

財務及業務回顧

FINANCIAL RESULTS AND OPERATION REVIEW

董事會欣然提呈本集團截至二〇〇三年六月三十日止六個月的中期報告及簡明賬目。本集團截至二〇〇三年六月三十日止六個月之綜合損益表、綜合現金流量表及綜合權益變動表，以及本集團於二〇〇三年六月三十日結算之綜合資產負債表，均是未經審核及以簡明賬目編製。上述各項連同有關註釋、補充財務資料及補充資料列於本中期報告第六頁至第四十頁。

二〇〇三年上半年香港經濟依然疲弱，在美伊戰事的爆發與非典型肺炎疫潮衝擊下，各行各業都受到不同程度的影響，通縮凌厲，失業情況惡化，消費意欲下降，借貸需求萎縮，銀行業的經營仍屬相當困難，盈利增長因而受到局限。

本行二〇〇三年首六個月的業績與去年同期比較：

除稅後盈利上升1.5%，為港幣三億九千零六十四萬六千元。

非利息收入雖有較大幅度增長及呆壞賬數字有所減少，惟被淨利息收入減少及為投資債券撥備增加所抵銷。

利息支出減少11.5%，為港幣三億七千九百一十四萬元，乃因香港利率進一步下調後仍處於低水平，惟外幣存款利率則有所增加。

上半年致力拓展非利息收入業務有良好表現，非利息收入增加23.5%，為港幣二億二千七百一十萬八千元，主要為保險業務收益及理財業務手續費收益有可觀增長，惟信用咭經營收益則因市道欠佳而繼續下降。

營業收入上升1.2%，為港幣七億九千一百八十五萬八千元；營業支出微減0.6%，為港幣二億六千六百九十二萬四千元，主要是推廣信用咭業務的開支減少。

成本對收入比率為33.7%，較去年同期下降0.6%，扣除呆壞賬準備金前的營業溢利增加2.2%，為港幣五億二千四百九十三萬四千元；提撥呆壞賬準備減少20.6%，為港幣五千二百二十一萬一千元。

營業溢利上升5.6%，為港幣四億七千二百七十二萬三千元。

The Directors are pleased to present the Group's Interim Report and condensed accounts for the six months ended 30 June 2003. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2003, and the consolidated balance sheet as at 30 June 2003 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, supplementary financial information and supplementary information are set out on pages 6 to 40 of this report.

The economic conditions in Hong Kong remained stagnant in the first half of 2003, as it sustained the impacts of the Iraq war and the SARS outbreak. Quite a number of business sectors were affected to some degree. These developments, combined with persistent deflation, high unemployment, sluggish consumption and weak loan demand, have dealt a heavy blow to the economy of Hong Kong. The operating conditions in the banking sector remained tough, limiting earnings growth of the industry as a whole.

Comparing the Bank's operating results for the first half of 2003 with the corresponding period of 2002:

Profit after taxation amounted to HK\$390,646,000, representing an increase of 1.5%.

The Bank recorded a marked increase in fee income and a decline in charge on bad and doubtful debts; however, this improvement was partially offset by a decline in net interest income and the increase in provision for debt securities.

Local interest rates still remained at an exceptionally low level, causing interest expense to drop by 11.5% to HK\$379,140,000, despite higher interest rates on foreign currency deposits.

Our endeavour to expand non-interest income business in the first half of 2003 saw favourable results. Non-interest income increased by 23.5% to HK\$227,108,000, mainly attributable to the impressive growth in earnings and handling fees generated from our insurance operation and wealth management business. However, income from credit card operation continued to fall due to adverse operating environment.

Operating income increased by 1.2% to HK\$791,858,000. Operating expenses decreased marginally by 0.6% to HK\$266,924,000, primarily due to the decrease in credit card promotion expenses.

The cost-to-income ratio decreased by 0.6% to 33.7%, compared with the first half of 2002. Operating profit before provisions grew by 2.2% to HK\$524,934,000. The charge for bad and doubtful debts decreased by 20.6% to HK\$52,211,000.

Operating profit increased by 5.6% to HK\$472,723,000.

