

董事長致詞

CHAIRMAN'S STATEMENT

去年上半年香港經濟表現仍然呆滯，年中與內地簽署更緊密經貿關係安排，及中央政府推行多項協助香港經濟復甦的措施後，市場情況明顯好轉，經濟最惡劣時期相信經已渡過。

受惠於經濟環境的改善，本行二〇〇三年除稅後盈利為港幣八億五千八百八十萬四千元，較二〇〇二年之港幣七億五千九百五十七萬八千元增長百分之十三點一，即每股盈利港幣三元七角。董事會建議派發末期股息每股港幣一元三角八仙，連同去年九月已派發之中期股息每股港幣三角八仙，二〇〇三年全年每股派息港幣一元七角六仙。

二〇〇三年度本行的平均資產回報率及平均股東資金回報率分別為百分之一點三三及百分之十點三四；資本充足比率及平均流動資金比率分別為百分之二十一點五及百分之五十一點二。

總存款港幣五百一十三億九千五百六十四萬六千元，增長百分之五點六；總放款港幣二百九十二億六千一百九十二萬六千元，下降百分之二點六；綜合資產港幣六百七十七億八千一百一十一萬七千元，上升百分之九點八。

借貸需求仍屬疲弱，同業競爭劇烈令息差進一步收窄，幸而近年致力開拓非利息收入業務已漸見成效，去年收益有強勁增長，在整體盈利當中所佔比重加大。

理財業務二〇〇三年表現良好，總收益增長超逾預期。由於存款利率仍徘徊於極低水平，客戶對具較高回報的理財產品有一定需求，故此項業務的發展空間仍然很大，本行會投放更多人力和資源以擴大及加速其開發。

The economic conditions in Hong Kong remained stagnant in the first half of 2003. Market sentiment gradually improved towards the second half following the signing of the Closer Economic Partnership Arrangement (CEPA) between the Mainland and Hong Kong and the introduction of a number of preferential measures by the Central Government. It is believed that the worst is behind us, and economic recovery is underway.

The consolidated net profit for the year 2003, after making provision for taxation, rose by 13.1% from HK\$759,578,000 in 2002 to HK\$858,804,000, attributable to the improving economic environment. Earnings per share was HK\$3.70. The Board proposes the payment of a final dividend of HK\$1.38 per share which, together with the interim dividend of HK\$0.38 per share already paid in September 2003, make a total dividend for the year 2003 of HK\$1.76 per share.

Return on average assets and return on average equity were 1.33% and 10.34% respectively, and capital adequacy ratio stood at 21.5% at 31 December 2003. The average liquidity ratio for the year was 51.2%.

Total deposits increased by 5.6% to HK\$51,395,646,000, while advances to customers eased by 2.6% to HK\$29,261,926,000. Consolidated total assets amounted to HK\$67,781,117,000, or 9.8% increase from 2002.

In an environment of weak loan demand and severe pricing competition, net interest margin further narrowed. Nevertheless, our endeavour to expand non-interest income over the past few years is seeing results. In 2003, non-interest income achieved good growth and has become a significant component of the overall profit of the Bank.

Income from wealth management initiatives grew appreciably and outperformed the target. There exists a stable demand for higher-yielding investment products in this low interest rate environment. Recognising the expansion potential of wealth management business, we will deploy more resources to broaden our spectrum of wealth management service for faster growth.

Boosted by a number of favourable factors in the second half of 2003, Hong Kong stock market posted further gains; and our securities brokerage business also registered substantial growth. We will closely monitor market development and focus on our objectives of

去年下半年香港股市受多方面利好因素刺激而上揚，本行證券業務亦表現良好，會密切留意市場動向，迎合客戶需求，不斷提升服務質素和競爭能力，期望有進一步發展。

附屬之保險公司經營各類保險業務有理想增幅，盈利上升顯著。惟因市況好轉之後割價競爭情況回復熾烈，是年度保險業務的增長會放緩下來。

由於經濟疲弱，通縮持續，失業率高企，上半年整個信用咭行業仍在相當困苦中經營，本行無論在發出新咭及放出賬款方面均實施嚴格調控。年中市況開始轉好，市民消費信心逐漸恢復，加上正面信貸資料庫於去年八月推行，今年應可採用較進取的經營策略，期望此項業務能為集團盈利再作貢獻。

近年透過電子和上網進行的自動化服務已日益普及，分行的功能亦轉移為更著重銷售的角色，負起推廣及分銷理財、保險、人壽、證券等產品及服務的責任。人力資源部會相應配合，培訓更多客戶服務人才以作支援。新引進的IBM櫃員平台系統大部份主要工程經已完成及開始運作，當中客戶關係管理系統的啟用對前線人員向客戶進行交互銷售有一定幫助。

二〇〇四年會是充滿機遇和挑戰的一年，美國經濟開始復甦，中國去年生產總值更錄得可觀增長，標誌著國家經濟已邁向小康，成為亞太地區發展的動力。內地與香港更緊密經貿關係安排實施後，容許香港二百多項產品輸入內地享受免關稅待遇，給予十八個服務行業開放市場，而涉及金融的部份，除了降低香港銀行在國內開設分行的門檻外，更獲准試辦四項個人人民幣業務，

customer satisfaction and quality service as well as enhancing our competitive position in order to achieve further growth.

