

Directors' Statement

董事匯報

HONG KONG ECONOMY AND BANKING INDUSTRY

香港經濟與銀行業

Hong Kong Economy

香港經濟

Hong Kong's real Gross Domestic Product grew by 7.3% in 2005. The main driver of the economy was export growth, which coincided with the strong trade performance from China. In 2005, Hong Kong's nominal GDP surpassed its 1997 peak to reach a new high of HK\$1,382 billion.

於二零零五年，香港的實質本地生產總值增長了7.3%。驅動經濟增長的動力主要來自出口增長，這與中國強勁的貿易表現一致。於二零零五年，香港的名義本地生產總值遠超一九九七年時的高峰，並取得新高13,820億港元。

The GDP deflator showed good improvement during the year, returning to a positive figure in the fourth quarter (although the whole year still recorded a decline of 0.2%). However, the domestic demand deflator (which excludes trade) rose 1% for the year. The improvement in prices was due to the recovery in the property rental market. Unemployment fell to a four year low of 5.4% by year-end, lifting consumer confidence. The value of retail sales rose 7.9% in 2005, boosted by a record number of visitor arrivals - particularly from the mainland. The opening of Disneyland during the year was a major tourist attraction.

年內本地生產總值的平減物價指數好轉，於第四季回復至正數（即使全年仍錄得0.2%跌幅）。然而，本年度的本地需求平減物價指數（不包括貿易）錄得1%升幅。由於物業租務市場復甦，令到價格有所改善。年底前錄得失業率跌至四年來的新低5.4%，使消費者重拾信心。於二零零五年，在訪港人數（特別來自中國內地）的激增刺激下，零售價值上升7.9%。迪士尼樂園於年內開幕，乃吸引旅客訪港之主要因素。

Exports of goods (re-exports and domestic exports) enjoyed strong growth with an increase of 11.2%, while imports rose 8.6%. Exports of services expanded 8.4%, while service imports rose 2.8%. Fixed asset investment rose by 3.9% while private consumption increased by 3.7%. Asset prices trended upwards gradually during the year.

貨物出口量（轉口及本地出口）錄得11.2%的理想增幅，而進口則錄得8.6%升幅。服務出口及服務進口分別上升了8.4%及2.8%。固定資產投資及私人消費量分別上升了3.9%及3.7%。年內資產的價格陸續有增加趨勢。

Banking Industry

銀行業

The strong economic performance was set against volatile financial markets, with institutional investors, who believed that China would revalue its currency, impacting Hong Kong's foreign exchange and money markets earlier in the year. In May, to counter these disruptions, the Hong Kong Monetary Authority ("HKMA") adjusted the Hong Kong dollar's two-decade-old peg system to a trading band from HK\$7.75 to HK\$7.85 against the U.S. dollar, and committed to buy or sell Hong Kong dollars as needed to prevent the currency from moving outside that range. Since the change, the Hong Kong dollar has been relatively strong against the USD.

在劇烈波動的金融市場中，經濟仍有強勁表現，且機構投資者相信中國會調整人民幣匯價，因而提早於本年度對香港的外匯及貨幣市場構成影響。於五月，為了應付這局面，香港金融管理局（「金管局」）將實施了二十年的港元與美元聯繫匯率，調整至7.75港元至7.85港元的交易波幅，並承諾有需要時會買賣港元，以防港幣波幅超出這範圍。自從作出有關變動以來，港元便較美元相對轉趨較強。

The measures introduced by the HKMA had a significant impact on Hong Kong dollar interest rates and therefore the banking industry. Prior to the measures, Hong Kong dollar interest rates were significantly lower than normal due to the large inflows into the HKD. After the measures were introduced, local interest rates rose sharply, with Hong Kong dollar rates playing catch up with the rise in USD interest rates.

金管局所引進的措施，對港元利率構成重大影響，從而亦對銀行業帶來影響。實行該等措施前，由於大量資金流入港元，故港元利率大幅低於正常水平。於引進該等措施後，本港息率急升，且港元息率正追上美元息率的升勢。

Directors' Statement

Despite the volatility in interest rates, systemwide loans and deposits rose by 7.3% and 5.2% respectively. Within loans, there was a shift in emphasis towards corporate loans, particularly as demand for mortgages slowed in the fourth quarter as mortgage interest rates rose sharply. Fubon Bank took advantage of the recovery in economic conditions to lift its loans by 18% - with an emphasis on loans to small to medium sized enterprises.

The composition of deposits changed significantly during the year, as depositors shifted to fixed deposits to take advantage of higher interest rates. This change lifted local bank's funding costs. Fubon Bank also experienced a shift by depositors to more expensive fixed deposits during the year. As assets are repriced slower than liabilities, the rapid rise in Hong Kong dollar interest rates also pressured banks' margins. Overall, these changes had a negative impact on local banks' net interest margins.

Fubon Bank was not immune from changes in the market place. Returns from the Bank's assets relative to the Bank's cost of funding came under pressure. These pressures eased late in the year as loan yields, particularly Prime based loans, began to rise. Although local interest rates are expected to continue to rise in 2006, the Bank is confident that top line revenue will improve in 2006.

CHINESE ECONOMY

China's fourth quarter and 2005 real Gross Domestic Product rose 9.9% each. The increase represented a deceleration in growth, as GDP grew 10.1% in 2004. China's economy produced output of US\$2.23 trillion last year. Economists predict growth for 2006 ranging from 8.5% to more than 10%. Most commentators agree that the economy has built momentum, and will continue to be vibrant this year. This should have positive implications for Hong Kong's economy in 2006.

