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The strong balance sheet and capital base, well established delivery channels and capable staff enabled the Bank to take advantage of the economic turn around. In 2004 the bank recorded 117% increase in net profit to HK\$300 million.

由於外貿表現理想，本地需求日益增加，物業市場復甦，加上以內地人士為主的訪港旅客激增帶動旅遊業興旺，本地生產總值於二零零四年全年錄得約 7.5% 升幅。

本銀行憑藉穩健的資產負債狀況、雄厚的資本基礎、完善的銷售渠道以及優秀的員工，得以於經濟復甦時把握機會發展業務。於二零零四年，本銀行錄得淨盈利增長 117% 至三億港元。

HONG KONG ECONOMY AND BANKING INDUSTRY

Hong Kong achieved strong economic growth in 2004, after six years of economic hardship. GDP for the full year in 2004 expanded by an estimated 7.5%, driven by strong performance in external trade, solid improvement in domestic demand, a revived property market and a surge in tourist arrivals, especially from China. Indeed, China's strong growth along with the benefits of the Closer Economic Partnership Arrangement ("CEPA") and liberalization of travel between China and Hong Kong were major factors in Hong Kong's rebound. There was a growing sense of confidence that Hong Kong had finally put the remnants of the Asia financial crisis and the scourge of SARS to rest, and everyone could concentrate on new economic opportunities.

GDP expanded by 6.8% in the first quarter, followed by a 12.1% surge in the April to June period, a comparison against the depth of the SARS crisis. The third quarter figure of 7.2% proved that growth was real rather than a statistical anomaly against a low base. Total exports were up 15.8% to HK\$2.02 trillion during the year and imports rose 16.8% to HK\$2.1 trillion. China was once again Hong Kong's largest trading partner, absorbing 44% of Hong Kong exports and providing 59% of re-exports.

After five and one half years of falling prices, Hong Kong saw its first rise in the Composite Consumer Price Index in July 2004. While partially reflecting the decline of the US dollar on international markets and the parallel decline of the Hong Kong dollar as a result of the linked exchange rate, the major factor was the climb in retail sales. With improved sentiment, consumers resumed shopping, permitting retailers to phase out the heavy discounting they had relied on to attract customers during the economic downturn. Demand was also stimulated by the growth in tourists from the PRC as the Individual Visit Scheme was expanded to more parts of China, enabling individuals to travel independent of organized tour groups. PRC tourists now comprise approximately 60% of total arrivals, and

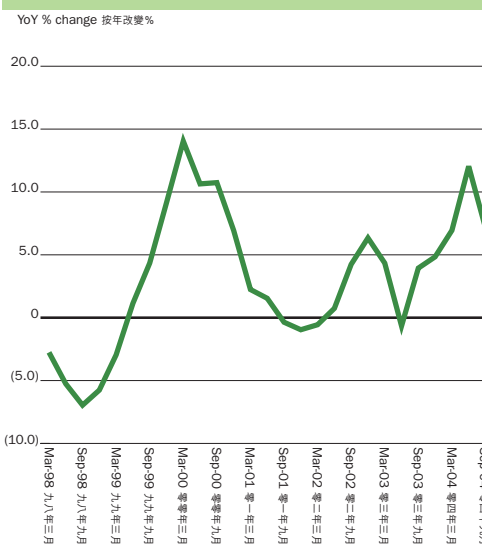
香港經濟與銀行業

經歷六年逆境後，二零零四年香港經濟回復強勁增長。由於外貿表現理想，本地需求日益增加，物業市場復甦，加上以內地人士為主的訪港旅客激增帶動旅遊業興旺，本地生產總值於二零零四年全年錄得約7.5%升幅。此外，中國經濟持續高速增長及通過更緊密經貿關係安排（「CEPA」）和實施旅遊開放措施以惠及香港，更是香港經濟反彈的主要因素。港人終於將亞洲金融風暴及非典型肺炎所帶來的痛楚拋諸腦後，逐漸重拾信心，積極尋求新的發展機會。

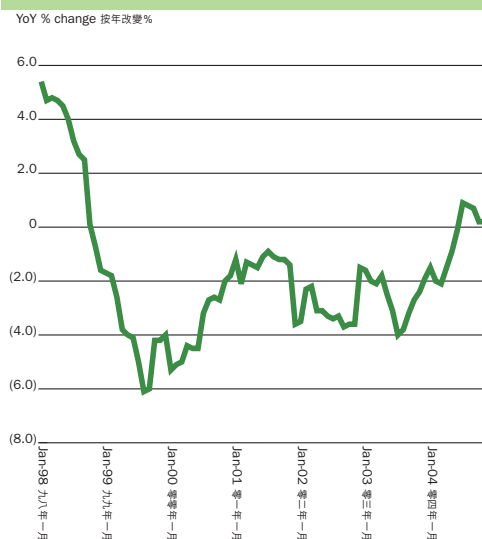
本地生產總值於非典型肺炎疫情過後，首季度上升6.8%，其後四月至六月期間更激增12.1%。本地生產總值第三季度增幅7.2%實屬實質增長，而非由於基數低而出現的統計差異。於二零零四年全年，出口總值上升15.8%至二萬二百億港元，進口總值則上升16.8%至二萬一千億港元。中國仍然是香港最大貿易夥伴，分別佔香港出口及轉口總值44%及59%。

香港物價連續五年半下跌後，綜合消費物價指數於二零零四年七月首次錄得增長。通縮期結束部份反映美元於國際市場的弱勢，港元亦因聯繫匯率受美元拖累而表現疲弱，但主要是由於零售市場好轉所致。消費者購物意欲增加，零售商毋須依賴經濟疲弱時的大幅削價方法招徠顧客。同時，由於個人遊計劃已廣及中國多個地區，國內旅客不用參加旅行團亦能來港暢遊，訪港的自由行旅客增多因而刺激消費需求。現時，國內旅客佔訪港旅客總人數約60%，消費亦超越北美旅客。十二月份訪港旅客錄得破紀錄的二百一十萬人次，酒店入住率逾90%。全年訪港旅客高達二千一百八十萬人次，與受非典型肺炎疫情影響的二零零三年所錄得數字相比，大增41%。

Real GDP Growth 實質本地生產總值增長



Consumer Price Index 消費物價指數



they are outstaying tourists from North America. Monthly arrivals set an all-time record of 2.1 million in December, and hotel occupancy levels exceeded 90%. Total arrivals reached 21.8 million for the year, a 41% increase over the SARS affected 2003 figure.

Improved economic performance was also demonstrated by the decline in personal bankruptcy petitions and mortgages in negative equity. Bankruptcy petitions declined by 43% from 2003 to 12,500, and compare to almost 27,000 petitions in 2002. Similarly, negative equity mortgages were at a high point of 106,000 in June 2003, and by the end of 2004 had fallen to less than 20,000.