客戶貸款與去年同期比較下降1.6%，為港幣二百九十九億九千六百零八萬四千元，與去年底比較微降0.1%。呆壞賬準備金為港幣七億零七百七十三萬八千元，其中64%屬一般準備，為總貸款的1.51%。

客戶存款與去年同期比較增加2.9%，為港幣五百億八千三百九十二萬八千元，與去年底比較增加2.9%。已發行存款證港幣二十六億三千五百五十五萬二千元。貸存比率為55.6%，較去年同期之59%為低，去年底為57.8%，反映上半年借貸需求萎縮，資金仍不易找尋出路。而本行仍會堅持審慎貸放原則，並繼續積極將資源分散拓展其他具較高回報的業務和佣金收益業務如租購分期、財資管理、保險、證券買賣等。

平均總資產回報率為1.21%，略高於去年同期之1.2%；平均股東資金回報率為9.65%，低於去年同期之9.99%。

二〇〇三年六月三十日之綜合資本充足比率為22.1%，平均流動資金比率為49.1%。

存款

與去年底比較，存款上升2.9%，主要是因外幣存款升值而折算港幣之結餘有所增加，港元利息缺乏吸引力，部份客戶選擇將資金投放於有較高回報之投資產品的趨勢仍會持續。

截至六月底本行一共發行了存款證總值港幣二十六億三千五百五十五萬二千元，較去年底增加28.3%。當中絕大部份為浮息，小部份定息者則以美元發行零售與個別客戶。

放款

放款減少主要是對房地產借貸萎縮，當中住宅樓宇按揭仍保持平穩，按建築、物業投資、居屋按揭的借貸各有不同程度退減。由於競爭激烈，新敘做樓按息率普遍已調低至極其微薄。政府推出穩定樓市措施效果不彰，同時受到非典型肺炎疫潮影響，樓價再下調近一成，進一步削弱置業者信心。

銀團貸款及企業融資均有穩定增長，惟因利息低企，競爭劇烈，收益未能同步上升。

永隆財務有限公司上半年的租購及租賃業務，因少做了小巴及的士業務，而呈現退減，惟其他借貸項目則有所增長，盈利尚能維持增長。

Advances to customers registered a mild decline by 1.6% from the level a year ago to HK\$29,996,084,000, which is 0.1% lower compared with that at 31 December 2002. Provisions for bad and doubtful debts amounted to HK\$707,738,000, of which 64% is general provision, representing 1.51% of the total advances to customers.

Total customer deposits of HK\$50,083,928,000 was 2.9% higher compared with the same period last year, or an increase of 2.9% as compared with that at 31 December 2002. Certificates of deposit issued amounted to HK\$2,635,552,000. The loan-to-deposit ratio was 55.6%, compared with 59% for the same period of 2002 and 57.8% at 31 December 2002, reflecting high liquidity owing to weak loan demand. The Bank will continue to maintain a prudent lending policy and re-allocate its resources to higher yielding operations and commission income businesses, such as hire-purchase and leasing, wealth management, insurance and securities trading business, etc.

The return on average total assets was 1.21%, slightly higher than 1.2% for the same period in 2002. The return on average shareholders' funds was 9.65%, below the 9.99% recorded in the same period in 2002.

At 30 June 2003, the consolidated capital adequacy ratio was 22.1%, and the average liquidity ratio was 49.1%.

Deposits

Total deposits registered a 2.9% increase from 2002 year-end, primarily due to the appreciation of various foreign currency deposits when translated into Hong Kong dollar. As the HK dollar deposit rate remains unattractively low, some depositors re-allocate their funds to other higher-yielding investment products.

As at 30 June 2003, floating rate certificates of deposit and a small amount of US\$ fixed rate retail certificates of deposit totaling HK\$2,635,552,000 were issued, up 28.3% as compared with that at 2002 year-end.

Advances to customers

Loans and advances to customers declined, mainly attributable to the contraction of the property lending loan book. Property development and investment financing and Home Ownership Scheme Loan accounted for the decline by different magnitudes; whereas residential mortgage lending remained stable. Continued price competition in the residential mortgage market forced the residential mortgage interest rate for new homes to drop to exceptionally low levels, making mortgage yields extremely low. Despite government measures to stabilise the property market, the market remained subdued. Investor sentiment was further dampened by the outbreak of SARS, causing residential property prices to fall by nearly 10% in the first half of the year.