The nation's exports surged 28% to US\$762 billion last year, generating a record US\$102 billion trade surplus. Industrial production grew by 11.4% in 2005, while fixed assets investment grew by 25.7%. China's retail sales of consumer goods in 2005 increased 12.9%. Despite the rapid growth in the economy, China's consumer price index rose by just 1.8% in 2005.

In a major development, in July, The People's Bank of China announced that the RMB's value would no longer be pegged to the USD, and at the same time it will be traded at a rate of RMB8.11 for the USD, which was a 2% revaluation of the RMB. The PBOC also announced that the RMB will follow a basket of currencies. The reform effectively allows China to have the necessary mechanisms and controls to make further changes to the valuation of RMB in the future, giving China more flexibility to manage its currency as well as to control its monetary policies.

As the Chinese economy continues to grow and reform, Fubon Bank is taking active steps to enter this promising new market. A physical presence in the China market would allow the Bank to better serve its customers that live and conduct their businesses on the mainland. If an opportunity arrives whereby the Bank can enter the China market through an acquisition, this will be seriously considered. In the meantime, the Bank is in the process of opening its first representative office in China.

CORPORATE DEVELOPMENTS

2005 was a landmark year for the Bank. On 6 April, the Bank officially changed its name to Fubon Bank (Hong Kong) Limited. A full-scale advertising and promotion campaign was launched to introduce the Fubon name to the general public in Hong Kong, with the Bank receiving special praise for its innovative television commercials and print and billboard visuals. The Bank understands that brand awareness is a continuous process and will continue to build out the Fubon brand in Hong Kong.

Internally, the Bank has introduced a set of core values designed to meet the challenges of the Hong Kong banking industry. The five core values are illustrated throughout the rest of this report. They are designed to provide a higher level of service to its customers. The core values were launched at a ceremony for all staff. The 1-2-3 Go Big Bang event was designed to explain to staff how the five core values can differentiate the Bank in Hong Kong's competitive banking industry as well as guide the Bank towards its goal of being a regional platform for the Fubon Group.

董事匯報

儘管息率波動不定，但貸款及存款分別上升7.3%及5.2%。就貸款而言，市場將注意力轉向公司貸款，特別是因為按揭息率急升，減低了第四季的按揭需求量所致。富邦銀行利用經濟狀況復甦的優勢將貸款息率提高18%—並集中主力向小型至中型企業提供貸款。

年內由於存戶為把握較高息率的好處而轉向定期存款，導致存款的組成部分出現重大變動，從而增加了本港銀行的集資成本。年內，富邦銀行的存戶亦轉向較高息率的定期存款。由於資產的重新定價速度較負債為慢，故港元利率急升亦令到銀行息差受壓。整體來說，上述種種變動令本港銀行的淨息差受到負面影響。

富邦銀行難免受到市場變動所影響。銀行資產的回報相對於銀行的資金成本更受壓力。本年度後期，由於貸款收益上升(特別是與最優惠貸款利率掛鈎的貸款)，故有關壓力得以紓緩。儘管預期本港息率於二零零六年會繼續上升，但本銀行有信心於二零零六年可獲得理想的業務收益。

中國經濟

中國第四季及二零零五年的實質本地生產總值各有9.9%升幅。由於本地生產總值於二零零四年增長10.1%，故上述升幅顯示了增長放緩的跡象。中國經濟去年的產值為2.23萬億美元。經濟分析家預測二零零六年的增長會介乎8.5%至10%以上。不少時事評論員均認同中國經濟已形成了一鼓動力，今年將繼續蓬勃發展下去。這對二零零六年的香港經濟應帶來正面影響。

去年中國的出口額升了28%至7,620億美元，錄得1,020億美元的貿易盈餘。二零零五年的工業產值增長了11.4%，而固定資產的投資額則增長了25.7%。二零零五年中國的消費品零售額增加了12.9%。儘管經濟迅速增長，但中國消費者物價指數於二零零五年僅有1.8%升幅。

就一項主要發展而言，於七月，中國人民銀行宣佈人民幣匯價不再跟美元掛鈎，同時其將按人民幣8.11元兌1美元之匯率進行交易，導致人民幣升值2%。中國人民銀行同時宣佈，人民幣將參考一籃子貨幣進行調節。這項改革有效地使中國能夠制定必要的機制，來應付並加以控制日後人民幣匯價的其他變動，讓中國對管理貨幣及控制其貨幣政策享有更高靈活性。

由於中國經濟持續增長及改革，富邦銀行正採取積極步驟，加入這個充滿商機的新市場。於中國市場樹立據點，將有助本銀行為於中國內地居住和經商的客戶提供更佳服務。如本銀行遇上可藉收購進駐中國市場的機會，將會給予謹慎考慮。與此同時，本銀行現正籌劃開設其首間位於中國的代表辦事處。

企業發展

二零零五年對本銀行而言乃意義重大的一年。於四月六日，本銀行正式更改名稱為富邦銀行(香港)有限公司。本銀行展開全面的宣傳及推廣活動，向香港公眾介紹富邦的名稱，本銀行創新的電視廣告、印刷及廣告牌更獲得特別稱譽。本銀行深明品牌認知屬持續的過程，故將繼續於香港建立富邦的品牌形象。

內部方面，本銀行已建立一套核心價值，為迎接香港銀行業的挑戰作好準備。該五項核心價值將於本報告其餘部份內展示。建立該等核心價值旨在為其客戶提供更高水準的服務。本銀行於一個全體員工出席的「1-2-3 Go Big Bang」典禮上落實該等核心價值。特別舉行這典禮乃為向員工解釋該五個核心價值如何能令本銀行於香港競爭激烈的銀行業突圍而出，並引領本銀行達致成為富邦金融控股集團區域性平台的目標。

Directors' Statement

A major focus for the Bank in 2005 was to introduce its services and products to a wider audience in Taiwan and China. The Bank has established two new divisions that cater solely to serving Taiwanese and their businesses in the Greater China region. The Offshore Ambassador team aims to provide wealth management services and products to individuals, while the Taiwan corporate teams within the Corporate Banking team and the Hire Purchase division tailor-make financial packages for Taiwanese owned companies. Linkages have been put in place within these departments to ensure that services and products can be effectively delivered to its customers.

