

# CHIEF EXECUTIVE'S REPORT

## 行政總裁報告



Amid an uncertain and challenging market environment, Fubon Bank (Hong Kong) Limited ("the Bank") and its subsidiaries ("the Group") reported a net profit of HK\$601 million for the year ended 31 December 2019, representing a year-on-year decrease of 27% as compared with 2018. Return on average equity and return on average assets were 4.19% and 0.56%, respectively, compared with 5.61% and 0.82% in 2018. The decline in net profit was mainly attributable to the reduction in the share of profits from Xiamen Bank Co., Ltd. ("Xiamen Bank") upon the disposal of the Bank's entire shareholding in Xiamen Bank to its parent company, Fubon Financial Holding Co., Ltd. ("Fubon Financial Holdings"), in November 2018. Nevertheless, the Group's core operating profit after impairment losses increased by 3% to HK\$721 million.

Benefiting from the growth in average interest-earning assets, net interest income rose by 4% to HK\$1,416 million. Net interest margin for the year, however, narrowed by four basis points to 1.49% primarily due to the increase in deposit costs, which outweighed the improvement in the overall assets yield. Average interest-earning assets grew by 7%, underpinned by the expanding loan and debt securities investment portfolios.

Net fee and commission income increased by 2% to HK\$296 million. The rise was attributed to the increase in credit related services and insurance services income by 15% and 14%, respectively. On the other hand, securities brokerage and investment services income was impacted by significantly lower turnover in the stock market and declined by 30%. Unit trust services income also decreased by 24%.

The increase in other operating income was due to lower mark-to-market losses on foreign exchange swaps. Total non-interest income increased by 5% to HK\$347 million. The non-interest income-to-total operating income ratio was stable at 19.7%.

Operating expenses decreased by 7% to HK\$899 million. The cost-to-income ratio dropped to 51.0% compared with 57.2% in 2018. The Group continued its effective cost control measures while remaining committed to allocating resources and investing in the development of a robust Fintech framework.

Regarding Fintech, in 2019 the Bank successfully replaced its fragmented Core Banking System with a single system named Finacle. With many new functionalities, Finacle provides a platform for the Bank to develop a Fintech strategy. Virtualization of our banking services is a central theme in our medium term strategy. Among our efforts in 2019, we introduced software token authentication, developed an Open API environment, and launched the Faster Payment System. In the next two years, the Bank plans to provide a virtual channel allowing our customers to conduct most, if not all, of their major banking services via the internet and mobile banking.

在不明朗和充滿挑戰的市場環境中，富邦銀行（香港）有限公司（「本行」）及其附屬公司（「本集團」）截至2019年12月31日止錄得全年淨溢利6.01億港元，較2018年下跌27%。平均股本回報率及平均資產回報率分別為4.19%及0.56%，而2018年則分別為5.61%及0.82%。淨溢利下降，主要由於我們在2018年11月出售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」）後於廈門銀行的應佔溢利減少。儘管如此，本集團扣除減值虧損之核心經營溢利增加3%至7.21億港元。

受惠於生息資產均額增長，淨利息收入上升4%至14.16億港元。然而，年內淨息差收窄4個基點至1.49%，這主要由於存款成本增加的幅度超過整體資產收益的增幅。受貸款及債務證券投資組合擴展所帶動，生息資產均額上升7%。

信貸業務及保險業務收入分別增加15%及14%，帶動淨費用及佣金收入上升2%至2.96億港元。另一方面，受股票市場成交顯著縮減影響，證券經紀及投資服務收入下跌30%，信託基金業務收入亦減少24%。

其他營運收入增加乃由於外匯掉期按市值計算的虧損減少。總非利息收入增長5%至3.47億港元，非利息收入對總營運收入比率維持19.7%。

營運支出下降7%至8.99億港元，成本對收入比率下跌至51.0%，而2018年則為57.2%。本集團持續採取有效的成本控制措施，並同時繼續在發展穩健的金融科技框架方面分配資源及作出投資。