Syndicated loans financing and corporate lending business grew steadily. Despite a higher loan balance, profit did not grow commensurately, reflecting shrinking interest rates and stiff competition.

Our hire-purchase and leasing subsidiary, Wing Lung Finance Limited, recorded a contraction in loan balance with the reduction in taxi and minibus financing activities. However, operating profit grew steadily, mainly attributable to the growth in other loan types.

押匯

由於國際貿易形態的轉變，押匯業務與盈利續呈退減，寄望中東局勢盡早回復穩定，非典型肺炎的衝擊逐漸淡化，內地與香港更緊密經貿關係安排細節擬訂實施後，為香港創造更多商機。

本行已參與政府推出之「中小企業信貸保證計劃」項目中之「應收賬信貸融資保證」，期望對本地中小企業的發展有所幫助。

財資

外匯買賣及外幣找換整體收益較去年同期上升7.3%。

上半年美元對各種主要貨幣呈現頗大波幅，刺激交投，令外匯買賣收益有較大增長。惟找換業務則因旅遊業受非典型肺炎創傷甚重，表現遠遜於預期。

現時人們對美國經濟能否迅速復原抱懷疑態度，外匯市場仍會反覆多變。旅遊業在疫情消散後已漸次回復興旺，相信最壞情況已成過去。預測下半年外匯、找換業務會有較佳表現。

本行參與資本市場活動持續活躍，並獲致一定成果。會更密切留意市場變化和利率趨勢，制訂合適政策以求獲取更多收益。

理財

理財中心上半年業務收益較去年同期有可觀增長，此因存款利率依然處於極低水平，令客戶將資金投放於較高回報的理財產品使然。

本年六月本行獲香港金融管理局委任為「零售外匯基金債券分銷商」，配合該局將兩年及三年期外匯基金債券銷售與個人客戶的試行計劃。

信用咭

信用咭業務截至六月底，發咭總數與去年同期相若；放出賬款則較去年底減少；上半年按年計之撇賬率為13.3%，較去年底有所改善。由於香港整體經濟衰退持續深化，通縮凌厲，消費萎縮，失業率及個人申請破產情況仍然嚴峻，整體信用咭行業都在困苦中經營。面對不明朗前景，本行會將咭數及信貸額嚴格控制於合適水平。籌備多時的客戶信貸資料庫已告成立並定期分階段實施，預期壞賬情況會逐步轉好。

Bills

The changing payment mode in international trade impacted trade finance operation, causing a decline in business turnover and bills income. It is hoped that gloomy economic sentiment related to the Iraq war and the SARS outbreak will soon dissipate, and Hong Kong's confidence will be rejuvenated with the implementation of the Closer Economic Partnership Arrangement (CEPA), thereby creating more business opportunities in the local market.

The Bank has participated in the "Accounts Receivable Loan Guarantee Scheme" under the "Small and Medium Enterprises Development Support Plan" initiated by the Government in order to give support to the small and medium enterprises in their future business development.

Treasury

Combined income from foreign exchange and money exchange business rose by 7.3% from the level a year ago.

In the first half of 2003, US dollar fluctuated widely relative to other major currencies, boosting trading sentiment which helped generate impressive profit for our foreign exchange dealings. However, our money exchange business underperformed the target against difficult market conditions due to SARS outbreak and the resulting plunge in tourism.

As the prospect of a US recovery is still uncertain, the forex market exhibited volatility. As our tourism industry is rebounding now that SARS is behind us, we believe the worst is over and that in the latter half of 2003, foreign exchange and money exchange activities will show improvements.

The Bank has been active in capital market activities, and the result is encouraging. We will keep a keen eye on market development and interest rate trend to formulate appropriate strategies with the objective to achieving better profit growth.

Wealth management

Wealth management income registered a substantial growth over the level a year ago. Given the low yield on deposits, depositors have turned to higher-yielding wealth management products as a channel for investment flows.

In June, the Bank was appointed as the Retail Exchange Fund Notes Distributor by the Hong Kong Monetary Authority for the distribution of 2-year and 3-year Exchange Fund Notes in the retail market under the pilot scheme.

