

MANAGING DIRECTOR'S REPORT

I am pleased to report that during 2000, your Company achieved very solid growth in tandem with the improved economic situation in Hong Kong. The Company successfully weathered the challenges experienced by the whole banking industry in the last few years and was able to grasp the opportunities opened up during the economic recovery.

The Company more than doubled the growth in profit attributable to shareholders to HK\$193 million during 2000, thanks to its loyal customer base, its strength in niche markets and a strong capital and liquidity position. It was particularly encouraging to note the effective efforts in containing problem loans. Non-performing loans to total gross advances dropped substantially to 1.38 per cent from 6.9 per cent in 1999, reflecting the healthy loan portfolio we have successfully attained during the year.

First Pacific Bank has repositioned its business mix since early 2000 to meet the rapidly changing market conditions. To diversify its portfolio mix, the Bank has put new emphasis on developing small and medium enterprise ("SME") loans, consumer lending and asset based finance to set against the slowdown in mortgage lending in the past year.

Remarkable growth was recorded for the commercial loans, the credit card business and consumer loans in particular, as we strengthened our sales and marketing efforts to further increase our presence in the market and improved our service standards. Alongside this business development, fee income based services were also introduced to generate higher yields.

BUSINESS OVERVIEW

Commercial Lending

In May 2000, the Bank's commercial banking business was restructured into three groups, with two focusing on the larger middle market companies and selected corporates, and a third group targeting SME loans, shop financing and lending to professionals.

董事總經理報告

本人欣然報告，於2000年度，隨著香港經濟逐步改善，本公司業績取得非常強勁的增長。過往數年，就銀行界普遍面對的種種挑戰，本公司均能迎刃而解，並能於經濟復甦期間把握業務良機。

本公司於2000年度的股東應佔溢利錄得逾兩倍的增長，達192,877,000港元，這全賴本公司忠誠的客戶基礎、我們在目標市場上所享有的優勢，以及充裕的資本與流動資金等因素支持所致。而在控制問題貸款方面，成效尤其令人鼓舞。不良貸款佔墊款總額的比率由1999年的6.9%大幅下降至1.38%，反映本公司於年內成功維持穩健的貸款組合。

第一太平銀行自2000年初開始重整業務組合，以配合瞬息萬變的市場狀況。為使業務組合作多元化發展，第一太銀進一步重點發展中小型企業貸款、消費性貸款及資產融資業務，以彌補在去年按揭貸款的放緩。

由於本公司加強銷售推廣策略，以進一步擴大市場佔有率及不斷提升服務水準，本公司在商業貸款、信用卡業務及消費性貸款方面均取得顯著的增長。在發展上述業務的同時，本公司亦推出各項以費用收入為主的服務和產品，以期爭取更高的收益。

業務概覽

商業銀行

於2000年5月，第一太銀已就商業貸款業務作進一步重組，其中有兩個組別主力發展較大型中產市場企業及個別大型公司客戶；另外亦有一個組別專責拓展中小型企業貸款、商舖融資及專業人士貸款等。

The new business focus on commercial loans was well placed amidst Hong Kong's strong economic recovery. Improvement in the export sector and gradual recovery of the Hong Kong economy have helped the Company deliver good results in commercial lending, especially in mid-market and SME loans. With the Bank's flexibility and responsiveness to market changes, together with a team of experienced officers catering to specific needs of customers in different industry sectors, it was most encouraging to record robust growth in performing loans in both the middle and SME markets during the year.

Intense competition in the market has led to a downward pressure in pricing, resulting in leaner profit margins. The Bank will, however, continue to enhance its competitiveness by leveraging its flexibility and responsiveness, strengthening its marketing and further expanding the customer base.

Asset Based Finance

New business in asset based lending grew substantially in 2000, noticeably in loans for goods vehicles and private cars. The overall portfolio rose by 9 per cent in the year. This came after the revival of the demand for transport loans driven by the economic recovery.

The Bank remained one of the most active players in the transport lending market. The increase of the taxi licence price to approximately HK\$2.6 million has improved market sentiment and helped boost loan demand. Currently, the Bank has about 5.25 per cent of the taxi loan market and would strive to further increase its market share.