Progress for these new services has been ahead of expectations in terms of loans and deposits generated and revenues received. The Taiwan teams will be further enhanced in the coming year, as the Bank will continue to tap this new source of business.

The products and services offered to customers are wide ranging. In the future, the Bank plan to add more features to its product repertoire and delivery channels. One of many examples is the recent launch of an internet stock trading platform. These new services are expected to generate strong revenues for the Bank, as well as capture new customers.

To widen the Bank's wealth management product capability, the Bank intends to reactivate its asset management license, as well as re-engineer the Bank's securities business this year. More investments will be made in the Bank's various wealth management businesses in 2006. There is great confidence among the management team of the Bank that the returns from these investments will make the institution a stronger, more dynamic place to work and do business.

The Bank's headcount has risen to more than 800 staff during the year, despite strong competition for talent within the local banking industry. The increase in the Bank's staffing levels illustrates that the newly named bank has lost none of its vigor or goodwill within the community and the business community. As the Bank continues to roll out its strategic business plan, Fubon Bank are confident that, customers, staff and shareholders will reap the benefits.

OPERATING PERFORMANCE

The total assets of the Bank increased by 9% to HK\$49.8 billion in 2005. The loan portfolio reached HK\$21.5 billion, an increase of 18% from December 2004 with growth in most loan types and major economic sectors. Residential mortgage loans remained the main staple of the Bank's loan portfolio, at HK\$7.5 billion. To diversify the credit risk, the Bank expanded its corporate loan portfolio, increasing it by 35% to HK\$11.5 billion. Loan quality continued to improve with the amount of impaired loans reduced to HK\$213 million compared to HK\$258 million at last year-end, or 0.99% of the total loan portfolio compared to 1.42%.

The Bank maintains an investment portfolio of Hong Kong Exchange Fund Bills and Notes and quality commercial paper to enhance the yield of its surplus funds. These investments rose 20% in 2005. In light of the rising interest rate environment, the Bank shortened the duration of its portfolio compared to 2004. This resulted in more rapid repricing of the investment portfolio, but yields were relatively lower due to the shorter tenors of the investments. The Bank maintained a liquid position with cash and bank balances of HK\$10.2 billion, a growth of HK\$4.7 billion. The increase was partly the result of increases in deposits from customers of HK\$2.5 billion. The Bank also raised a total of HK\$1.9 billion in three well-received floating rate certificates of deposit placements during 2005.

The rise in interest rate coupled with the expansion of the Bank's interest-earning assets led to a 62% increase in gross interest income to HK\$1.6 billion. With credit demand improving in the second half of 2005, the Bank actively expanded its loan portfolio to enhance its core earning capability. The deposit base was enlarged to facilitate a continual expansion in the latter half of 2005. However, with the successive increases in HKD and USD interest rates, gross interest expense has risen to HK\$1.1 billion and led to a decline of net interest income of 17% to HK\$504 million for 2005 and the net interest margin also declined by 45 basis points to 1.10%.

董事匯報

本銀行於二零零五年的主要焦點，乃以其服務及產品吸引更多台灣及中國客戶。本銀行已成立兩個新部門，以專為台灣客戶及其於大中華區業務而設。境外財富管理銀行部專門為個別人士提供財富管理服務及產品，而企業銀行部以及租購部之台灣企業部則為台灣人士擁有的公司度身訂造財務組合。該等部門之間已確立聯繫，確保為其客戶有效提供服務及產品。

以新增貸款及存款與及收入而言，此等新服務的進展已較預期理想。由於本銀行將繼續開發這項新業務來源，台灣隊伍於未來一年將進一步加強。

本銀行為客戶提供多元化的產品及服務。展望未來，本銀行計劃為其產品組合及銷售渠道加入更多特色。眾多例子之一，為本銀行最近引入的網上股票交易平台。此等新服務預期將為本銀行帶來強勁收入，並吸引更多新客戶。

為擴大本銀行的財富管理產品能力，本銀行擬於本年重新啟動其資產管理牌照並重訂本銀行的證券業務。二零零六年，本銀行將於多項財富管理業務作出更多投資。本銀行管理層深信此等投資帶來的回報，將令本銀行成為一個更強大和更具活力的機構。

儘管年內本地銀行業求才若渴，本銀行員工人數已提升至超過800人。本銀行員工人數增加，彰顯了本銀行於更改名稱後，不論於社區及商業社區均無損其活力或商譽。隨著本銀行持續實踐其策略業務計劃，富邦銀行深信不論客戶、員工或股東均將受惠於本銀行日後的成就。

經營表現

本銀行資產總值於二零零五年增加9%至498億港元。貸款組合達215億港元，較二零零四年十二月上升18%，大多數貸款種類及對各行業之貸款均有所增長。住宅按揭貸款仍為本銀行貸款組合的主要業務，達75億港元。為分散信貸風險，本銀行亦擴充其企業貸款組合至115億港元，增加35%。貸款質素持續改善，減值貸款金額相較去年底2.58億港元減少至2.13億港元，或較去年佔貸款組合總額1.42%減少至0.99%。