While the economy showed substantial improvement, unemployment remained stubbornly high, although it did decline gradually over the course of the year from 7.3% to 6.7%. Employers remained cautious about adding to payrolls, and continued to outsource activities to southern China. The percentage of service sector employees continued to grow, with manufacturing jobs shrinking to 7.5% of the work force, transport and communications a similar percentage and construction comprising 3%. Wholesale and retail trade, restaurant, and hotel workers make up 44% of employed persons, while financing, insurance, and real estate contributed 20%.

Banks benefited by the improved economic climate. During the first half of 2004 pre-tax profit of retail banking institutions improved by 25.7%, primarily due to decreased provisions for bad debt. Net interest income declined due to narrowed spreads between Prime and funding costs, lower margins on residential mortgage lending and continuing re-financing as well as lower yields on free funds. This was partially offset by increased fees, largely generated by sales of wealth management products.

The high liquidity in the market, including the capital inflows attracted to the stock market and speculative views on the

RMB exchange rate, kept savings and time deposit interest rates low. Some banks reduced their savings rate to as little as one one-hundredth of one percent. Loan demand gradually revived, with the main growth coming in housing loans, but also some increase in corporate lending in the second half of the year. Major emphasis was placed on developing fee income, and, with consumers desiring to diversify their assets, banks introduced a whole range of new instruments.

The value of the consumer credit agency, which added to the exchange of positive data in the fall of 2003, was proven by the reduction in credit card and personal loan provisions. The exchange of information on SMEs through a Commercial Credit Reference Agency commenced in the fall, providing a foundation for the expansion of financing to this important pillar of the Hong Kong economy.

In February banks began offering RMB deposit services under a test scheme arranged through collaboration between the HKMA and the People's Bank of China, with input from the Hong Kong Association of Banks. By year-end, total RMB deposits exceeded RMB10 billion. Hong Kong banks were also authorized to issue RMB-denominated credit cards.

Regulators also moved forward with revised guidelines on the prevention of money laundering, and the outlines of the application of Basle II guidelines to Hong Kong banks. The Legislative Council passed the Deposit Protection Scheme Ordinance, and the Hong Kong Deposit Protection Board was established. The operating mechanism of the deposit insurance program is being drafted for implementation in 2006.

CHINESE ECONOMY

China's economy, which grew by 9.5% in 2004, was the engine for global expansion. China consumed 48% of the world's cement production, 35% of iron ore, 27% of steel and 8% of crude oil, becoming the third largest importer of crude oil.

申請個人破產及負資產按揭數字下降亦印證經濟好轉。申請個人破產數字比二零零三年減少43%至一萬二千五百宗；二零零二年則接近二萬七千宗。與此同時，負資產按揭數字由二零零三年六月的高峰十萬六千宗，減少至二零零四年底的二萬宗以下。

年內失業率雖然內由7.3%逐漸下降至6.7%，但一直持續高企，並無因經濟明顯好轉而有所改善。僱主依然對加薪持審慎態度，並繼續將業務外判至中國華南地區。服務業就業率持續攀升，然而製造業就業率則滑落至佔總勞動人口之7.5%，與運輸及通訊業相若；建造業則佔3%。批發及零售貿易、飲食及酒店業員工佔受僱人口44%；金融、保險及地產則佔20%。

銀行業受惠於經濟氣氛改善。於二零零四年上半年，零售銀行的除稅前溢利增長25.7%，主要由於壞帳撥備減少所致。在最優惠利率與融資成本息差收窄、住宅按揭借貸及持續再融資利潤較低，以及自由資金孳息下降等因素影響下，利息收入淨額減少。有關收入減少部份由費用收入(主要源自財富管理產品)增加彌補。

市場內流動資金充裕(包括流入股市及憧憬人民幣升值的投機資金)，導致儲蓄及定期存款利率處於低位。部份銀行將儲蓄利息調低至0.01厘。二零零四年下半年貸款需求逐漸復甦，主要來自房屋貸款，亦有部份來自企業貸款。銀行大力拓展費用收入業務，而隨著消費者傾向將資產作多元化投資，銀行紛紛推出各式各樣的新投資工具。

信用卡及私人貸款壞帳撥備減少，於二零零三年秋季開始可交換正面信貸資料的個人信貸資料庫應記一功。透過於秋季開始運作的商業信貸資料庫，可交換中小企的信貸資料，為作為香港重要經濟支柱的中小型企業提供一個擴充融資的基礎。

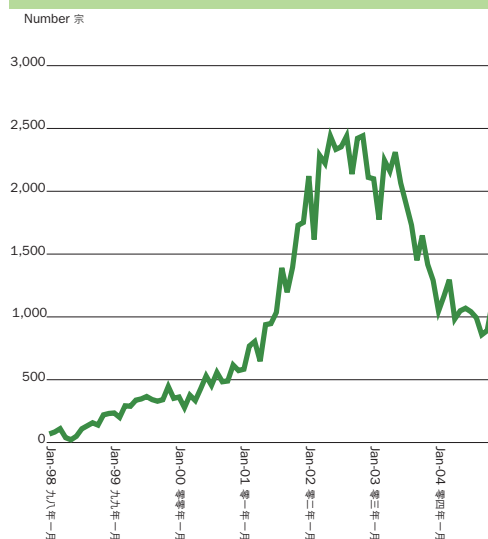
二月份，透過香港金融管理局與中國人民銀行合作，以及在香港銀行公會協助下進行試驗計劃後，銀行開始提供人民幣存款服務。至年底，在香港人民幣存款總額已超過人民幣一百億元。香港的銀行亦獲授權發行人民幣信用卡。

監管機構亦修訂有關防止洗黑錢活動的指引，並就香港銀行應用巴賽爾II的指引制訂大綱。立法會已通過《存款保障計劃條例》，而香港存款保障委員會亦經已成立。有關機構現正草擬存款保障計劃的運作機制，預計於二零零六年實施。

中國經濟

二零零四年中國經濟增長9.5%，是全球經濟擴展的火車頭。中國於世界水泥生產、鐵礦、鋼鐵及原油的耗用量，分別達48%、35%、27%及8%，並成為原油第三大進口國。對外貿易首次錄得超過一萬億美元，出口額增加35%至五

Bankruptcy Petitions 破產申請個案



DIRECTORS' STATEMENT

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Foreign trade exceeded US\$1 trillion for the first time, with exports growing 35% to US\$593 billion and imports up 36% to US\$562 billion, producing a trade surplus of US\$32 billion. This, along with actual direct foreign investment of US\$61 billion, pushed China's foreign exchange reserves to US\$610 billion.