The Bank has placed special emphasis on cementing the relationship with car dealers and other customers. To further diversify the loan portfolio, products such as equipment financing will be continuously enhanced to capture new business opportunities.

以商業貸款為主的新業務重點，正好因香港經濟顯著復甦而取得重大成果。出口上升及經濟逐步改善令本公司在商業貸款方面取得佳績，尤以中產市場及中小型企業貸款為然。第一太銀憑著靈活應變及迅速配合市場變化，並且擁有經驗豐富而又深明不同行業客戶所需的專業客戶主任，於年內在中產市場及中小型企業之貸款業務均取得強勁增長，成績令人鼓舞。

市場競爭激烈導致息率有下調壓力，因而令邊際利潤進一步減少。然而，第一太銀將繼續利用其靈活應變的能力、加強銷售及推廣策略和進一步擴大客戶基礎，以提升其競爭力。

資產融資

於2000年，資產融資部在拓展新業務上獲得長足進展，尤其是在貨車及私家車的貸款業務方面。貸款組合整體上升9%，這是由於經濟復甦帶動，刺激對運輸貸款的需求所致。

第一太銀繼續保持其在運輸貸款市場中的活躍地位。近期的士牌照價格上升至約2,600,000港元的水平，令市場氣氛好轉，亦刺激貸款需求。目前，第一太銀約佔的士貸款市場的5.25%，並將致力進一步提升市場佔有率。

第一太銀已特別加強與汽車代理商及其他客戶的關係。為進一步使貸款組合多元化發展，第一太銀將不斷拓展設備融資的業務，以把握新的商機。

Credit Card and Consumer Lending

The Bank's credit card and consumer loan business saw a marked improvement during 2000 over the previous year. Underpinning the growth was the rise in real income, lowered unemployment rate and hence increase in consumer spending. In 2000, the Bank continued its niche marketing strategy to promote credit card business and consumer loans.

Credit cards

In the year 2000, the Company's card business grew by over 20 per cent in account receivables. The total number of cards issued was up by 22 per cent over the last year to more than 136,000 cards at year end.

As a progressive card service provider, the Bank launched three co-branded cards, namely: Seiyu VISA Card with Seiyu (Shatin) Co Ltd, which owns Seiyu Department Store; CHKCI MasterCard with the Chamber of Hong Kong Computer Industry Co Ltd; and City Golf MasterCard with City Golf Club. This was in line with the Bank's overall niche marketing strategy to develop specific market segments, where it has enjoyed a competitive advantage over the years. The new cards have gained wide acceptance in the market since their introduction.

In the coming year, the Company will strive to strengthen marketing, to develop new products, to launch a number of new co-branded cards, to increase the card usage and to enlarge the overall customer base.

Consumer Loans

The Bank took further steps to expand consumer lending during 2000. The new revolving credit product 'Easy Dollars Revolving Loan' was rolled out in May 2000 to complement the traditional personal instalment loan product. The Tax Instalment Loan program was launched in late 2000 to meet the seasonal needs of individual taxpayers. These programs widened the product choice and have been well received by customers. The asset mix was thus diversified as a consequence.

信用卡及消費性貸款

於2000年，第一太銀的信用卡及消費性貸款業務較去年有顯著的增長，原因是普遍市民的實質收入上升，失業率下降，有利整體消費上升。年內，第一太銀繼續實施其針對性市場的推廣策略，以推廣信用卡業務及消費性貸款。

信用卡

於2000年度，本公司信用卡業務的應收賬款勁升逾20%，發卡總數較上年度增加22%，於年底的發卡數目合共超過136,000張。

第一太銀作為其中一家積極進取的發卡銀行，於年內推出了三張聯營卡，分別為：與擁有西田百貨的西友(沙田)有限公司共同發行的西田 VISA 卡；與香港電腦商會有限公司共同發行的香港電腦商會 MasterCard；以及與城市高爾夫球會共同發行的 City Golf MasterCard。發行以上聯營卡完全配合第一太銀在針對性市場的整體推廣策略，以開拓不同類型的目標市場，而第一太銀於過去數年皆一直在這方面保持競爭優勢。以上新卡自推出後，廣受市場歡迎。