在金融科技方面，本行於2019年成功以單一系統Finacle取代舊有的核心銀行系統。Finacle擁有多項新功能，為本行提供一個發展金融科技策略的平台。銀行服務虛擬化為我們中期策略的核心主題。於2019年，我們引入了保安編碼器認證系統，發展開放應用程式介面平台，並推出「轉數快」服務。未來兩年，本行計劃為客戶提供虛擬渠道，透過網上及流動理財進行大部分甚至全部主要的銀行服務。

During the year, the Bank won an appeal in the Court of Appeal against a High Court judgment in 2016 which awarded a net aggregate amount of HK\$96 million to the plaintiff. This resulted in the Bank recovering the entire amount from the plaintiff in 2019. The plaintiff's attempt to obtain leave to appeal to the Court of Final Appeal was rejected in early 2020, which represented a final closure to this litigation. The litigation related to a loan syndication transaction that originated in 1998.

While the Bank's impaired loan ratio at the end of 2019 was low at 0.33%, the Bank made a provision of HK\$93 million for loan impairment for stages 1 and 2 under the HKFRS9. Following the same accounting standard, the Bank made a further provision of HK\$37 million for other asset impairment losses that covered primarily other financial assets. However, loan impairment losses for stage 3 (net of bad debt recovery) declined by HK\$51 million to HK\$12 million. As a result, the total impairment losses amounted to HK\$142 million. The coverage ratio for the Bank's non-performing loans was 98.8% as at 31 December 2019.

The Group's total assets rose by HK\$9 billion, or 8%, to HK\$111 billion as at 31 December 2019. Gross advances to customers attained a double-digit growth of 10% to HK\$53 billion, mainly contributed by growth in loans to corporate customers. Customer deposits grew at a satisfactory pace of 10% to HK\$75 billion, giving the Bank a strong deposit base in an uncertain market. With the inclusion of trade bills and certificates of deposit issued by the Bank, the loan-to-deposit ratio decreased from 66.7% at 31 December 2018 to 65.9% at 31 December 2019.

The Group's capital and liquidity position continued to remain strong and healthy during the year. As at 31 December 2019, the Group's common equity tier 1 capital ratio and tier 1 capital ratio were both 16.72%, and its total capital ratio was 19.66%, which was well above the statutory requirements. The average liquidity maintenance ratio also stood at a comfortable level of 67.09%.

We believe that global economic conditions and the market environment in Hong Kong will remain volatile in 2020. The outbreak of the novel coronavirus (COVID-19) has posed additional challenges to the already weakened market conditions in Hong Kong. Continuing uncertainty over the U.S.-China trade dispute, heightened geopolitical tensions and the social unrest in Hong Kong will continue to be obstacles to economic recovery. Against a backdrop of a rapidly-changing operating environment, we will continue to pursue our customer-centric and prudent growth strategy to strengthen our local franchise. Underscoring our commitment to provide our customers with the unique "Fubon Experience", we remain focused on enhancing our efficiency and service delivery capabilities by making investments in technology and operational infrastructure to develop innovative Fintech solutions for both retail and corporate customers.

年內，本行就高等法院於2016年的一項須向原告賠償淨額合共9,600萬港元的判決向上訴法庭提出上訴，最終得直。因此，本行於2019年向原告悉數取回該筆款項。原告曾嘗試向終審法院取得上訴許可，惟於2020年初被駁回，表示該訴訟已經完結。此訴訟乃關於1998年的一宗銀團貸款交易。

本行於2019年年底的減值貸款比率下跌至0.33%，惟本行根據香港財務報告準則第9號就第一及第二階段的貸款減值虧損作出9,300萬港元撥備。根據同一會計準則，本行就主要涵蓋其他金融資產的其他資產減值虧損進行額外撥備3,700萬港元。然而，第三階段貸款減值虧損(扣除壞賬收回後)下降5,100萬港元至1,200萬港元。因此，減值虧損總額為1.42億港元。於2019年12月31日，本行的減值貸款覆蓋率為98.8%。

於2019年12月31日，本集團的總資產上升90億港元或8%至1,110億港元。客戶貸款總額維持雙位數增長，上升10%至530億港元，這主要受惠於企業客戶貸款增長。客戶存款上升10%至750億港元，升幅令人滿意，在不明朗的市場狀況下為本行提供穩固的存款基礎。計及商業票據及本行發行之存款證，貸款對存款比率由2018年12月31日的66.7%下降至2019年12月31日的65.9%。