本銀行亦持有香港外匯基金票據及優質商業票據之投資組合，以改善盈餘資金收益。這些投資於二零零五年上升20%。在加息的環境下，本銀行較二零零四年縮短該組合之期間。這導致更快速地為投資組合重新訂價，但由於投資年期較短，收益相較為低。本銀行為維持其資金流動性，現金及銀行結餘達102億港元，增長47億港元。該增長部份乃由於客戶存款增加25億港元所致。本銀行亦於二零零五年內發行三種浮息存款證合共達19億港元，廣受銀行同業歡迎。

利率上升伴隨著本銀行利息收入資產之增加，引致利息總收入上升62%至16億港元。隨著於二零零五年下半年信貸需求增加，本銀行積極擴充其貸款組合以改善其核心盈利能力。存款基礎乃為配合二零零五年下半年之持續業務增長而擴大。然而，鑑於港元及美元利率多次調升，總利息開支上升至11億港元，並引致二零零五年利息收入淨額下跌17%至5.04億港元。淨息差則下跌45基點至1.10%。

Directors' Statement

Fees and other operating income reached HK\$327 million, a 45% increase compared to 2004. Fee income represented 39% of the Bank's total operating income, compared to 27% in 2004. Sales of structured products for its wealth management clients saw good growth. Brokerage income improved in the second half with the equity market activity increasing. Fubon Bank also leveraged on its position within the Fubon Group by expanding its insurance and unit trust businesses.

Despite an expanded operation to support the growth of the balance sheet, the cost of the name change campaign and costs incurred in cultivating the Bank's Taiwan business, operating expenses were kept at HK\$603 million, similar to 2004's level. The Taiwan Corporate Banking team and Offshore Ambassador team were formed in the beginning of the year and are contributing to the expansion of the Bank's customer base.

The Group recorded a reversal of provision of HK\$20 million for impaired loans and advances as compared with a total charge of HK\$51 million in 2004. However, the gain on disposal of available-for-sale securities decreased from HK\$93 million to a loss of HK\$18 million due to a volatile and rising interest rate environment. The reversal of impairment losses on other assets also dropped from HK\$47 million to HK\$5 million year on year, while asset disposal gains were HK\$39 million compared with HK\$17 million. The overall contribution to the Group's net profit from these items decreased to HK\$26 million from HK\$156 million. In view of the abovementioned factors, net profit for 2005 amounted to HK\$241 million, representing a decline of 20% from 2004. Return on assets was 0.5% while the return on equity was 6.5%.

RETAIL BANKING

Retail Distribution Network

The retail distribution network experienced great changes following the Bank's name in April. The branch network was refurbished and went through a complete rationalization phase, with low performing branches closed and performing branches renovated and improved. The Bank will open new branches in better locations in the future.

The rationalization of the branch network was designed to enhance the Bank's wealth management focus. The integration of the Bank's Ambassador Banking service into the branch network resulted in a significant increase in fee-based product sales. Unit trust income rose 94%, while insurance sales (in partnership with CitiFubon Insurance), more than tripled.

The retail distribution network produced another strong balance sheet performance in 2005. Deposits rose to near record levels by the end of the year. This was testament to the strength of acceptance of both the changes in the branch network and the new levels of service provided by the Bank. The deposit campaign following the name change brought reassurance to existing depositors and brought in a significant number of new deposit customers, that were attracted to the product offerings of the newly launched bank, and after seeing and reading the new branding proposition of the Bank. In addition to the deposit campaign, new RMB and USD Magic Money Manager products were launched during the year, to broaden the Bank's deposit offerings.

On the loan side, the size of the mortgage portfolio remains an important part of the Bank's loan business. A major new initiative regarding the sourcing of mortgage loans was launched during the year. In order to better compete in the market, the sale of mortgages to customers has been centralized, so that, other than the retail network there is a dedicated team of mortgage sales specialists. The direct sales team will be able to provide more innovative mortgage products to its customers so as to compensate for the commoditization of the mortgage product in the Hong Kong banking market.

Consumer Finance

Credit card acquisition was a major focus for the Consumer Finance division, with an emphasis on generating recurrent income from non-revolving customers. Total cards in force rose by 29% in 2005, on the back of co-brand launches for The Federation of Medical Societies of Hong Kong, the Hong Kong Chinese Civil Servants' Association and co-brand cards for two major Hong Kong retailers – Seiyu Department Store and Bonluxe. Income from credit card advances fell, as consumers continued their preference for cheaper personal loans, however, credit card fees from spending and merchant acquisition businesses rose, more than compensating.