The rapid growth, resulting from both domestic demand and the strong growth in the external sector, put a strain on all resources, and the consumer price index breached 5% in June, the fastest pace in 7 years, and remained above 5% until October. As concern increased about the prospects of inflation, the government took a number of steps to cool the economy, aiming for a soft landing. Reserve requirements for bank deposits were increased in September 2003, and increased again in April 2004. People's Bank then issued instructions to suspend lending to certain sectors such as steel, cement and aluminum where excess capacity was perceived to be building up. Finally, in October the base-lending rate was raised for the first time in 9 years. While there appeared to be a slight slowing of investment in fixed assets in the fourth quarter, it is still too early to conclude that the soft landing had been achieved. A hard landing would not only put many Chinese out of work, but would have a heavy impact on the regional and global economy, precisely because China's demand for raw materials and machinery had ramped up production in so many countries.

China's trade surpluses with the United States, Japan and Europe (while they run trade deficits with Asia and parts of Latin America) gave rise for calls to break the Renminbi's peg to the U.S. dollar, or at least widen the trading band around RMB8.3 that has been in place since 1994. The Chinese government has said that it will make the Renminbi fully convertible at an appropriate time, and that they were studying various measures to liberalize the exchange rate. However, Chinese authorities have been cautious because of the difficulty of forecasting all the ramifications of major changes in exchange rate policy. Expectations of an adjustment in the exchange rate attracted a substantial amount of hot money inflows, even



affecting the value of the Hong Kong dollar. By early 2005 some of these inflows started to recede.

Efforts to reform the Chinese banking industry continued in recognition that a sound banking system is vital to continued economic growth, and awareness that the domestic banking sector will be fully open to foreign competition by the end of 2006. A total of US\$45 billion was injected into Bank of China and China Construction Bank to raise capital adequacy to international standards, with the hopes of listing the two banks on foreign stock exchanges in 2005. Non-performing loans ("NPLs") at these two banks as well as at Industrial and Commercial Bank of China, Agricultural Bank of China and Bank of Communications, were reduced through write-offs and sales to Asset Management Companies. Overall, the level of NPLs in the Chinese banking system fell from 17.8% to 13.2% over the course of the year, but part of this was due to the substantial growth in loan outstandings. The China Banking Regulatory Commission is continuing to aggressively address the weaknesses of the financial system, and further progress will be made in 2005.

千九百三十億美元；而進口額上升 36% 至五千六百二十億美元，帶來貿易盈餘三百二十億美元；加上實質外商直接投資六百一十億美元，令中國外匯儲備上升至六千一百億美元。

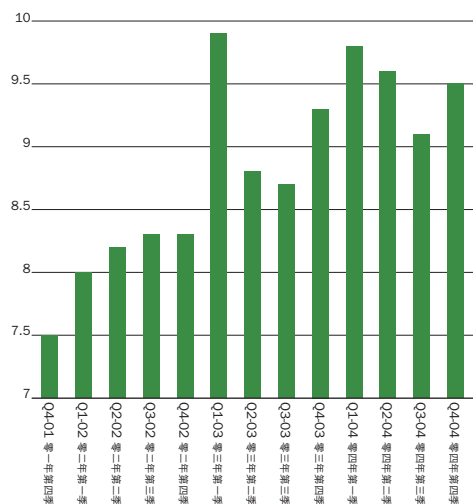
由於國內需求及外貿增長強勁，經濟的迅速發展構成資源緊張，消費物價指數於六月份升越 5%，是七年以來最高，直至十月份仍維持於 5% 以上。政府為免通脹加劇，採取了多項措施冷卻經濟，以達軟著陸之效。於二零零三年九月政府提高銀行存款中儲備要求，於二零零四年四月再度提高這要求。人民銀行繼而發出通知暫停向若干預期超產的行業（例如鋼鐵、水泥及鋁材）提供借貸。最後，於十月調高基本借貸利率，是九年以來首次上調。雖然固定資產投資於第四季度稍為放緩，然而過熱的經濟能否軟著陸仍言之尚早。硬著陸不僅會導致國內失業情況惡化，對地區及全球經濟也會構成莫大影響，因為中國於原材料及機器方面的需求，是許多國家增加生產的主要動力。

中國與美國、日本及歐洲貿易的盈餘（與亞洲及拉丁美洲部份地區貿易則錄得貿易赤字）引發促請人民幣兌美元脫鉤，或至少將一九九四年一直採納至今約 1 美元兌人民幣 8.3 元價位擴濶的言論。中國政府已表示，人民幣會於適當時候全面自由兌換，有關當局正研究各項措施放寬匯率。然而，中國政府認為，匯率政策變動所帶來的影響難以全盤掌握，故抱審慎態度。對調整匯率的期望吸引大量熱錢流入，一度影響港元匯價。熱錢的流入於二零零五年初開始減少。

健全的銀行體制為經濟持續增長的關鍵，而內地銀行業將於二零零六年底全面開放，面對外國競爭，中國銀行業繼續致力改革。中國銀行及中國建設銀行已獲注資合共四百五十億美元提高資本充足比率，以符合國際標準，並希望可於二零零五年在國外證券交易所掛牌。上述兩間銀行、中國工商銀行、中國農業銀行及交通銀行已通過撇帳及出售予資產管理公司的方式減少不履約貸款。總括而論，中國銀行體系內的不履約貸款水平於年內由 17.8% 下降至 13.2%，但有關跌幅部份乃因未償還貸款大幅增加所致。中國銀行監督管理委員會現正繼續積極地解決金融體制的問題，可望於二零零五年有進一步改善。

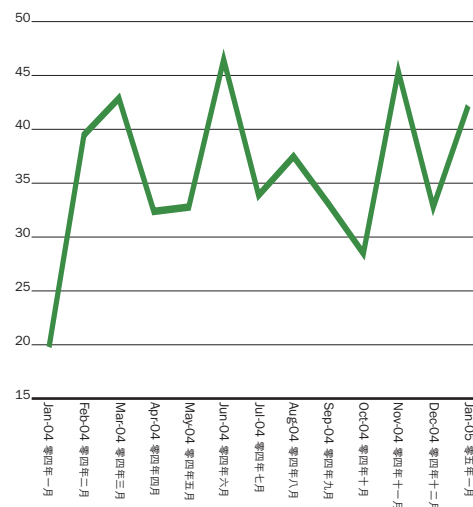
China's Real GDP Growth 中國之實質本地生產總值增長

YoY % change 按年改變%



China's Exports 中國之出口額

YoY % change 按年改變%



DIRECTORS' STATEMENT

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CORPORATE DEVELOPMENTS

In March 2004 Fubon Financial Holding Co., Ltd, a leader in banking, insurance, asset management and securities brokerage in Taiwan, completed the acquisition of 75% of the shares of International Bank of Asia Limited ("IBA") from Arab Banking Corporation (B.S.C.) and China Everbright Holdings Company Limited, the first such acquisition of a Hong Kong incorporated bank by a Taiwan institution. The fact that less than one third of one percent of remaining shareholders tendered their IBA shares during the General Offer period indicates investors' confidence in the future of the Bank. In July 2004 Dr. Mike M Murad retired as Vice Chairman, Managing Director and Chief Executive Officer, becoming a Senior Advisor to the Bank. The Board is grateful for the strong franchise that he created and the many contributions he made to the bank during his years of service. Mr. Jin-Yi Lee was appointed Managing Director and Chief Executive Officer of the Bank upon the retirement of Dr. Murad. Mr. Lee has a distinguished career, serving in senior positions at J.P Morgan, BNP Paribas Peregrine and HSBC, and the Bank is fortunate to entrust its future development to a highly qualified and experienced individual.

