

CHIEF EXECUTIVE'S REPORT 行政總裁報告



Fubon Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) reported a net profit of HK\$75 million for the year ended 31 December 2020, representing a year-on-year decrease of 87% as compared with 2019. Return on average equity and return on average assets were 0.51% and 0.07%, respectively, compared with 4.19% and 0.56% in 2019. The Group’s operating profit was affected by the low interest rate environment and the COVID-19 pandemic. The decline in net profit was attributable to a 33% reduction in operating profit, which was further impacted by an increase in impairment allowances for loans and other financial assets. Stages 1 and 2 impairment allowances increased by 74% while stage 3 impairment allowances registered a substantial increase to HK\$253 million.

Net interest income decreased by 16% to HK\$1,183 million and net interest margin narrowed by 28 basis points to 1.21%. Market interest rates decreased at an accelerated pace in the first six months of 2020 and remained at a very low level throughout the second half of the year, resulting in a decrease in overall asset yield. However, customer deposits rates did not decline at the same pace causing a narrowing of margins as well as a decline in net interest income. Average interest-earning assets grew by 3%, contributed by an expanding loan and debt securities investment portfolios.

Net fee and commission income decreased by 16% to HK\$249 million. The drop was mainly attributable to the decrease in insurance services, credit card services and trade finance services income by 32%, 24% and 22%, respectively. Credit related services income also decreased by 21%. The decline in these fee income areas was primarily due to the COVID-19 pandemic. On the other hand, securities brokerage and investment services income rose by 72% benefiting from the increase in stock market turnover. Total non-interest income maintained at the same level of HK\$347 million as compared with 2019 while non-interest income-to-total operating income ratio increased to 22.7%.

Operating expenses increased by 6% to HK\$951 million. The cost-to-income ratio increased to 62.2% as compared with 51.0% in 2019. In 2019, we won an appeal over a High Court judgement against the Bank, resulting in a one-time recovery of HK\$96 million in expenses that was paid out under the High Court Order in 2016. The litigation related to a dispute with a borrowing customer involving a transaction dating back to 1998. If this one-time recovery was excluded from the 2019 operating expenses, then operating expenses would have registered a 4% year-on-year decrease. Amid the challenging operating environment, the Group continued to introduce cost control measures while remaining committed to allocating resources and investment to Fintech initiatives in support of our medium- to long-term business strategies.

富邦銀行(香港)有限公司(「本行」)及其附屬公司(「本集團」)截至2020年12月31日止的全年淨溢利為7,500萬港元，較2019年減少87%。平均股本回報率及平均資產回報率分別為0.51%及0.07%，而2019年則為4.19%及0.56%。低息環境及2019冠狀病毒病全球大流行，對本集團的經營溢利造成影響。淨溢利下跌，主要是由於本集團的經營溢利減少33%，加上貸款及其他金融資產減值撥備上升。第一及第二階段減值撥備上升74%，而第三階段減值撥備亦增加至2.53億港元。

淨利息收入減少16%至11.83億港元，淨息差亦下降28個基點至1.21%。市場利率於2020年首六個月一直急速下調，並於整個下半年維持在極低水平，導致整體資產收益下降。然而，客戶存款利率並未有同步下調，導致息差收窄，淨利息收入亦隨之下降。受貸款及債務證券投資組合增長帶動，生息資產均額上升3%。

2019冠狀病毒病全球大流行導致費用收入下降。保險、信用卡及貿易融資業務收入分別減少32%、24%及22%，信貸業務收入亦錄得21%的跌幅，導致淨費用及佣金收入下跌16%至2.49億港元。另一方面，受惠於股票市場成交活躍，證券經紀及投資服務收入上升72%。總非利息收入為3.47億港元，與2019年相若。非利息收入對總營運收入比率則上升至22.7%。

營運支出增加6%至9.51億港元。成本對收入比率由2019年的51.0%上升至2020年的62.2%。2019年，本行就高等法院的一項判決上訴得直，收回於2016年就原審判決所支付的淨金額合共9,600萬港元，而該訴訟乃由1998年之一項客戶借貸糾紛所引起。若撇除收回該一次性款項，營運支出則按年減少4%。面對充滿挑戰的經營環境，本集團貫徹執行成本控制措施的同時，亦致力在金融科技項目投放資源及作出投資，以支持中長期業務策略。

The Group made a provision of HK\$149 million for loan impairment and HK\$71 million for other financial assets impairment for stages 1 and 2. This reflected an anticipated downturn in the key economic factors in the expected credit loss model which is required by the accounting standards under HKFRS9. Loan impairment losses for stage 3 (net of bad debt recovery) were HK\$253 million. As a result, total impairment losses amounted to HK\$473 million as compared to HK\$142 million in 2019. The impaired loan ratio was 0.87% and the coverage ratio for the Group's non-performing loans was 82.4% as at 31 December 2020.