董事匯報

費用及其他營運收入達3.27億港元，較二零零四年增加45%。費用收入佔本銀行的總營運收入額39%，相比起二零零四年則為27%。結構性產品銷售予財富管理客戶亦取得良好增長。佣金收入於下半年股票市場交投暢旺下亦見改善。憑藉富邦銀行於富邦金融控股集團的地位，本銀行亦擴充其保險及單位信託業務。

儘管為擴充本銀行資產而令部份營運支出有所增加、更改名稱推行之推廣活動及開拓本銀行台灣業務亦帶來一定的開支，然而營運支出仍然保持在6.03億港元，與二零零四年的水平相若。年初成立之台灣企業銀行部及境外財富管理銀行部，持續對銀行客戶基礎的擴展作出貢獻。

本集團錄得減值貸款及墊款撥備之回撥合共2,000萬港元，而二零零四年之總撥備支出則為5,100萬港元。然而，由於市場環境動盪不穩，加上息率上升，出售可供出售證券之收益由9,300萬港元下跌至虧損1,800萬港元。其他資產之減值虧損回撥則從去年4,700萬港元下跌至500萬港元，而資產出售收益則由1,700萬港元上升至3,900萬港元。此等項目對本集團淨盈利之整體貢獻由1.56億港元減少至2,600萬港元。鑒於上述因素，二零零五年度之淨溢利為2.41億港元，較二零零四年下跌20%。資產回報為0.5%，而股本回報則為6.5%。

零售銀行

零售銀行

緊隨本銀行於二零零五年四月更改銀行名稱，零售銀行部面對著重大轉變。本銀行重整了分行網絡，關閉表現不太理想之分行，並翻新及提升表現優異之分行。本銀行計劃於優越地點開設新分行。

整頓分行網絡，目的旨在提升本銀行之財富管理服務，成為本銀行之核心業務。將Ambassador Banking服務注入分行網絡後，收費產品的銷售額錄得可觀升幅。單位信託基金收益增長94%，而保險產品銷售額（夥拍富邦花旗人壽保險）更增長逾三倍。

零售銀行部於二零零五年為本銀行創造了另一次理想的業績表現。二零零五年的存款額上揚至近歷史高位，充分顯示市場非常受落分行網絡的轉變及對本銀行所提供的嶄新服務深表認可。本銀行於更改名稱後展開的存款推廣計劃，不單止有助加強現有存款客戶的信心，更成功吸引不少新存款客戶。他們透過本銀行全新品牌宣傳廣告了解本銀行的新形象並被新推出的各類產品所吸引，紛紛成為本銀行的新客戶。除了存款推廣計劃之外，本銀行年內亦推出了嶄新的人民幣存款和Magic Money Manager美元有息支票戶口，豐富了儲蓄產品種類。

貸款方面，按揭組合規模仍在本銀行的貸款業務中佔據重要地位。年內，本銀行推出與按揭貸款有關的推廣活動，藉此吸納新客戶。為了提升市場競爭力，客戶的按揭銷售事宜經已集中處理，因此，除零售網絡外，仍有一支專門的按揭銷售小組。這支直銷隊伍將會向客戶提供更富創意之按揭產品，以配合香港銀行業市場的按揭產品日趨商品化的情況。

消費信貸

消費信貸部十分著重信用卡的發行，尤其注重吸引不活躍客戶使用銀行服務，以提升經常性收益。二零零五年，本銀行與香港醫學組織聯會、香港政府華員會，以及本港兩大零售商—西田百貨及葆露絲攜手推出的聯營信用卡，發卡總數量攀升29%。由於消費者喜愛選取息率較低的個人貸款，導致信用卡貸款收益下降。然而，信用卡消費及商戶服務方面所帶來的費用收入有所增加，已經足以彌補信用卡貸款收益下降的情況。

Directors' Statement

The Bank launched new personal loan products and several personal loan promotions were launched during the year. The Bank's tax loan product initiative was one of the most competitive offerings of the season, with a revolving rate of 7.75% or installment loan rate of 6.21% offered for loan amounts, regardless of size. The personal loan portfolio increased by over a third compared with last year as a result of new offerings.

The Bank's call center is an important communications channel for the Bank in terms of inward and outward calls to customers. Call center supported many of the Bank's major marketing campaigns in the past year.

Risk management has been a high priority for the Consumer Finance division and careful attention to delinquency has resulted in lower provisions for the portfolio. The reduction in provisions was aided by the launch of a credit bureau in Hong Kong and the improvement in economic conditions. Emphasis for the credit card business has been placed on generating recurrent income through the merchant acquiring business. Within the personal loan portfolio, the targeting of higher net worth borrowers has also improved the quality of the loan portfolio in terms of provisioning and write-offs. Collection efforts have been stepped up, resulting in improved write-backs.

WHOLESALE BANKING

Hong Kong Corporate Banking Team

The strong operating performance of Corporate Banking in 2004 continued throughout 2005, with loans rising at a 36% pace (net of run offs) and delinquency remaining at very low levels. Economic conditions were conducive to loan accumulation, as Hong Kong's corporates had significantly deleveraged their balance sheets since 1998, and have started to invest in their businesses as the economy continues its recovery.

Within the loan portfolio, there was very strong demand for short-term trade finance loans and loans for investments. Working capital loans also recorded very strong increases. Corporate Banking was successful in achieving arranger status for several syndicated loans to medium sized corporations during the year. This will continue to be a focus in the future. As a result, the syndicated loan portfolio recorded good growth in the year. The loan portfolio is well diversified, and spread both by industry sector and between medium to large sized private and locally listed companies.

Customer acquisition was a major theme for the year. Corporate Banking added 62 new accounts during the year. This was a 38% increase compared with 2004. The increase in new customers was achieved through a combination of innovative product offerings and loan structures, as well as improved cross-selling techniques. Corporate Banking account officers routinely meet customers with the Bank's specialists from Treasury and wealth management.

Balance sheet accumulation was not only evident in assets - deposits at Corporate Banking increased by 11%. Deposit solicitation will remain a matter of high importance for the division in the future.