In February 2005 the shareholders passed a resolution at an Extraordinary General Meeting to change the name of the Bank to Fubon Bank (Hong Kong) Limited. The name change of IBA marks a milestone for the Fubon Group, signifying the Group's expansion beyond Taiwan. IBA will become Fubon Bank (Hong Kong) Limited under the umbrella of Fubon Group. The name change is part of the Group's ongoing strategy to create an integrated and cohesive presence in the Asian marketplace. By adopting the name Fubon, we can leverage the strong brand name of our parent, and fully exploit the benefits of being a member of this leading group, delivering the full range of products and services to our customers.

OPERATING PERFORMANCE

The strong balance sheet and capital base, well established delivery channels and capable staff enabled the Bank to take



advantage of the economic turn around. Increased lending and further investment in government securities and the development of additional sources of non-interest income, along with the impressive growth of the low-cost funding base, increased operating income. Better credit conditions and effective risk management systems reduced provisions by 73%, and disposal of repossessed properties produced substantial write-backs. The net result was 117% increase in net profit to HK\$300 million.

Net interest income rose slightly from HK\$604 million to HK\$610 million despite the 16% growth in the loan portfolio due to the keen competition in the banking industry. Non-interest income has recorded an increase of 11% to HK\$225 million, with major contributions coming from new investment products, stock brokerage and wealth management activities. Operating income reached HK\$835 million, reflecting an increase of 4% as compared with the year 2003. Operating expenses increased to HK\$602 million as a result of opening new branches and wealth management centers, increased staffing in SME lending and treasury, operations, depreciation of new information technology systems and one-off retirement expenses.

Specific provisions fell by 83% to HK\$31 million, while general provisions were HK\$20 million, reflecting the expansion of the loan portfolio. As a result of write-backs following the disposal of repossessed property (which were reduced by HK\$404 million) and other loan recoveries, total provisions plummeted 98% to

公司發展

二零零四年三月，於台灣的銀行、保險、資產管理及證券經紀業佔領導地位的富邦金融控股股份有限公司完成向阿拉伯銀行集團(B.S.C.)及中國光大控股有限公司收購港基國際銀行有限公司(「港基」)75%之股份，這是台灣機構首次收購一間在香港註冊成立的銀行。事實上，只有少於0.33%的公眾股東於全面收購建議期間接納收購建議，出售所持有的港基股份，證明投資者對本銀行的前景充滿信心。二零零四年七月，馬文德博士退任為副主席、董事總經理兼行政總裁，轉任本銀行的高級顧問。馬文德博士於任內為本銀行作出多項貢獻，董事會衷心致謝。李晉頤先生於馬文德博士退任後獲委任為本銀行的董事總經理兼行政總裁。李先生於金融界具卓越成就，曾於J.P. 摩根、法國巴黎百富勤及滙豐銀行擔任高層職位，資歷豐富，本銀行的未來發展由其掌舵，可說深慶得人。

二零零五年二月，股東於股東特別大會上通過有關更改本銀行名稱為富邦銀行(香港)有限公司的決議案。更改港基名稱是富邦集團的一個里程碑，標誌著集團拓展業務至台灣以外地方。港基將易名為富邦銀行(香港)有限公司，成為富邦集團旗下一員。更改名稱乃集團於亞洲市場建立統一及貫徹形象的長期政策的一部份。透過採納「富邦」之名，我們可憑藉母公司的良好品牌信譽而享佔優勢，及作為一家具領導地位的集團旗下成員公司而受惠，向客戶提供最全面的產品及服務。

經營業績

本銀行憑藉穩健的資產負債狀況、雄厚的資本基礎、完善的銷售渠道以及優秀的員工，得以於經濟復甦時把握機會發展業務。增加借貸、進一步投資政府債券、拓展非利息收入來源，連同低成本融資基礎大幅增長，均增加本銀行營運收入。信貸狀況改善及有效的風險管理制度減低73%撥備，而出售收回的物業亦產生巨額撥回。淨盈利因而上升117%至三億港元。

雖然貸款組合錄得16%的可觀增長，但由於銀行業競爭激烈，令利息收入淨額只能由六億四百萬港元上升至六億一千萬港元。然而，受惠於新增投資產品、證券經紀及理財業務的增長，非利息收入錄得11%的升幅至二億二千五百萬港元。營運收入達八億三千五百萬港元，較二零零三年上升4%。營運支出增加至六億二百萬港元。支出增加乃由於增設分行及理財中心、中小企信貸業務及財資業務增聘員工、新資訊科技系統折舊及一次性退休金開支所致。

特別撥備下降83%至三千一百萬港元。而一般撥備則為二千萬港元，反映貸款組合擴大。由於出售收回物業撥回(已減少四億四百萬港元)及收回其他貸款後的撥回，故撥備總額大幅減少98%至四百五十萬港元。出售非持作買賣用途證券收益佔九千三百萬港元；二零零三年則為九千一百萬港元。除稅前溢利上升126%至三億三千八百萬港元。



Fubon Financial Center in Taipei, Taiwan
台灣台北富邦金融大樓

HK\$4.5 million. Gains on the sale of non-trading securities contributed HK\$93 million, compared to HK\$91 million in 2003. Profit before tax rose 126% to HK\$338 million.

Total assets as of 31 December 2004 were HK\$46 billion, 21% higher than December 2003. The loan portfolio grew 16% over the course of the year to reach HK\$18 billion, with the substantial increase coming in the second half. Equipment leasing and loans to SMEs showed steady growth over the year, reflecting the Bank's leading position in this market segment. Residential mortgages also increased, and personal loans resumed growth with our strong risk management systems having proven their effectiveness. The Bank's portfolio of Hong Kong Exchange Fund bills and notes and US Treasuries, along with a nominal amount of high grade corporate bonds and bank certificate of deposits, reduced by 46% to HK\$6 billion. The Bank's high level of liquidity was evident from the HK\$19 billion in interbank placements and short term funds.