在來年，本公司將致力加強市場推廣計劃和開拓新產品，並將推出多款嶄新的聯營卡，以增加信用卡消費額，同時亦會盡力擴大客戶基礎。

消費性貸款

於2000年，第一太銀進一步拓展消費性貸款業務。於2000年5月推出其全新的「Easy Dollars 循環貸款」計劃，在傳統私人貸款以外為客戶提供另一項選擇。在2000年年底，第一太銀因應納稅人士的季節性需要，推出稅務貸款計劃。上述計劃將產品選擇擴大，因此廣受客戶歡迎；同時，第一太銀的資產組合亦因而得到多元化的發展。

Fee Income

The Company is pleased to report a 17 per cent growth in net fee income for 2000. Fee income serves as a sound potential income stream to improve overall profitability. Fee income will become increasingly important in future, in line with trends in the banking industry.

To increase fee income, the Company has offered relevant products and services, including active participation in subscription to major IPO issues and sales of various insurance products. Provision of investment services such as share trading, unit trusts and other upmarket products, including linked time deposits, would remain the Company's focus to generate fee income.

iFirst Banking

The Company continued to enhance its Internet banking service — 'iFirst Banking' during 2000. Subsequent to the introduction of Virtual ATM in March 2000 by joining hands with JETCO, the existing services have been upgraded and more features would be provided to enrich the options available for customers' use, among which would be the 'e-share trading' service. The Bank signed an agreement with Excel Technology International (Hong Kong) Ltd in late August 2000 to purchase the 'InterTrade' securities trading system, an advanced and comprehensive web-based channel for customers to trade securities on the Internet.

BANK OPERATIONS

As an innovative bank, the Bank has consistently made efforts to apply latest technology to increase its overall competitiveness and pave the way for future e-business.

In October 2000, the Bank completed the upgrading of the card product delivery system from the mid-range AS400 to an advanced mainframe system. The successful migration has not only reflected the industry's best practice, but also enabled the Bank to position its card products strategically and better serve customers.

費用收入

本公司欣然報告，費用收入淨額於2000年度錄得17%的增長。費用收入是一項理想的收入來源，有助改善整體盈利能力，而費用收入的服務將日益重要，亦為本地銀行業務發展的大勢所趨。

為增加費用收入，本公司已不斷提供相關的產品及服務，包括積極參與大型的首次公開招股認購活動，以及銷售各類保險產品等。本公司將繼續重點發展投資服務，例如提供股票買賣、單位信託及其他高檔產品（包括與股票或外幣掛鈎的定期存款），以進一步增加費用收入。

iFirst Banking 網上理財服務

本公司年內亦繼續擴展互聯網銀行業務—「iFirst Banking 網上理財服務」。繼2000年3月與銀聯通寶攜手推出網上自動櫃員機後，本公司亦不斷提升現有的網上理財服務，並陸續增加更多功能，為客戶提供更廣泛的選擇。其中一項為網上股票買賣服務。第一太銀於2000年8月與志鴻科技國際(香港)有限公司簽訂協議，向其購入 InterTrade 綜合證券交易系統。該系統可以讓客戶在互聯網上買賣證券，是一項非常先進及全面的網上交易系統。

銀行運作

作為一間不斷創新的銀行，第一太銀一直致力採用新科技，提升其競爭力，以為未來電子商務的發展鋪路。

於2000年10月，第一太銀已完成提升信用卡運作系統的工作，將系統由中型AS400系統提升至先進的主機系統。系統成功升級不但可配合業內最佳常規，亦有助第一太銀將其信用卡產品進行策略性定位，為客戶提供更佳服務。

MANAGING DIRECTOR'S REPORT

As a further step to implement its e-business initiative, the Bank commissioned a third party auditor to conduct a detailed review of its enhanced iFirst Banking system in 2000. The review was completed with satisfactory results, and a final endorsement was given by the regulator.