The Group's total assets rose by HK\$1 billion, or 1%, to HK\$112 billion as at 31 December 2020. Gross advances to customers increased by 6% to HK\$56 billion, mainly attributed to the growth in loans to corporate customers. Customer deposits increased by 2% to HK\$77 billion, helping to maintain a stable deposit base. With the inclusion of trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio increased from 65.9% at 31 December 2019 to 68.7% at 31 December 2020.

The Group's capital and liquidity positions remained strong. As at 31 December 2020, the Group's Common Equity Tier 1 ("CET1") Capital Ratio and Tier 1 Capital Ratio were both 16.86%, and its Total Capital Ratio was 18.93%, which were well above the statutory requirements. The Average Liquidity Maintenance Ratio also stood at a comfortable level of 68.53%.

The spread of COVID-19 significantly increased volatility in the financial markets, and continued uncertainty over the U.S.–China disputes severely impacted global economic activities. The depressed global economy resulted in high unemployment rate in most markets and Hong Kong was no exception. While the economy seemed to have bottomed out in the second half of 2020, the new wave of COVID-19 in Europe driven partly by the mutation of the virus will dampen and slow down the recovery. In Hong Kong, the outbreak of COVID-19 has also changed the ways people manage their financial activities. As a result, digitalization in the financial sector has accelerated. In recent years, Hong Kong has fully embraced Fintech and the government has also launched multiple initiatives to promote low cost and easy access electronic banking, including the introduction of the Faster Payment System, Open API, and the licensing of virtual banks.

We have taken note of the Fintech trend over the last decade and have developed a strategic plan that will transform the Bank from a traditional physical bank to a dual-platform financial institution that offers a broad range of banking services through both virtual and physical channels. In January 2021, the Bank established a strategic cooperation with HKT for Fintech innovation. We believe our cooperation with HKT will enable us to establish a solid foundation for the introduction of virtualized services in the future. By integrating the core strengths and expertise of the Bank with HKT, we will be able to stay in the forefront of digital banking and will be well-positioned to capture the opportunities created by the growing awareness of Fintech. With this strategy, we will further deepen our relationships with both retail and corporate customers by providing products and services that best suit their lifestyle and financial needs.

本集團於第一及第二階段就貸款及其他金融資產分別作出 1.49 億港元及 7,100 萬港元撥備。減值撥備增加反映根據香港財務報告準則第 9 號所制定的預期信貸虧損模式下預期的經濟前景轉差。第三階段貸款減值虧損(扣除壞賬收回後)為 2.53 億港元。因此，減值虧損總額為 4.73 億港元，2019 年則為 1.42 億港元。於 2020 年 12 月 31 日，減值貸款比率為 0.87% 及減值貸款覆蓋率為 82.4%。

於 2020 年 12 月 31 日，本集團的總資產為 1,120 億港元，較 2019 年增加 10 億港元或 1%。受惠於企業客戶貸款增長，客戶貸款總額上升 6% 至 560 億港元。客戶存款增加 2% 至 770 億港元，讓本行得以維持穩健的存款基礎。計及商業票據及本行發行之存款證，貸款對存款比率由 2019 年 12 月 31 日的 65.9% 上升至 2020 年 12 月 31 日的 68.7%。

本集團的資本及流動資金狀況仍然雄厚穩健。於 2020 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為 16.86%，總資本比率為 18.93%，遠高於相關之法定要求。平均流動性維持比率處於 68.53% 的穩健水平。

2019 冠狀病毒肆虐導致金融市場動盪加劇，加上中美糾紛前景仍然不明朗，種種因素嚴重衝擊全球經濟活動。全球經濟低迷導致大部分市場的失業率高企，香港亦無可避免。儘管經濟於 2020 年下半年看似走出陰霾，但隨著變種病毒出現引發歐洲的新一波疫情，將影響並拖累經濟復甦。在香港，2019 冠狀病毒病的爆發改變了人們管理財務的方式，加速了金融業的數位化轉型。近年，香港迅速邁向金融科技化，政府亦推出了多項舉措推廣低成本、簡便的電子銀行方案，當中包括「轉數快」、開放應用程式介面以及發出虛擬銀行牌照。