Customer deposits rose to HK\$30.1 billion, an increase of 4.4%. Of the total, current, savings and call accounts comprised 40%, compared to 36% for these low cost deposits in 2003. Capital funds stood at HK\$3.7 billion as of 31 December 2004, after payment of a special dividend of HK\$305 million in January 2004 and an interim dividend of HK\$70 million.

The Bank achieved an impressive rebound in 2004, with profit and return on average equity, HK\$300 million and 8.02%, respectively, more than doubling. Return on average assets rose to 0.72%, up from 0.39% in 2003. The stage has been set for sustained growth, with new market segments opening up as a result of integration into the Fubon Group. In 2005 we will expand Treasury operations and wealth management services, increase SME lending and equipment finance, round out personal lending services, and become the platform for serving Fubon's Taiwan individual and corporate clients in Hong Kong and Southern China.

RETAIL DISTRIBUTION NETWORK

The Bank continued to enhance its delivery network and customer segmentation during 2004, with increased focus on providing wealth management services to the growing middle class. In March the Sheung Wan Superbranch was opened, with a special Ambassador Banking team to serve the affluent sector. Ambassador Centers were also introduced in the Mei Foo Branch and Kowloon Main Branch, an Ambassador Center was opened in Homantin, and the North Point investment center was converted into a full service Ambassador Center. In order to upgrade the quality of services and achieve operational efficiencies, three branches were merged into nearby branches in Hong Kong, Kowloon and Shatin.

By amalgamating the traditional retail network and the Ambassador Banking unit, the Bank is assuring that higher income clients enjoy the convenience of a broad network and the access to a wide range of products and services offered by highly qualified officers. At the same time we are able to bundle investment products and thus reduce the entry level so all retail customers can subscribe. A special team of Ambassador Banking officers was formed to service the offshore needs of Taiwanese and Chinese customers, opening a new business initiative.

Unit trusts proved to be popular in 2004, with excellent response received from both branch and Ambassador Banking clients. The Bank offers a comprehensive range of such investment funds provided by well-established fund managers, achieving a 21% increase in commissions. Following the acquisition by Fubon, the Bank entered into a partnership with CitiFubon Insurance, launching two tailor-made cash refundable insurance packages and two endowment plans, increasing commission income.

Residential mortgages remained the core of retail lending. During 2004 a total of HK\$3.7 billion in housing loans were



於二零零四年十二月三十一日之總資產為四百六十億港元，較二零零三年十二月底高出21%。貸款組合於年內增加16%至一百八十億港元，增長情況於下半年特別顯著。中小企設備租賃及貸款於本年度穩步上揚，反映本銀行於業內市場佔領導地位。住宅按揭業務亦見增長；在本銀行嚴密的風險管理系統下，私人貸款也有所增加。本銀行的香港外匯基金票據及債券與美國國庫券，以及優質企業債券及銀行存款證組合減少46%至六十億港元。本銀行擁有高流動資金，存放於銀行同業一百九十億港元的存款及短期基金可作引證。

客戶存款增加至三百零一億港元，增幅為4.4%。往來、儲蓄及通知存款戶口共佔存款總額40%；這類低成本存款於二零零三年則佔36%。經二零零四年一月派付三億零五百萬港元特別股息及七千萬港元中期股息後，於二零零四年十二月三十一日的股本資金為三十七億港元。

本銀行之業務表現於二零零四年顯著回升，溢利及平均股本回報率分別為三億港元及8.02%，增長超過一倍。平均資產回報率由二零零三年的0.39%上升至0.72%。本銀行加盟富邦集團後，已奠下持續增長的基礎，開拓了新的市場。於二零零五年，我們將繼續擴充財資業務及理財服務，增加中小企信貸及設備融資，提升私人借貸服務，並為富邦台灣個人客戶以及香港及華南地區企業客戶提供全面理財及融資服務。

零售銀行

本銀行於二零零四年間繼續提升服務網絡質素，加強客戶市場分層策略，並更致力向日益擴大的中產階層提供理財服務。三月份，上環綜合分行開業，特設 Ambassador Banking 服務，照顧富裕客戶所需。美孚分行及九龍總行亦設立了 Ambassador 中心；全新 Ambassador 中心於何文田開業，而北角的投資中心則轉型為 Ambassador 中心，提供全面理財服務。為提升服務質素及提高營運效率，我們已將位於香港、九龍及沙田的三間分行與鄰近的分行合併。

本銀行透過綜合傳統的零售網絡及 Ambassador Banking 服務，確保入息較高的客戶可受惠於廣佈的分行網絡所帶來的便利，並且可享受我們專業的客戶服務主任所提供的多元化產品及服務。與此同時，我們將投資產品匯集處理以降低最低投資額，讓所有零售客戶均可申請認購。此外，Ambassador Banking 已成立一特別服務小隊，專為配合台灣及中國地區客戶對離岸服務的需要，開拓嶄新的業務範疇。

二零零四年單位信託基金廣受客戶歡迎，分行及 Ambassador Banking 客戶認購踴躍。本銀行經銷由多家穩健可靠的基金公司所管理的各類投資基金，年內賺取的佣金升幅達21%。在富邦收購本銀行後，本銀行與香港富邦花旗人壽保險攜手合作，推出兩項特別設計的可退款保險計劃及兩項人壽保險計劃，增加佣金收入。



The Bank partnered with CitiFubon Insurance in offering insurance services to customers.
本銀行夥拍富邦花旗人壽保險推出保險服務予客戶。

DIRECTORS' STATEMENT

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booked, relying on a combination of tenors, repayment schemes and incentives to attract applications. These borrowers are incorporated into our customer relationship management system, and are then approached through systematic cross-selling campaigns.

The retail network continues to provide funding to support the entire loan portfolio. Our flagship 3M account brought in more than 25,000 new customers, with individual account balances exceeding HK\$5.7 billion. The Bank also introduced RMB deposits in February 2004. This product is aimed at the expansion of our role in trade and investment flows between Hong Kong and China.

In the very low interest rate environment prevailing in Hong Kong, the Bank offered five tranches of callable CDs totaling HK\$700 million with interest rate markups to as high as 4%, but with an all-in cost to the Bank of HIBOR flat or lower through interest rate swaps.

CONSUMER FINANCE

The effectiveness of the Bank's consumer finance risk management systems and the improving economic environment provided the basis for renewed promotion of consumer finance. Major acquisition programs executed during the year exploited innovative risk adjusted pricing, weekend double bonus points, and attractive gift items. The use of direct sales agents increased our acquisition outreach.

The Bank has been a leader in affinity and co-branded cards, and carried out the feasibility study and marketing planning for the Federation of Medical Societies of Hong Kong VISA Card, which was officially launched in January 2005, providing the FMSHK's 50,000 members with a comprehensive range of credit card and banking services. The Bank was recognized by MasterCard for the growth in cardholder spending as a result of effective promotional programs.