Credit card

As at 30 June 2003, our card base was in line with the comparable period in 2002; while credit card receivables were lower than that at 2002 year-end. The annualised charge-off ratio for the first six months of the year is 13.3%, an improvement from 2002 year-end. The credit card industry was hard hit under a sagging economy, prolonged deflation and weak domestic consumption, and there is no improvement in employment and personal bankruptcy situation. Given the uncertain economic outlook, the Bank will closely monitor our credit approval policy and contain the card base growth at an acceptable level. The credit data bank, facilitating the sharing of customer positive information among banks, has become operative by stages, and it will help improve bad debt position of the banks.

保險

上半年屬下之永隆保險有限公司的承保業務及保險部之代理業務均表現良好，增長強勁。聯營的加安保險代理有限公司及專業責任保險代理有限公司所帶來的生意額亦屬可觀。代售香港人壽產品佣金收益較去年同期亦有相當增長。

證券

上半年本港市場總交投較去年同期減少4.5%，美伊戰爭與非典型肺炎疫情對市場衝擊未算嚴重，本行證券業務成交較市場略佳。

新引進的證券電腦系統預算可以在本年底發展完成，將有助提高各類證券產品在市場交易的效率和功能。

分行

為求將資源集中作更有利使用，新世紀廣場分行已於二〇〇三年八月十一日起將業務歸併入荔枝角道分行辦理，此後本行在本地開設之分行由原來之34間減為33間。

羅省分行、開曼群島分行如常運作，業務進展平穩。

關於內地與香港簽署了更緊密經貿關係安排後，本行已符合進入內地市場的條件。隨即成立專責小組積極籌劃申請在國內開設分行事宜。

資訊科技

本行向IBM購置的最新型櫃員平台系統，前台部份的發展已告完成，於本年一、二月間陸續在各分行及部門安裝啟用，後台部份現已進行內部測試，預計會在下半年陸續啟用。

人力資源

在二〇〇三年六月底，本行僱員總人數為1,237人，其中香港佔1,223人，國內佔5人，海外佔9人。

人力資源部經常開設或安排一些與業務及新產品有關課程、資訊科技應用課程、專題講座等，以培訓和充實職員的知識和技能；並鼓勵及資助職員考取一些特定資格考試，協助他們作持續進修及登記資格；亦有不時與海內外同業互派人員作業務和技術交流，以配合發展。

承董事會命
秘書 馮蘊蓀 謹啟

香港 二〇〇三年八月二十日

Insurance

In the first half of 2003, Wing Lung Insurance Company Limited and our Insurance Department recorded a marked performance in underwriting business and agency business. Our partnership with Equity Underwriters Limited and Professional Liability Underwriting Services Limited yields good result with substantial growth in gross premium. Sale of Hong Kong Life Insurance Limited products has contributed significant commission income growth over the level a year ago.

Securities broking

The Iraq war and the SARS outbreak impacted moderately the local stock market with transaction volume down by 4.5% in the first half of 2003 as compared with the corresponding period in 2002. Our securities operation recorded a better-than-market performance in terms of transaction volume.

The new securities system is expected to become operative towards the end of 2003, hence improving operation efficiency and functional capabilities when fully launched.

Branch

As part of our efforts to ensure effective resources allocation, the Grand Century Place Branch was merged with Lai Chi Kok Road Branch on 11 August 2003, thus reducing the total number of local branches from 34 to 33 branches.

Our Los Angeles Branch and Cayman Islands Branch both achieved steady growth.

After the signing of CEPA between the mainland and Hong Kong, the Bank is now qualified for the setting up of a branch in the mainland. A task force has been formed preparing for a branch office across the border.

Investment in information technology

The new IBM teller platform front-end terminals have started operating in January and February in branches and some departments. The testing of the back-end host is underway and system implementation is expected to be completed in the latter half of the year.

Human resources

At the end of June 2003, total workforce amounted to 1,237, including 1,223 locally, 5 in the mainland and 9 overseas.

With a view to upgrading the skills and knowledge base of our staff so that they are better able to serve business and customers' needs, our Human Resource Department has been actively organising seminars and training sessions related to bank operation, product knowledge, information technology and specialised topics, and sponsoring our staff to attend various training programs as well as continuing professional training in order that they can obtain professional qualifications in respective professions. Exchange visits have been arranged with our overseas correspondents in the sharing of experience in different aspects of business operations.

By Order of the Board
Maria Wan-sin FUNG
Secretary

Hong Kong, 20 August 2003