Hire Purchase

The Bank provides SMEs with lease and hire purchase financing for the acquisition of production equipment and vehicles. The Bank's leading position in the market was maintained in 2005, with loans rising as the economy improved. However, intense competition resulted in margin pressure on loans. The Taiwan team, which was set up in late 2004, had a very successful year, leveraging on the Fubon name and introducing the Bank's strong hire purchase platform to new customers. The improvement in the economy allowed loan delinquency to remain at relatively low levels throughout the year.

董事匯報

年內，本銀行推出嶄新個人貸款產品及數項個人貸款推廣活動。本銀行的稅貸產品提供循環及分期還款計劃，劃一利率分別為貸款額的7.75%或6.21%，乃其中一項最具競爭力的產品。眾多新產品的推出，令個人貸款組合較去年增長超逾三成。

本銀行的電話中心是處理客戶來往通訊的重要服務渠道。去年，在本銀行展開的各項主要市場推廣活動中，電話中心均充分發揮其重要的功能，輔助有關推廣活動的進行。

消費信貸部非常著重風險管理，在謹慎處理拖欠貸款的情況下，貸款組合得以減少提撥撥備。香港經濟狀況改善及信貸資料庫的成立，亦有助進一步降低撥備。信用卡業務之重點，是通過接洽商戶業務來賺取經常性收益。個人貸款業務方面，本銀行致力吸納高資產信貸客戶，亦提升了銀行的貸款組合質素，結果無論撥備或撇賬額方面均見改善。本銀行加強催收貸款，亦是撥回額減少的原因。

批發銀行

香港企業銀行部

企業銀行部於二零零四年錄得的理想營運表現延伸至二零零五年，貸款增長達36%（扣除終止貸款），拖欠比率一直維持在極低水平。香港企業自一九九八年起顯著降低其資產負債狀況，但由於經濟條件甚有利於積累貸款加上經濟持續復蘇，各大企業已經逐漸加強在拓展業務方面的投資。

貸款業務方面，市場對短期貿易融資貸款和投資貸款需求甚殷，營運資金貸款亦錄得顯著增長。企業銀行部於年內以安排人身份為多家中型企業成功訂立銀團貸款，有關業務將繼續成為未來之重點業務。因此，銀團貸款於年內錄得理想增幅。本銀行之貸款組合非常多元化，遍佈於不同的工業種類，客戶包括中至大型私營企業以及本地的上市公司。

拓展客戶亦是本年度的重心發展方向。年內，企業銀行部吸納了62名新客戶，較二零零四年增長38%。透過推出新穎產品及不同貸款結構與改善交叉銷售模式，令新客戶數目增加。除此以外，企業銀行部的客戶主任亦會聯同本銀行的財資部及財富管理部職員定期跟客戶會晤。

資產負債表之提升指標不單體現於資產，來自企業銀行部之存款亦增加11%。吸納新存款仍然是該部門今後的業務重點所在。

租購

本銀行為中小企業購置之生產設備及車輛提供租賃及租購融資。在有關市場上，本銀行於二零零五年保持領導地位，放貸額隨著本港經濟改善而增加，然而，競爭加劇對於貸款利潤亦構成相當壓力。於二零零四年底成立的台灣小組憑藉富邦品牌效應，及向新客戶推介本銀行規模龐大的租購平台，使有關業務於本年度取得理想佳績。由於經濟改善，貸款拖欠比率於全年均維持在偏低水平。

Directors' Statement

SME Finance

The Bank's SME finance division specializes in providing innovative financing solutions to small and medium sized enterprises in Hong Kong and China. The improvement in the local economy provided a solid platform from which to launch in a full-scale the Bank's SME finance division. The number of customers increased by 81%. Loans outstanding jumped 152%. This was achieved against a backdrop of intense competition from local banks. Pricing pressure was evident throughout the year. Credit quality was well contained during the year, on the back of an improving economy.

Taiwan Corporate Banking Team

The Taiwan Corporate Banking team is a new addition to the Bank, and consequently 2005 was a year of building the infrastructure and personnel of the department. The Bank has hired a team of experienced professionals to formulate and execute the rollout of the Bank's corporate banking offerings to Taiwanese customers in Hong Kong and the mainland. Currently the team's balance sheet is self-funding, with deposits matching its loan portfolio.

FINANCIAL MARKETS

Fubon Bank's Financial Markets provides securities brokerage, foreign exchange services and centralised cash management for deposit taking and lending, management of trading securities, management of the bank's interest rate risk, execution of management's investment strategies in debt securities, and the overall funding of the Bank.

The Bank's Treasury department actively manages the Bank's surplus funds. The Bank is a significant lender in the local interbank market and also maintains a bond portfolio, which comprises Hong Kong government securities and US Treasuries, with small amounts of bank issues and corporate bonds. As interest rates have stabilized, returns from the Bank's surplus funds are forecast to rise in 2006.

Financial Markets is also 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 offer a broad range of products to customers.

Treasury has generated funding for the Bank through several retail and wholesale certificate of deposit programs in 2005. The financial community was very enthusiastic towards the Bank's HKD-denominated certificate of deposit after the name change in April 2005, and the size of the Hong Kong dollar issue was upsized from HK\$500 million to HK\$800 million. Several other private placements of various amounts were also launched during the year. The Bank plans to launch a Euro Medium Term Note program in 2006 to meet its general funding requirements and diversify its funding sources.

In September, Standard & Poor's upgraded the Bank's credit rating. The rating was raised one notch to BBB+, A-2. S&P cited the Bank's status within the Fubon Group as being a major contributor to the rating upgrade. The higher rating should assist the Bank in terms of lowering its cost of future debt issues and raise its status within the local and international money markets.