The Bank launched the Federation of Medical Societies of Hong Kong VISA Card. 本銀行推出香港醫學組織聯會 VISA 信用卡。

A Cash Any-Can-Do installment purchase plan was introduced for cardholders, with tenors of 6 to 36 months in amounts up to HK\$50,000. This increased our receivables, and provided additional cross-selling opportunities.

In October the Bank came out with the first monthly flat rate tax loan for all loan amounts. This generated our highest response ever for tax loans. Each successful applicant was also granted a new credit card with perpetual annual fee waiver.

SME FINANCE

The Bank has long been a leader in providing SMEs with lease and hire purchase financing for the acquisition of production equipment and vehicles. In order to fully leverage that segment, the SME working capital and trade finance function originally attached to the branch network has been consolidated with IBA Credit Limited, the Bank's wholly owned leasing subsidiary. By providing a full range of financing along with the equipment leasing that these SMEs depend upon, we are exploiting an existing relationship and the risk assessment we have already performed. In addition, we are increasing market share in equipment leasing because of our ability to provide a comprehensive package. Moreover, by linking this to Ambassador Banking support, we are also gaining new revenues from the company owners. The benefits of this amalgamation are evident from the rapid growth in working capital loans and property mortgage loans to SMEs, which grew by more than 500%.

住宅按揭業務仍然為零售信貸的核心業務。於二零零四年間，本銀行能錄得合共三十七億港元的樓宇貸款，實有賴具吸引力的按揭條款、還款期計劃及多種優惠吸引客戶申請。住宅按揭借款人的資料均存入客戶關係管理系統，以便我們進行系統化的交叉推廣活動。

零售銀行網絡繼續成為提供資金的來源，以支持整體貸款組合的營運。我們的3M港元有息支票戶口吸引了超過二萬五千名新客戶，個人戶口結餘超過五十七億港元。本銀行更於二零零四年二月推出人民幣存款，期望在日益頻繁的中港貿易與投資往來上，扮演更重要的角色。

在香港現時利率極低的環境下，本銀行推出五批合共七億港元的可贖回存款證，利率最高達4%，而本銀行透過利率掉期所需的資金成本則與香港銀行同業拆息看齊或較低。

消費信貸

有見經濟環境日益改善，本銀行在有效的消費信貸風險管理系統支援下重新推廣消費信貸業務。年內，本銀行推出多項創新的計劃(個人化息率、週末雙倍積分獎賞及精美迎新禮品)以吸引更多新客戶。我們並利用直銷從業員擴大推廣範圍，增加發卡數量。

本銀行在聯營信用卡方面一直佔領導地位，我們為香港醫學組織聯會 VISA 信用卡進行可行性研究及市場推廣策劃工作，該聯營卡於二零零五年一月正式推出，為香港醫學組織聯會五萬名會員提供全面的信用卡及銀行服務。本銀行獲得 MasterCard 頒發信用卡客戶消費額增長獎項，實有賴成功的推廣活動計劃。

本銀行信用卡「自由式分期」計劃為信用卡持有人提供六至三十六個月免息分期優惠，簽帳額可高達五萬港元。此計劃增加我們的應收帳項，並提供更多交叉銷售機會。



十月份，本銀行首次推出每月劃一息率的稅務貸款計劃，反應比歷年的稅貸計劃更熱烈。成功申請者更獲發一張永久免年費信用卡。

中小企融資

本銀行為中小企提供租賃及租購生產設備及汽車信貸業務，一直居於行內領導地位。為全面拓展有關業務，過去由分行處理的中小企營運資金及貿易融資已納入本銀行全資附屬租賃公司港基國際財務有限公司。透過向有需要的中小企提供全面的設備租賃融資，我們可利用對這些中小企業作風險評估的資料，研究如何增進彼此的關係。此外，由於我們能夠



Leasing business also achieved strong growth, up by 27% year-on-year, continuing to be a major contributor to overall Bank profitability. IBA Credit has a highly diversified portfolio, encompassing printing presses, textile machinery, machine tools, plastic molding equipment, electronics, taxis, buses, light goods vehicles and passenger cars, as well as office equipment. The subsidiary has enjoyed one of the best credit records in the industry for more than a decade.

SME lending is a priority of the Bank. We have recruited new lending officers to expand our outreach. The experience in providing SME finance and equipment lending for Hong Kong companies operating in China is readily applicable to the large number of Taiwan companies, estimated at more than 10,000, operating in Dongguan County, north of Shenzhen. A special Taiwan team has been added to market these companies, and a growing portfolio of loans has already been booked. Similar marketing programs are being carried out in the Shanghai area, another center of Taiwan investment in China.

CORPORATE BANKING

The economic revival in Hong Kong provided new opportunities for corporate lending, after six years of decline in bank lending to industry. The Bank added experienced corporate lending officers, new financing techniques and streamlined the marketing and credit approval process to attract new business.

The customer base of the Corporate Banking Division is highly diversified, including manufacturers, trading companies, service institutions, restaurants, entertainment operations, retailers, small-scale property developers and real estate investors. While most of the customers are medium size companies and mid-cap listed corporations, the Bank also has historical relationships with large corporations, and selectively participates in syndicated loans to major Hong Kong companies.

The additional resources and revised processes supported strong growth, with loans increasing by 29% year on year. This is an impressive achievement given the significant amount of scheduled amortizations under term loans and the constant repayment under trade finance facilities. The growth came from increased utilization of facilities by existing customers, and the 20% increase in the number of active customers served by the division. The division was also successful in shifting the loan portfolio to more higher yielding trade financing.

Corporate Banking collaborates with the Financial Markets and Ambassador Banking teams to provide interest rate and currency management products and investment instruments, meeting both the needs of the companies and their senior management. The enhanced marketing capabilities of Financial Markets, described below, has become a focus of Corporate Banking, helping to offset the impact of competition on lending margins.

