group's common equity tier 1 capital ratio and tier 1 capital ratio had risen to 16.75%, and the total capital ratio to 20.60%, which was well above statutory requirements. The average liquidity maintenance ratio also stood at a comfortable level of 54.83%.

總減值虧損為2,100萬港元，當中包括4,900萬港元客戶貸款減值虧損及2,800萬港元其他資產減值虧損之回撥，金額較2017年大幅減少71%，反映本行資產質素良好。截至2018年底，減值貸款比率為0.49%，減值貸款覆蓋率為95%。自2018年1月1日起，於計算本集團的減值虧損時，已採用香港財務報告準則第9號中新的預期信貸虧損模式，取代香港會計準則第39號的已產生虧損模式。

於2018年，本集團於廈門銀行的應佔溢利上升14%至2.70億港元。本行於2018年6月以每股人民幣4.80元的價格收購廈門銀行約9千9百萬股普通股。此項交易完成後，本行對廈門銀行之持股量增至19.95%。由於廈門銀行的公平價值為每股人民幣5.41元，超出本行所收購股份的收購代價，本行已認列7,000萬港元的議價收購收益。

於2018年11月30日，本行完成把其於廈門銀行的全部股份轉讓予富邦金控，作為富邦集團投資整合計劃的一部分。本行錄得1.19億港元的出售虧損，但其中部分被5,700萬港元遞延稅項回撥所抵銷。

於2018年12月31日，本集團的總資產增加40億港元或4%至1,030億港元。客戶貸款總額維持在480億港元，與2017年年底之水平相若。另一方面，在不明朗的市況下，存款基礎需要較快的增長，客戶存款錄得10%的雙位數成長並增至680億港元。計及商業票據及本行發行之存款證，貸款對存款比率由2017年12月31日的73.2%下降至2018年12月31日的66.7%。

於2018年12月27日，本行向富邦金控回購1.93億美元額外一級資本證券。即使資本因而減少，本集團的資本及流動資金狀況仍然維持穩健。於2018年12月31日，本集團的普通股權一級資本比率及一級資本比率皆上升至16.75%，總資本比率亦上升至20.60%，遠高於相關之法定要求。平均流動性維持比率處於54.83%的穩健水平。

Looking ahead, there are signs that global economic growth momentum may continue to weaken. Uncertainty in interest rates, trade conflicts between the U.S. and Mainland China, and Brexit will continue to affect economic growth and market sentiments in 2019. Against a backdrop of a rapidly changing market environment, we will continue to pursue our customer-centric and prudent growth strategy to strengthen our local franchise. We understand the diverse financial needs of our customers and will continue to focus on developing customized financial solutions for customers from all walks of life. We are proud to be able to provide our customers with the unique “Fubon Experience” which emphasizes our culture of “customer first”. We continue to enhance customer engagement by widening our range of products and services, diversifying our service delivery channels, and upgrading our service outlets and digital platforms. To align with our customer-centric strategy and in support of the Hong Kong Monetary Authority’s Smart Banking initiative, we remain committed to investing in information technology and infrastructure, aiming to enhance the digital customer experience by launching more secure and convenient financial services. Our brand image will reflect our business philosophy and commitment to be a market leading institution in both customer care and service quality. As a member of the Fubon Group that also emphasizes fitness and health, we will renew our branding campaign in 2019 featuring the renowned Hong Kong snooker player Miss Ng On Yee.

As always, we believe in a robust risk management and compliance culture, and we will continue to adopt the best practices in these areas. We maintain good credit quality through proactive credit risk management. Supported by the extensive business network and leveraging the competitive advantages of the Fubon Group, we continue to closely collaborate with our parent company and other affiliates to capitalize on new opportunities arising in the region and to establish ourselves as a quality and trustworthy banking partner.

We believe our staff are our most valuable asset. We remain committed to promoting a caring working environment that supports personal well-being and career advancement. As a good corporate citizen, we continue to support a variety of corporate social responsibility programmes in the community.

Finally, I would like to express my sincere thanks to our management team and staff for their continual dedication and contributions to the Bank, which anchored our strong performance in 2018. I also wish to express my gratitude to our Chairman, the Chairman of Fubon Financial Holdings and to the entire Board of Directors whose on-going guidance and support led us to our success. Together, we deliver the unique “Fubon Experience” and create value for all of our stakeholders.



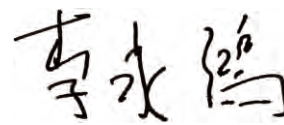
Raymond Lee
Chief Executive Officer and Managing Director
April 2019

展望未來，有跡象顯示全球經濟增長勢頭可能會繼續減弱。利率的不確定因素、美國與中國內地之間的貿易衝突以及英國脫歐，均持續影響2019年的經濟增長及市場情緒。在急劇變化的市場環境下，本行將繼續採取以客為本及穩中求進的策略，鞏固我們的本地業務。我們深明客戶的財務需要各有不同，因此，我們將繼續專注為各行各業的客戶提供量身訂做的金融方案。我們為能夠向客戶提供可彰顯我們「顧客至上」的文化且獨特的「富邦體驗」而感到自豪。我們將繼續透過擴大產品及服務範圍、拓展服務渠道及提升服務網絡和數位化平台，以增強和客戶的聯繫。為配合我們以客為本的策略以及支持香港金融管理局推出的智慧銀行舉措，我們持續在資訊科技及基礎設施上作出投資，以期推出更安全及方便的金融服務來提升數位化的客戶體驗。本行的品牌形象反映我們的經營理念以及我們在關懷客戶和優質服務方面致力成為市場領導機構的承諾。作為重視體能及健康的富邦集團成員之一，我們於2019年將繼續推出由著名香港桌球運動員吳安儀小姐擔任代言人之品牌宣傳計劃。

我們一如既往地堅信強而有力的風險管理及合規文化，並繼續在該等方面採用最佳的作業模式。我們透過積極的信貸風險管理來保持良好的信貸質素。受惠富邦集團龐大的業務網絡及競爭優勢，我們繼續與母公司及其他聯屬公司緊密合作，把握區內湧現的新機遇以及打造本行為優質及值得信賴的銀行夥伴。

我們深信員工為本行最寶貴的資產。我們致力為員工打造有益身心健康及職業發展的工作環境。作為良好的企業公民，我們持續支持社區的各項企業社會責任計劃。

最後，我謹此感謝管理層及全體員工對本行2018年強勁表現所付出的貢獻。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一直以來的指導及支持，令我們能獲取佳績。我們同心協力，一起為客戶提供獨特的「富邦體驗」，並為我們所有持份者創造價值。



李永鴻
行政總裁兼董事總經理
二零一九年四月