年內，本集團的資本及流動資金狀況仍然雄厚穩健。於2019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均為16.72%，而其總資本比率為19.66%，遠高於相關之法定要求。平均流動性維持比率處於67.09%的穩健水平。

我們相信全球經濟狀況及香港的市場環境將於2020年持續波動。新型冠狀病毒爆發對香港已見疲弱的市場狀況帶來進一步挑戰。中美貿易糾紛前景仍然不明朗，地緣政治越趨緊張，加上香港的社會動盪局勢將繼續對經濟復甦帶來阻力。於瞬息萬變的經營環境下，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。我們致力為客戶提供獨特的「富邦體驗」，為此，我們將繼續在科技及營運基礎設施上作出投資，為零售及企業客戶發展創新的金融科技方案，從而提升營運效率及服務提供能力。

We will continue to deepen our relationships with customers and enhance customer engagement by providing products and services that best suit their financial needs and advance our digital customer experience. With technology changing the landscape of the banking industry and the increased use of big data and artificial intelligence in businesses, the Fintech strategy we developed will enable us to stay in touch with the market. We will continue to apply technologies to acquire customers via digital channels and realign our retail network to provide customers with a better customer journey and in-branch experience. Our continued association with Ms. Ng On Yee, Hong Kong's renowned snooker player, reflects both our corporate and business culture to be a vibrant and professional institution.

As always, we believe in a robust risk management and compliance culture, and we will continue to maintain good credit quality through proactive credit risk management. Leveraging the competitive advantages of the Fubon Group, we will closely collaborate with Fubon Financial Holdings and other affiliates to capitalize on new opportunities in the region and to establish ourselves as a quality and trustworthy banking partner.

We believe our staff are our most valuable asset and remain committed to promoting a caring working environment that supports personal well-being and career advancement. Since the onset of the novel coronavirus (COVID-19) outbreak, we have been closely monitoring the situation and have taken appropriate actions to safeguard the health of our employees and customers. Meanwhile, we have also launched a number of relief measures to assist customers in overcoming their short-term financial difficulties. As a good corporate citizen, we will also continue to support a variety of corporate social responsibility programmes in the community.

Finally, I wish to express my sincere thanks to our management team and staff for their continuous dedication and contributions to the Bank, especially under such difficult market and social conditions. 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 ongoing guidance and support, which has led to our success. Supported by our professional and experienced staff, we stand together committed to deliver the exceptional "Fubon Experience" to our customers.



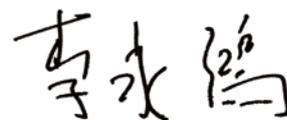
**Raymond Lee**  
Chief Executive Officer and Managing Director  
April 2020

我們將繼續深化與客戶的關係，並透過提供最適合其財務需要的產品和服務及優化數位化客戶體驗，以吸納更多客戶。科技進步改變了銀行業的發展，加上大數據及人工智能的應用越來越普及，我們的金融科技策略將讓我們更緊貼市場。我們將繼續運用科技，以數位化渠道吸納客戶，並重整分行網絡以提供最佳的客戶旅程及分行體驗。我們一直與著名香港桌球運動員吳安儀小姐合作，以展示我們充滿活力和專業的企業及業務文化。

一如既往，我們堅信嚴謹的風險管理及合規文化，並繼續透過積極的信貸風險管理來保持良好的信貸質素。憑藉富邦集團的競爭優勢，我們將繼續與富邦金控及其他聯屬公司緊密合作，把握區內湧現的新機遇並塑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，並致力為員工提供有益身心健康及職業發展的關愛工作環境。由於新型冠狀病毒爆發，我們一直密切關注事態發展並採取適切措施以保障員工及客戶的健康。同時，我們亦已推出多項紓緩措施，協助客戶跨過短期財務困境。作為良好的企業公民，我們亦將繼續支持社區的各種企業社會責任活動。

最後，我謹此感謝管理層及全體員工在如此艱難的市況及社會環境中不斷為本行付出及作出貢獻。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。在本行專業及經驗豐富的員工支持下，我們同心協力，一起為客戶提供非凡的「富邦體驗」。



**李永鴻**  
行政總裁兼董事總經理  
2020年4月