本行於過去十年早已洞悉金融科技發展趨勢，制定策略性發展計劃，銳意將本行由傳統實體銀行變革成為一間透過虛擬與實體渠道為客戶提供多元化銀行服務的金融機構。2021 年 1 月，本行與香港電訊就創新金融科技達成策略性合作。我們相信，與香港電訊的合作將為我們未來推出虛擬化銀行服務奠定堅實的基礎。透過結合本行和香港電訊的主要優勢和專長，我們將可在提供數位化銀行服務方面佔有優勢，把握大眾日漸關注金融科技的重要性而帶來的龐大機遇。此策略將進一步深化我們與零售和企業客戶的關係，為他們提供最切合其生活方式及理財需要的產品和服務。

Our continued investment in digital innovations and technology will enable us to react swiftly and cater to the changing needs of our customers while at the same time allow us to develop new customer from different target market segments. To strengthen our brand and further underscore our customer-centric approach, we launched a new branding campaign last year showcasing the seamless integration of our physical banking and virtual banking services that will provide our customers with the best of both worlds. By building a high-quality virtual platform, we will ensure we meet one of our major corporate objectives of financial inclusion.

As part of the Fubon Group, we will continue to collaborate with other affiliates to maximize our business opportunities in the region, particularly in the fast-growing Greater Bay Area and give our customers access to financial services in this market.

On risk management, we always believe in a robust risk management and compliance culture, and we remain vigilant in light of the changing market and credit conditions. We will continue to enhance our operational and market risk management, and maintain a high credit management standard through rigorous review of our risk management framework, policies and processes.

As always, our staff are our most valuable asset and we remain committed to promoting their personal well-being and career advancements, especially under the current challenging market environment. Since the onset of COVID-19, our staff have demonstrated their professionalism and commitment to delivering uninterrupted services to our customers. Meanwhile, we also supported a variety of corporate social responsibility programmes in the community during the year.

Finally, I wish to express my gratitude to our management team and staff for their efforts and contributions to the Bank, especially under such difficult circumstances. I also wish to express my heartfelt thanks to our Chairman, the Chairman of Fubon Financial Holdings and to our Board of Directors for their ongoing support and guidance. Together with our professional and experienced staff, we are poised to capture opportunities when the current pandemic is over and markets resume normality. We will continue to deliver high-quality customer services to ensure that our customers can enjoy the unique "Fubon Experience".



Raymond Lee

Chief Executive Officer and Managing Director
April 2021

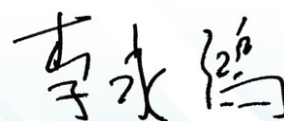
我們持續於創新及數位化科技上作出投資，以迅速回應並滿足客戶不同的需求，並同時於不同目標市場開拓新客戶群。為強化本行的品牌及進一步體現以客為本的理念，我們於去年推出全新的品牌宣傳活動，展示我們實體銀行與虛擬銀行服務無縫結合的全新概念，致力為客戶帶來優質的實體銀行與虛擬銀行服務，讓他們靈活處理財務需要。透過構建高質素的虛擬化銀行服務平台，我們將實現普及金融這重要的企業目標。

作為富邦集團的成員之一，我們將繼續與其他聯屬公司合作，以把握區內的商機，尤其是在發展迅速的大灣區，為客戶提供金融服務。

在風險管理方面，我們一直恪守穩健的風險管理和合規文化，並在市場及信貸情況有所轉變時保持審慎。我們嚴格審查本行的風險管理框架、政策和流程，持續提升我們的營運和市場風險管理，維持高信用管理標準。

一如既往，員工是我們最寶貴的資產。在這充滿挑戰的市場環境下，我們將繼續致力促進員工的個人福祉和職業發展。自 2019 冠狀病毒病爆發以來，我們的員工向客戶展現其專業精神，致力為客戶提供無間斷的銀行服務。年內，我們亦支持了多項社會企業責任計劃，以貢獻社會。

最後，本人衷心感謝管理層和員工在這艱難時期為本行作出的努力和貢獻。同時，我亦感謝本行主席、富邦金控主席及董事會成員一直以來的支持和指導。在本行專業且經驗豐富的員工同心協力下，我們已為抓緊疫情結束和市場回復正常所帶來的機遇作好準備。我們將繼續提供超卓的客戶服務，讓客戶享受獨特的「富邦體驗」。



李永鴻

行政總裁兼董事總經理
2021 年 4 月