Another major achievement for the Bank during the year was its role as a sub-underwriter and receiving bank for a major Taiwanese initial public offering on the Hong Kong stock market. The pipeline of Taiwanese companies looking to list in Hong Kong is growing. The Bank is fully capable of assisting these companies to float their shares in Hong Kong.

Financial Markets recorded a significant increase in gross revenue from fee income. The broadening of the product horizon to satisfy customer demands for diversity, included introducing currency, credit, interest, equity-linked, commodity-linked, fund-linked, and liability hedging products during the year.

Looking ahead, a dedicated team of treasury professionals is now in place to support its business development in the Greater China region. In terms of products, Financial Markets will continue to focus on flow business, while developing managed and hedging products. The distribution of treasury products via the Retail Distribution Network has been strengthened last year. In 2006, more attention will be paid to corporate customers in the region, as well as the customers of Offshore Ambassadors.

董事匯報

中小企融資

本銀行的中小企融資部專門向本港及內地的中小型企業提供意念創新的融資解決方案。本地經濟改善造就了業務的拓展，讓本銀行的中小企融資部盡展所長，在激烈的同業競爭中全力拓展業務並且取得驕人成績，客戶數目大增81%，貸款結欠額更躍升152%。該項業務全年不斷承受價格壓力，猶幸本港經濟不斷改善，信貸質素仍然維持理想。

台灣企業銀行部

台灣企業銀行部是本銀行新增部門，故二零零五年專注於建立該部門的基礎設施及廣招人才。本銀行已聘請一隊富有經驗的專業人士制定和執行發展策略，為本港及中國內地的台灣客戶提供企業銀行服務。現時，該部門的資產負債表為自行融資，貸款組合的額度視乎存款額多寡來決定。

金融市場部

富邦銀行的金融市場部提供的服務包括證券經紀、外匯服務及存款及貸款的中央資金管理、持作交易用途證券管理、本銀行的利率風險管理、執行管理層對於債務證券的投資策略及本銀行之整體融資。

本銀行之財資部積極管理銀行的盈餘資金。作為本港銀行界其中一間主要的放債銀行，富邦銀行同時亦持有債券投資組合，其中包括香港政府證券、美國國庫券及少量銀行及公司債券。由於利率已穩定下來，預測二零零六年之銀行盈餘資金回報將會上升。

金融市場部亦須負責開發投資、利率風險管理及貨幣風險管理等產品。屬下之市場推廣部經已擴充，並通過與零售銀行部（特別是 Ambassador Banking）、中小企融資部及企業銀行部的通力合作，向客戶提供廣泛系列的產品。

於二零零五年，財資部數次採用零售及批發方式發行存款證，為本銀行籌集資金。於二零零五年四月更改本銀行的名稱後，各大金融機構對本銀行發行的港元存款證反應非常踴躍，其後發行額更從5億港元增加至8億港元。此外，本年度還進行了數次私人配售。本銀行計劃於二零零六年發售一批中期歐元票據，以滿足其一般資金需要，並分散其資金來源。

標準普爾於九月將本銀行之長期及短期信貸評級調升至BBB+及A-2。標準普爾確定本銀行在富邦金融控股集團內的重要地位，為評級上調的重要因素。評級調高有利於本銀行降低將來的發債成本，提高其在本港及國際貨幣市場的地位。

年內本銀行的另一項重大成就，是為一間台灣大型企業來港上市擔任分包銷商和收款銀行。有意到香港上市的台灣企業數量與日俱增，本銀行則具有充裕能力協助這些企業，讓它們的股份到香港上市。

金融市場部之收費收入以總收益計錄得重大增幅。本銀行於年內積極拓展產品種類，推出的產品包括貨幣、信貸、利息、股票掛鈎、商品掛鈎、基金掛鈎及負債對沖產品，以滿足客戶對分散風險的需求。

展望未來，一支由財資專家組成的小組正為本銀行的大中華地區業務發展進行部署。產品方面，金融市場部將繼續專注於流動資金業務，同時開發具有管理及對沖成份的產品。去年，本銀行經已透過零售銀行網絡加強分銷財資產品。二零零六年，本銀行將致力拓展業務至區內的企業客戶，以及境外銀行部的客戶。

Directors' Statement

RISK MANAGEMENT

The Consumer Finance Risk Management has been operating under a state-of-the-art technological decision mechanism that with the open up of Positive Data Sharing in June 2005, tailored pricing was offered to individual customers on risk-basis according to a 3-Dimensional Decision Matrix evaluating customers risk profiles individually. A Behavioral Scorecard has been developed segregating customers into different risk categories facilitating new products cross-selling and credit line management contributing to the growth of revenue.

The Treasury Risk Management Unit has grown in tandem with the increase in offerings of more sophisticated wealth management products and services. Sophisticated monitor systems are in place to ensure that Treasury remains within guidelines and limits set by the Bank's policies.

Corporate Risk Management supported the rapid growth in the Bank's loan portfolio during the year. New credit approvals rose significantly, while utilization has risen. There has been a general decline in corporate delinquency in recent years, as companies have taken advantage of strong economic conditions to ensure repayment of loans. A specialist team supporting Taiwan business expansion has been well established and is supporting the growth in business of the Bank's Taiwan corporate banking team.

OPERATIONS AND INFORMATION TECHNOLOGY

The operations management team of the Bank is committed to strive for service excellence by developing a dynamic, cost effective operating model that is capable of responding to rapid changing market conditions. The Bank will continue to exploit technology and introduce on-going business process re-engineering in order to deliver professional services through multi-channels distribution.