A Taiwan Corporate Banking unit has been established to service both companies introduced by Fubon and new clients identified by the Bank through its own marketing efforts. The Bank is uniquely suited to provide support to Taiwan companies

提供兼顧周全的計劃，我們於設備租賃的市場佔有率正不斷增加。另一方面，Ambassador Banking亦會為使用本銀行融資服務的中小企的東主提供理財服務，增加我們的收益。授予中小企的營運資金貸款及物業按揭貸款迅速增長超過500%，足以證明這種綜合銷售的好處。

租賃業務同時錄得強勁增長，與去年同期相比升幅27%，繼續成為本銀行主要盈利來源之一。港基財務的租賃融資組合極多樣化，包括印刷機、紡織機器、機床、塑膠模具設備、電子產品、的士、巴士、輕型貨車及客車，以及辦公室設備。該附屬公司在過去十多年，一直是業內信貸記錄最好的機構之一。

中小企信貸為本銀行銳意發展的一環業務。我們已增聘信貸部人手，積極擴大客戶群。我們會將向於中國營運的香港公司提供中小企融資及設備信貸所累積的經驗，套用到大量於深圳北面的東莞市營運的台灣公司，總數估計超過一萬間。本銀行特別委派一組員工，負責向這類台灣公司推廣服務，



有關的貸款組合正不斷增加。目前，本銀行於上海地區(台灣公司於國內投資的另一集中地)亦正進行類似的市場推廣計劃。

企業銀行

香港經濟復甦，令工商企業貸款經過去六年持續下降後重現生機。本銀行已增聘於企業信貸具豐富經驗的人才、引入嶄新的融資技巧、精簡市場推廣及信貸批核程序，以吸納更多新業務。

企業銀行部的客戶層面非常廣泛，包括製造業、貿易公司、服務機構、食肆、娛樂事業、零售商、小型物業發展商及房地產投資者。雖然大部分客戶均屬中等規模公司及中型上市公司，本銀行過去亦曾與大型企業建立關係，並選擇性地參與香港主要公司的銀團貸款。

投放額外資源及修訂運作程序後，企業貸款額增長強勁，與去年相比升幅達29%，這在本銀行的定期貸款需作出大筆按期攤銷及不斷獲得貿易融資還款下，成績屬相當理想。有關增長來自現有客戶增加使用信貸額度，及該部門的活躍客戶數目增加20%所致。企業銀行部亦成功增加收益較佳的貿易融資在貸款組合中所佔比重。

企業銀行部與金融市場部及Ambassador Banking部合作提供利率及外匯管理產品與投資工具，以迎合各類公司及其高級管理層的需要。金融市場部的市場推廣效力宏大(見下述)，已成為企業銀行的重心，於競爭激烈的信貸業環境下彌保收入。

我們已設立台灣企業銀行部，以為本銀行所招徠的台灣新客戶及富邦引薦的企業客戶效勞。由於本銀行擁有完善的金融業務基礎及所提供的服務廣泛，故我們必能為為於中港兩地經營業務的台灣公司提供切合所需的銀行服務。

operating in Hong Kong and China because of the full infrastructure and range of services that we are able to provide.

FINANCIAL MARKETS

The Financial Markets Group was established to oversee the Bank's activities in various markets including currency, money, fixed income and equity related markets. It encompasses Treasury operations and IBA Securities Limited, the Bank's wholly owned equity brokerage subsidiary. The Treasury operations include foreign exchange services, centralized cash management, interest rate risk management and management of the Bank's securities portfolio. The group is responsible for the development of investment, interest rate risk management and currency risk management products. The marketing team has been expanded, and works closely with the Retail Distribution Network (especially Ambassador Banking), SME and Corporate Banking to deliver the growing range of products we are able to offer.

The Bank plays an active role in Hong Kong dollar debt markets, serving as a placing bank and market maker in Exchange Fund Bills and Notes, Hong Kong Link and Hong Kong Mortgage Corporation paper and other Specified Instruments as defined by the Hong Kong Monetary Authority. The Bank is also a Fixing Bank for Exchange Fund Bills.

As Hong Kong investors have sought diversity, the Bank has broadened its product range in structured products, offering currency, credit, interest rate and equity-linked products. The expanded capabilities and increased number of marketing staff enabled us to achieve a 22% increase in financial markets related fee income.

Improved sentiment for Hong Kong shares provided a boost in stock market turnover. The Bank's retail customers were active in trading, and brokerage increased by 31%. An internet based trading system will be installed in 2005 to better serve our clients, and also enable Taiwan customers to trade online.

The Bank's bond portfolio is overwhelmingly comprised of Hong Kong Government paper and U.S. Treasuries, with small amounts of bank issues and corporate bonds. In the first half of 2004 the Bank crystallized capital gains of more than HK\$90 million, slightly exceeding the gains made in 2003.

RISK MANAGEMENT

The Bank has three units with specific responsibility for risk management: Consumer Finance Risk Management, Corporate and Retail Banking Risk Management, and Treasury Risk Management.

The Consumer Finance Risk Management team operates a state-of-the-art application Processing System to process and evaluate credit card and personal loan applications. The system has been modified to assist the SME Division in evaluating loan and lease applications. A Strategic Credit Control System has been developed to implement systematic collection strategies and support multiple risk models. The Bank outperformed the market in terms of the number of bankruptcy petitioners and specific provision to revenue ratio. These risk management tools have permitted us to execute acquisition programs with higher levels of approval and lower levels of delinquencies.

The Corporate and Retail Banking Risk Management team has streamlined the SME and corporate banking credit functions, supporting the strong growth achieved in loan and lease outstandings. The unit also assumed responsibility for participation in the Commercial Credit Reference Agency, through which banks exchange positive and negative data on SMEs. A major project going forward is the implementation of Basle II guidelines on risk management.

With the expansion of Financial Markets activities, the Treasury Risk Management team monitored a rapidly increasing number of transactions. It conducts independent valuation of the portfolio, trading risk limit monitoring, market risk analysis and reporting, as well as profit and loss analysis and reconciliation.

金融市場

金融市場部專為管理本銀行於多個市場之活動(包括外匯、貨幣、定息產品及與股票有關市場)而成立。其轄下包括財資部及港基國際証券有限公司(本銀行從事股票經紀業務的全資附屬公司)。財資業務營運的工作包括外匯交易服務、中央現金管理、利率風險管理及本銀行的證券投資組合管理。該部門負責開發投資、利率風險管理及外匯風險管理產品。金融市場部屬下的市場推廣部已經擴充，與零售銀行部(特別是 Ambassador Banking)、中小企業部及企業銀行部合作無間，提供日趨多樣化的產品。

本銀行於港元債券市場表現活躍，為外匯基金票據及債券、香港五隧一橋及香港按揭證券有限公司票據及香港金融管理局所界定的其他指定債務工具擔任配售行及市場莊家。本銀行亦為外匯基金票據的定價銀行。

為迎合香港投資者不同的要求，本銀行已擴闊結構性產品的種類，提供貨幣、信貸、利率及股票掛鉤產品。由於業務範疇更廣，加上增聘市場推廣員工，與金融市場有關的費用收入較去年增加 22%。

港股氣氛改善，帶動股市成交額增加。本銀行的零售客戶入市踴躍，經紀佣金因而增加 31%。本銀行將於二零零五年安裝互聯網買賣系統，為客戶提供更周全的服務，同時讓台灣客戶可進行網上股票買賣交易。



香港聯合交易所
The Hong Kong Stock Exchange

本銀行的債券投資組合主要由香港政府票據及美國國庫券組成，也包括少量銀行票據及公司債券。二零零四年上半年度，本銀行錄得資本增益超過九千萬港元，已略高於二零零三年度全年所得收益。