Our insurance subsidiary recorded a marked performance and a substantial increase in profit in various categories of insurance business. The improving market, however, sees a new round of severe pricing competition. It is thus anticipated that the growth of our insurance operation in the current year will not be as robust as in the previous year.

The card industry was hard hit under a sagging economy, prolonged deflation, high unemployment rate and weak domestic consumption, resulting in a very difficult operating environment in the first half of 2003. Against depressed business conditions, we prudently implemented policies to contain our card base growth and receivables at a comfortable level. In mid-2003, the economy began to pick up, and the improvement in consumer sentiment is particularly encouraging. With the implementation of credit data bank in August 2003, we can take on a more proactive strategy to promote our card business in the current year and thus contribute profit to the Group.

The role of the branch network has changed as the Bank moved more towards electronic delivery channels. In addition to the traditional services, branches are now assuming greater responsibility as a sales center for the Bank's financial services and products such as wealth management, general insurance, life insurance and securities trading. Our Human Resource Department will step up training in customer service to cope with this strategic change. On the technology front, major systems of the new teller platform acquired from IBM were completed and started operating, and we hope that the customer relationship management system (CRM), now in operation, will serve as an effective tool to assist front-line staff in cross-selling activities.

Looking ahead, 2004 is a year filled with opportunities amidst challenges. The US economy has started to pick up. China, emerging as the growth engine in the Asia-Pacific region, recorded a sharp rise in GDP in 2003, signifying the general living standard reaching a more comfortable level. With the implementation of CEPA, over 200 categories of Hong Kong's domestic products can be exported to the Mainland tariff-free, and 18 Hong Kong service industries can enter the mainland market. On the banking front, the asset threshold for Hong Kong-based banks entering the Mainland has been lowered. Concurrently, the Central Government has allowed Hong Kong banks to offer personal renminbi services in four areas, including

包括存款、兌換、匯款及信用卡。我們必須把握此一發展機遇，善用本身優勢，與珠三角融合發展，共創繁榮。

內地與香港更緊密經貿關係安排實施後，本行已獲得中國銀行業監督管理委員會的受理在深圳設立分行，籌備工作已積極展開，預期可以在三月下旬開業。

董事伍黎宜博士以年事已高，於未來股東年會任期屆滿後不再接受應選連任董事；董事何子棟先生亦因私務理由於本年二月十七日起辭任獨立非執行董事。

伍黎宜博士早在一九三七年已加入永隆，歷任總經理及董事長凡四十五年，至一九八二年榮休後仍留任為董事迄今，在本行各個發展階段均作過重大貢獻。何子棟先生自一九八八年加入董事會亦已有十六年，在任期間建樹良多。謹在此代表董事會向兩位辭任董事敬致謝忱，並祝願他們倦勤之後，身心康泰，歲月優游。

為彰顯伍黎宜博士對本行所作貢獻，董事會通過推舉他為名譽董事長，以示尊崇。

本人並擬藉此機會向所有客戶、股東、各界友好、同業先進過去一年給予本行的支持，尤其是創辦人伍宜孫博士及名譽董事長伍黎宜博士的時加匡導，敬致謝忱，對本行管理層暨各級人員的努力工作，忠誠服務，亦謹代表董事會向他們表示衷心感謝！

董事長
伍步高

香港 二〇〇四年二月二十五日

deposits, foreign exchange, remittances and credit cards. Against such favourable developments, Hong Kong should build on its strength and maintain closer collaboration with the Pearl River Delta to capitalise on the vast business opportunities arising from China's fast growing economy.

Thanks to the implementation of CEPA, the Bank has received an acceptance notice from the China Banking Regulatory Commission permitting the Bank to prepare for the setting up of a branch in Shenzhen. All preparatory work is running smoothly, and the new branch is expected to go into operation towards the end of March 2004.

Your director Dr Jieh-ye WU, for age considerations, will not stand for re-election when he retires as a director of the Bank by rotation at the forthcoming Annual General Meeting, while Mr Stephen Tze-tung HO resigned as Independent Non-executive Director effective 17 February 2004 due to personal commitments.

Dr Jieh-ye WU joined the Bank in 1937. He served consecutively as General Manager and Chairman of the Bank for 45 years and has remained as a director after his retirement as Chairman in 1982. He has made enormous contributions in all stages of the Bank's development. Mr Stephen Tze-tung HO joined the Board in 1988. His many contributions during his 16 years of service were invaluable. On behalf of the Board, I would like to express our gratitude to both Dr WU and Mr HO for their invaluable guidance and support they have given to the Bank over the years and we wish them every happiness and the best of health.

Dr Jieh-ye WU is honoured as Emeritus Chairman by the Board in recognition of his efforts and significant contributions to the Bank's progress and development in its early days.

On behalf of the Board, I would like to take this opportunity to express our gratitude to all our customers, shareholders, friends and fellow bankers for their continued support and guidance, to Dr Yee-sun WU, founder, and Dr Jieh-ye WU, Emeritus Chairman of the Bank, for their wise counsel and to the management and entire staff for their ongoing dedicated service.

Michael Po-ko WU
Chairman

Hong Kong, 25 February 2004