The Bank has also made efforts to maintain an efficient and cost-effective branch network. It has consistently realigned and increased the branch network in strategic locations in line with business opportunities. The opening of Mongkok North Branch in July 2000 was another step towards this goal.

Treasury

The Bank continued to employ prudent risk management policies to maintain a healthy liquidity position. During the year, Treasury Division focused on further development of investment products customised for our clients. Demand for sophisticated products such as equity- and currency-linked time deposits have increased over the years, as an option for customers to minimise risks on the one hand and enjoy high yields on the other. Besides, such products add a steady stream of both deposits and fee income to the Bank.

Staff Development

To ensure the delivery of quality banking services to customers, comprehensive product knowledge training, particularly in the Mandatory Provident Fund ("MPF") and insurance areas, was provided to frontline staff to meet the Company's business development needs. In addition to participating in a Master Trust Scheme under the requirements of the Mandatory Provident Fund Schemes Ordinance, the Company was granted exemption status on its existing ORSO scheme for continued operation after the launching of MPF. As of the year end, the Company had a team of about 600 staff.

董事總經理報告

為進一步拓展電子商務計劃，第一太銀於年內委聘一間獨立的第三者核數師，就其已提升的「iFirst Banking 網上理財服務」系統進行詳細的檢討。檢討工作經已完成，成績令人滿意，而監管機構亦已發出最後的認可。

第一太銀亦努力維持一個有效率和具成本效益的分行網絡。第一太銀持續將分行重組，並且在策略性地點開設分行，以配合其業務發展機會。在2000年7月旺角北分行的開業，便是達致這項目標的重要一步。

庫務

第一太銀繼續採取審慎的風險管理政策，以維持穩健的流動資金狀況。年內，庫務部集中進一步發展為客戶提供度身訂造的投資產品。近年來，對較複雜的投資產品例如與股票及外幣掛鈎的定期存款之需求不斷上升，這主要由於客戶一方面可以減低風險，同時亦可以藉此等產品提高其收益。此外，有關產品亦能為銀行在存款及費用收入方面提供一個穩定的來源。

員工培訓

為確保能向客戶提供優質的銀行服務，年內本公司為前線職員提供全面的產品培訓課程，尤其是強制性公積金計劃（「強積金」）及保險業務上的產品知識，以配合業務發展所需。除了根據《強積金條例》的規定參加了一項集成信託計劃外，本公司現行的職業退休計劃亦已獲得豁免地位，可以在強積金計劃推行後繼續運作。於年底，本公司的職員人數約共600名。

MANAGING DIRECTOR'S REPORT

PROSPECTS

In December 2000, the Company became a subsidiary of The Bank of East Asia Group (the "BEA Group"), one of the most respected financial institutions in Hong Kong with a significant regional and international presence. With the BEA Group being Hong Kong's largest independent local bank, the Bank will be able to build upon the BEA Group's solid foundation for further expansion of its consistent strength in niche markets. The Bank is poised to take advantage of the synergy after the integration and to contribute to the BEA Group's overall goals of increasing its asset base, profitability and shareholder value.

Last but not least, in the coming year the Company would also benefit from the favourable factors of improving sentiment in Hong Kong, the robust growth in China's economy and her successful entry into the World Trade Organisation.

James NG Chi-ming
Managing Director

董事總經理報告

展望

於2000年12月，本公司已成為東亞銀行集團的附屬公司。東亞銀行集團是香港其中一家最負盛名的金融服務機構，在區內及國際上之業務範圍相當廣泛。第一太銀將會憑藉東亞銀行集團作為全港最大獨立華資銀行的穩固根基，進一步發展其本身於目標市場上所享的固有優勢。第一太銀在與東亞銀行集團融合後，將可以把握和發揮當中的協同效益，就東亞銀行集團為強化資產基礎、提升盈利及增加股東投資回報等整體目標上作出貢獻。

最後，隨著香港信心回升、中國經濟顯著增長以及其即將加入世界貿易組織，本公司在來年將可以從此等利好因素中進一步獲益。

吳智明
董事總經理