風險管理

本銀行設有三個部門專責風險管理：消費信貸風險管理部、企業及零售銀行風險管理部，以及財資風險管理部。

消費信貸風險管理部應用先進的處理系統，處理及批核信用卡及私人貸款申請。該系統已提升作業能力，支援中小企業部門批核貸款及租賃申請。我們已建立一套策略性信貸監控系統，以推行系統化收回貸款的策略，並配合多重風險模型進行分析。本銀行於破產呈請宗數及特別準備相對收入比例上的表現勝於同業。有關的風險管理方法讓我們加強發卡工作批核成數而同時減低拖欠率。

企業及零售銀行風險管理部精簡了中小企業及企業銀行信貸的批核流程，協助貸款及租賃量取得大幅增長。該部門亦負責商業信貸資料庫的運作，各銀行可透過該系統交換中小企的正面及負面信貸資料。目前正進行及處理為實施巴塞爾 II 就風險管理所發出的指引的工作。

隨著金融市場部的業務發展，財資風險管理部需要監管的交易不斷增加。該部門對投資組合進行獨立評估、監察買賣風險限額、分析市場風險並作出報告、進行盈虧分析及對帳。本銀行已加強自動編製報告的設施，推行了新的監控措施，並為高級管理層編製多種特別報告。

Automation of reports was enhanced, new control practices were implemented and a number of ad hoc reports were prepared for senior management.

OPERATIONS AND INFORMATION TECHNOLOGY

The ability to grow the balance sheet, execute additional transactions, offer new products to customers and attract new clients requires an efficient operations and support team. The Operations Division works hand in hand with each of the business units, as well as with the Information Technology Department to ensure that we can deliver on each of our commitments to customers. In addition to supporting the significant increase in the volume and diversity of activities, the Operations Division initiated the task of evaluating and mitigating operational risk, preparing for new capital compliance requirements under Basle II.

Operations was responsible for the identification and preparation of new premises and remodeling of existing premises as we refined our delivery network and added the capability of providing more cross-border transfer and trading transactions. They have also provided support with Information Technology on the installation of new systems, such as the automated trading platform for currency-linked deposits and equity-linked deposits.

The Retail Banking system was upgraded with a new release by Misys. An updated version of SWIFTNET was installed to upgrade funds transfer capacity. A Unit Trust nominee service system was installed to provide enhanced portfolio management support to our customers. A straight through processing system for retail treasury transactions was implemented to enable customers to execute real time foreign exchange transactions in our branches.

E-banking services are being upgraded to strengthen security and to enable Taiwan customers to conduct fund transfers, Hong Kong Stock Exchange transactions and other investment product business. In January 2005 the Fubon Group, including the Bank,

launched a guaranteed two-hour fund transfer service between Hong Kong and Taiwan.

CUSTOMER RELATIONSHIP MANAGEMENT AND TECHNOLOGY MARKETING SERVICES

The Bank's Customer Relationship Management ("CRM") system and data warehouse leverage information and quantitative methods to service customers in an intelligent and profitable manner, and is directly interfaced with Technology Marketing Services, which operates the Bank's Call Center.

CRM uses customer demographic and behavioral profiling, product holding and penetration analysis, statistical modeling and vintage analysis to deliver products in a manner that customers prefer, to evaluate marketing campaign effectiveness and to reduce attrition. CRM is a key tool in cross-selling, identifying customer segments with the greatest likelihood of responding to product offers. CRM has played a key role in direct marketing of tax loans, credit card promotions (both acquisition and utilization), consumer credit and investment products.

The Call Center has proven to be an increasingly valuable delivery channel in addition to its role as a traditional service channel. Tailor-made telemarketing programs have been devised for various business departments, catering to these business departments' specific customer base. Total outbound marketing calls in 2004 increased by almost 300% in comparison to 2003, while incoming calls increased by 30%. Three new 24-hour self-service functions were introduced during the year. In 2005 we have added Mandarin language capability to service our growing number of customers from the PRC and Taiwan.

Ming-Hsing (Richard) Tsai

Chairman

1 March 2005



營運支援及資訊科技

改善資產負債狀況、增加交易量、為客戶推出新產品及吸引新客戶均需要高效率的營運系統及後勤部門支援。營運支援部及資訊科技部與各業務部攜手合作，確保我們能實現對客戶的承諾。營運支援部除協助處理大幅增加及更為多元化的業務外，並展開評核及減低營運風險的工作，為符合巴塞爾 II 新的資本規定作好準備。

在我們強化客戶服務網絡及加強處理跨境作業及買賣交易的實力之同時，營運支援部負責為本銀行物色及籌備開設新行址，並更改現有行址以配合更佳用途。該部門亦與資訊科技合作，就安裝新系統提供支援，例如為外幣及股票掛鈎存款設立自動化交易平台。

零售銀行部新設立了 Misys 系統，提升其資訊科技系統服務。為增強資金轉帳的能力，亦已將 SWIFTNET 系統升級。我們也裝設了一個單位信託代理人服務系統，為客戶提供更佳的投資組合管理支援。此外，我們亦建立零售財資買賣直通式處理系統，讓客戶能夠在分行進行即時外匯交易。

網上理財服務經已升級，以增強保安，並容許台灣客戶進行資金轉帳、及在香港聯交所進行買賣以及認購其他投資產

品。於二零零五年一月，富邦集團（包括本銀行）推出了一個於香港與台灣之間保證兩小時內完成的資金轉帳服務。

客戶關係管理及科技推廣服務

本銀行的客戶關係管理系統及資料庫，直接連接到負責本銀行電話中心運作的科技推廣服務單位，使其利用資訊及計量方法向客戶提供智能化及有盈利的服務。

透過使用客戶統計資料及行為分析、持有的產品及滲透率分析、統計模型及年期分析，客戶關係管理系統為客戶提供切合所需的產品、評估市場推廣計劃的效用及減少耗損。客戶關係管理系統是交叉銷售、為不同客戶群配對最適合產品的主要工具，更在直接推廣稅務貸款、信用卡推廣(增加發卡量及簽帳額)、消費信貸及投資產品方面起著關鍵作用。

除了作為傳統的服務渠道，電話中心亦成為日趨重要的推廣渠道。我們特別為不同的業務部門設立專門的電話推銷服務，以配合每個業務部門的不同需要。與二零零三年的數字比較，二零零四年本銀行打出的市場推廣電話增加了近 300%，而來電數目則增加 30%。年內，我們推出三種全新的二十四小時自助銀行服務功能。二零零五年，我們新增普通話語言系統的功能，為不斷增加的國內及台灣客戶提供全面理財服務。

主席
蔡明興

二零零五年三月一日