In 2005, overall transaction volumes has been increased over 20% and operations units have been actively exploring ways to optimize support resources and to achieve a higher level of performance by streamlining branch, middle and back office operations.

The Bank has improved its operations model over the year to align with changes in markets, business mix and new business initiatives. In 2005, the Bank made a strong effort to upgrade the Outward Clearing System, the Payroll System, and the Signature Verification System, with new emphasis on areas such as set up centralized processing unit to support IPO activities and enhanced eBanking cash management functionalities. Operations Division also invested a significant amount of resources to accomplish a comprehensive range of system and support on various structured investment products.

In line with HKMA and Basel II guidelines, the Bank will strengthen its overall Operations Risk Management framework and control measures continuously. With stronger operations management structure, efforts to improve operating cost through supply chain management and process engineering were stepped up. With the enhanced project management and risk control culture, it will position Fubon Bank to support dynamic business environment and to manage operations risks as the Bank grows its Hong Kong and China operations.

In December 2005, the Bank reviewed its eBanking strategy and recognized that an enhanced internet banking platform was fundamental to its regional strategy. As a result, the Bank has upgraded its eBanking service. The Bank will continue to make improvements to its eBanking service, including the introduction of added security features including a "second-factor" authentication mechanism, which will be launched in early 2006.

董事匯報

風險管理

目前，消費信貸風險管理部應用先進的科技系統及採用於二零零五年六月啟動的「共用個人正面信貸資料」。向個別客戶徵收的價格是採用一項三維決策矩陣來決定，該矩陣按照風險級別為客戶之風險狀況個別地作評估。本銀行還開發了一套行為學計分卡系統，將客戶劃分為不同風險組別，藉此促進新產品的交叉銷售及信用額管理，對收益增長亦帶來貢獻。

隨著本銀行推出更創新的財富管理產品和服務，有關的財資風險管理部亦得以擴張。本銀行已設置先進的監察系統，確保財資部符合銀行政策既定的指引和限制。

年內，本銀行之企業風險管理部為貸款組合的強勁增長提供了有力支持。新批信貸額顯著增長。使用貸款的次數亦見增長。企業憑藉強勁的經濟環境以確保準時還款，所以近年企業拖欠貸款問題整體有所改善。該部門亦已設立一個專家小組支援台灣業務擴展，目前正全力協助台灣企業銀行部拓展業務。

營運支援及資訊科技

本銀行的營運支援部致力開發一套高效率且節省成本之操作系統，務求達致最佳的服務水準來迎合瞬息萬變的市場情況。本銀行將繼續發掘科技新知，並引入持續的業務運作改善流程，透過多種分銷途徑提供專業銀行服務。

於二零零五年，本銀行整體交易量已增逾20%，營運支援部各單位均積極探討方法善用其後勤資源，並通過精簡分行、行政及後勤部門的營運程序，以爭取更佳表現。

年內，本銀行改進營運模式，以配合及適應市場、業務組合及新興業務契機的轉變。於二零零五年，本銀行積極提升外向結算系統、支薪系統及簽名核對系統，例如成立了一個為支援首次公開招股工作及提升電子銀行資金管理功能的中央處理小組。營運支援部亦投資了大量資源，建立為實現各類結構性投資產品的完善系統和支援。

本銀行將不斷加強其整體營運風險管理架構及監控措施，以符合香港金管局和「巴塞爾資本協定二」之指引。在加強營運管理結構方面，本銀行努力透過供應鏈管理及改善流程以降低營運成本。在項目管理和風險控制文化得到改善下，富邦銀行在拓展香港及中國兩地業務時，可在多變的營商環境下靈活應變及有效管理營運風險。

於二零零五年十二月，本銀行檢討了電子銀行業務策略，瞭解到建立一個功能強大的互聯網銀行平台對於其區域策略的重要性，遂決定提升其電子銀行業務。本銀行將繼續改善其電子銀行服務工能，包括引入將於二零零六年初啟用，具備更強保安功能的「雙重」驗證機制。

Directors' Statement

SUMMARY

2005 was a challenging year that was successfully navigated by the Bank. Volatile financial markets earlier in the year were followed by rapid increases in local interest rates. The name change and the brand building campaign were well received, aiding the Bank's 9% increase in its balance sheet. The credit upgrade by Standard & Poor's later in the year was an outward sign of the benefits of being part of the Fubon Group. The Bank's first underwriting role illustrates the potential that the Bank can achieve as the product/service platform for the Fubon Group.

There are many new initiatives in the pipeline in 2006, some of which have already been successfully launched. Further investments will be required so that the Bank can achieve its goal of being the Fubon Group's platform for the distribution of wealth management products and services to customers throughout the Great China region and beyond.

Ming-Hsing (Richard) Tsai
Chairman

1 March 2006

董事匯報

摘要

二零零五年是具挑戰性的年度，年初金融市場反覆上落，隨後本港利率大幅上揚，但本銀行成功克服困難，昂然跨進新一個年度。更改名稱及打造品牌已見成果，令資產負債表錄得9%之升幅。繼後標準普爾調升本銀行的信貸評級，客觀地彰顯本銀行成為富邦集團的一份子對本銀行的正面影響。本銀行首次涉足於包銷業務，亦顯示本銀行能為富邦金融控股集團提供產品／服務平台的卓越潛能。

於二零零六年，本銀行將陸續推出多項新策略性計劃，當中部份經已率先推出。於大中華區甚至以外的其他地域，本銀行致力成為富邦金融控股集團向客戶分銷理財產品和服務的平台，為此本銀行將進一步作出投資。

主席
蔡明興

二零零六年三月一日